CAREL

ANNUAL REPORT

2024

LETTER TO THE SHAREHOLDERS

Dear shareholders,
2024 was a challenging year for CAREL, characterised by a complex scenario and multiple sectoral and geographical factors that influenced our results.
After having grown for three consecutive years at a rate of over 20%, 2024 marked a slowdown in revenue, mainly due to the lacklustre performance in Europe, especially in certain segments, such as heat pumps. The heat pump sector was primarily affected by major macroeconomic factors, such as high interest rates and an inflation rate that fortunately normalised during 2024. However, the situation was compounded by certain factors such as the lack of an organic European plan for the revitalisation of heat pumps, which is essential to achieve the continent's decarbonisation goals, and the presence of a large stock of end units throughout the value chain. However, results were very positive in North America in both the refrigeration and air conditioning sector, thanks in part to the data centre segment's strong contribution.
Notwithstanding the unfavourable environment, we still managed to maintain excellent profitability (above 18%) through careful and disciplined cost management and effective resource optimisation. This was strengthened by robust cash generation, which further strengthened our financial position, confirming the group's solidity despite the uncertain environment. These results testify to the resilience of our business model and our ability to adapt quickly to unfavourable circumstances with determination and competence.
In order to not only maintain but also enhance our resilience and responsiveness, we have designed a new organisation to reduce complexity and optimise the decision-making process. Customer proximity will be even more at the heart of our strategy, with an increased focus on individual regional organisations. We will place great emphasis on innovation, targeting both incremental advances and disruptive solutions.
On the non-financial front, we achieved major milestones, confirming our commitment to sustainability and inclusion, values that are and will be the pillars of our future development. We are particularly proud of the Science Based Targets initiative's (SBTi) validation of our ambitious 10-year decarbonisation targets. This international recognition underlines our active role in the energy transition and reinforces our determination to significantly reduce the environmental impact of our production and operations. In addition, our headquarters achieved the prestigious gender equality certification, an important milestone that reflects our commitment to a fair, inclusive and meritocratic working environment.
All of the above has been possible thanks to the commitment, dedication and passion of all our people. In such a complex period, the professionalism, determination and team spirit of the women and men at Carel has made a significant difference, enabling us to tackle challenges with great enthusiasm and effectiveness. I would like to express my sincerest gratitude to each one of them for their outstanding work and their constant contribution to the group's success.
We look to the future with enthusiasm and confidence, aware that challenges also represent opportunities for growth, innovation and transformation. We will continue to work with the aim of creating sustainable value for all our stakeholders, consistently pursuing our development strategy and paying increasing attention to environmental, social and economic sustainability aspects. Our vision is clear: we intend to be protagonists of a more sustainable and inclusive future, where innovation and accountability go hand in hand.

Thank you for your continued trust and valuable support. I am confident that, together, we will successfully tackle the challenges ahead and build an even more solid and prosperous future.

Luigi Rossi Luciani
(Chairperson)

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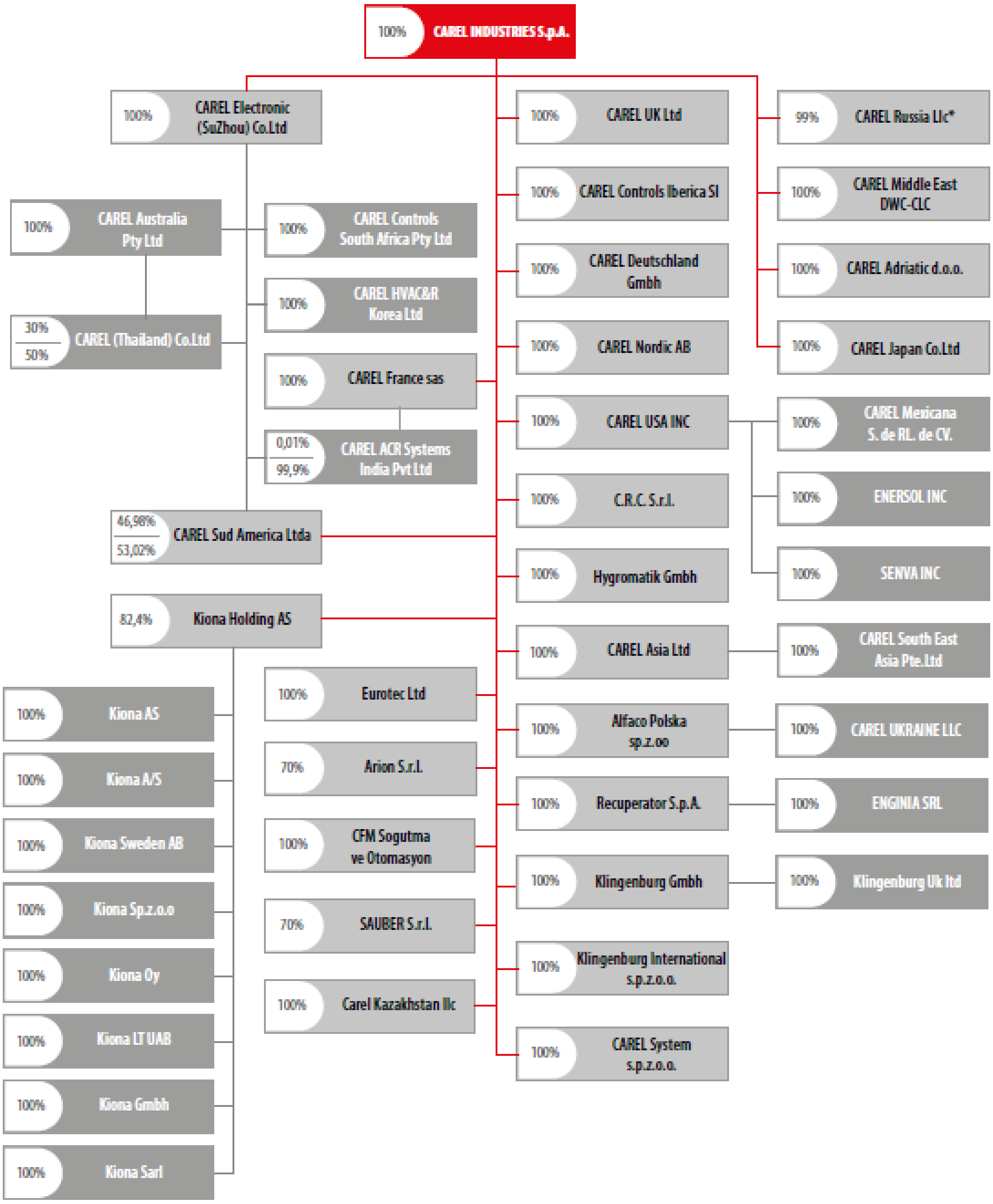
DIRECTORS' REPORT

31 DECEMBER 2024

CAREL INDUSTRIES GROUP'S STRUCTURE

The following graph shows the group's structure at 31 December 2024:



*= 1% owned by Carel France SAS

CORPORATE BODIES

Board of directors	*Chairperson*	*Luigi Rossi Luciani*
	Executive deputy chairperson	*Luigi Nalini*
	Chief executive officer	*Francesco Nalini*
	Executive director	*Carlotta Rossi Luciani*
	Independent director	*Cinzia Donalisio*
	Lead independent director	*Mario Cesari*
	Independent director	*Gianluigi Vittorio Castelli*
	Independent director	*Marina Manna*
	Independent director	*Laura Rovizzi*
Board of statutory auditors	*Chairperson*	*Paolo Prandi*
	Standing statutory auditor	*Saverio Bozzolan*
	Standing statutory auditor	*Gianna Adami*
	Alternate statutory auditor	*Fabio Gallio*
	Alternate statutory auditor	*Elena Angela Maria Valenti*
Independent auditors		*Deloitte & Touche S.p.A.*
Audit, risk and sustainability committee	*Chairperson*	*Marina Manna*
	Member	*Cinzia Donalisio*
	Member	*Mario Cesari*
Remuneration committee	*Chairperson*	*Cinzia Donalisio*
	Member	*Marina Manna*
	Member	*Mario Cesari*
Supervisory body pursuant to Legislative decree no. 231/2001	*Chairperson*	*Alberto Berardi*
	Member	*Arianna Giglio*
	Member	*Alessandro Grassetto*

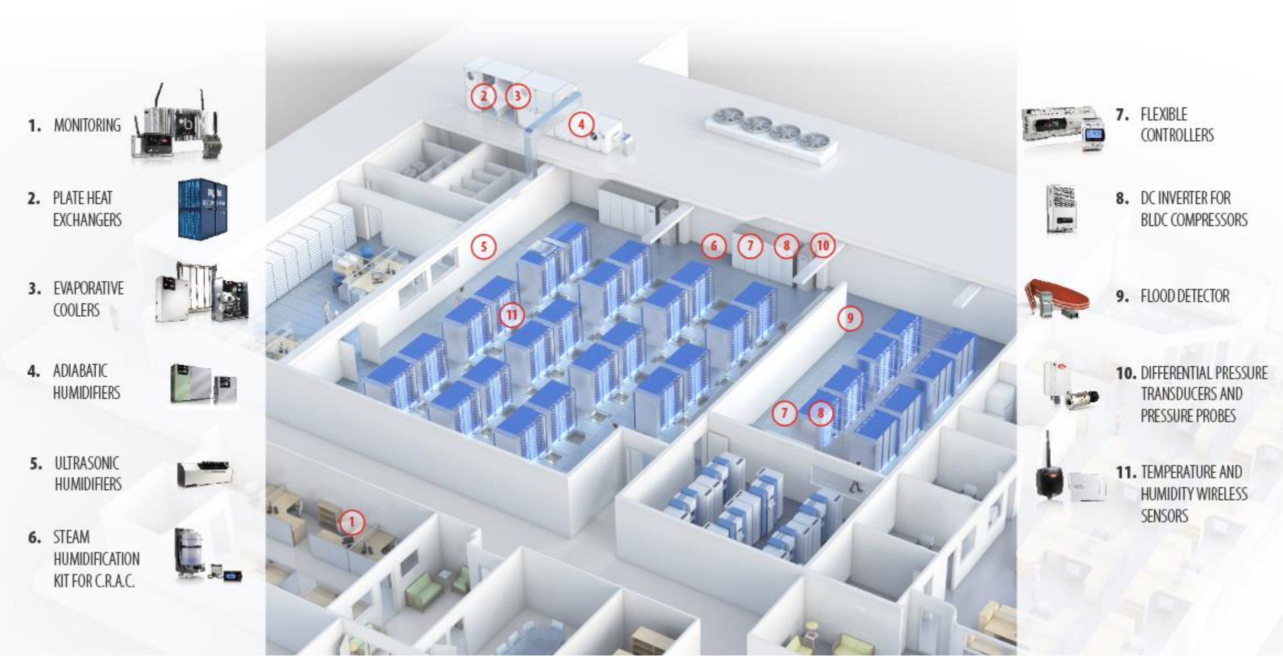
OPERATIONS AND MARKETS

Founded in 1973, the group is active in the design, manufacturing and global distribution of technologically innovative components and solutions (hardware and software) to achieve energy-efficient control and regulation instruments for the air conditioning (Heating Ventilation Air Conditioning, "HVAC") and refrigeration markets (together "HVAC/R"). In this context, the group designs, manufactures and markets control and humidification solutions for the following application segments:

With reference to the HVAC sector, the group offers solutions for integration into individual units, such as heat pumps, shelters, rooftops, computer room air conditioners (CRAC), chillers and air handling units. Its industrial applications are designed for data centres, the process industry, commercial applications mainly consisting of components for air-conditioning systems in commercial buildings, and residential applications principally comprising control solutions for heat pumps.

The following charts show the Carel systems:

- for applications in data centre air-conditioning systems;

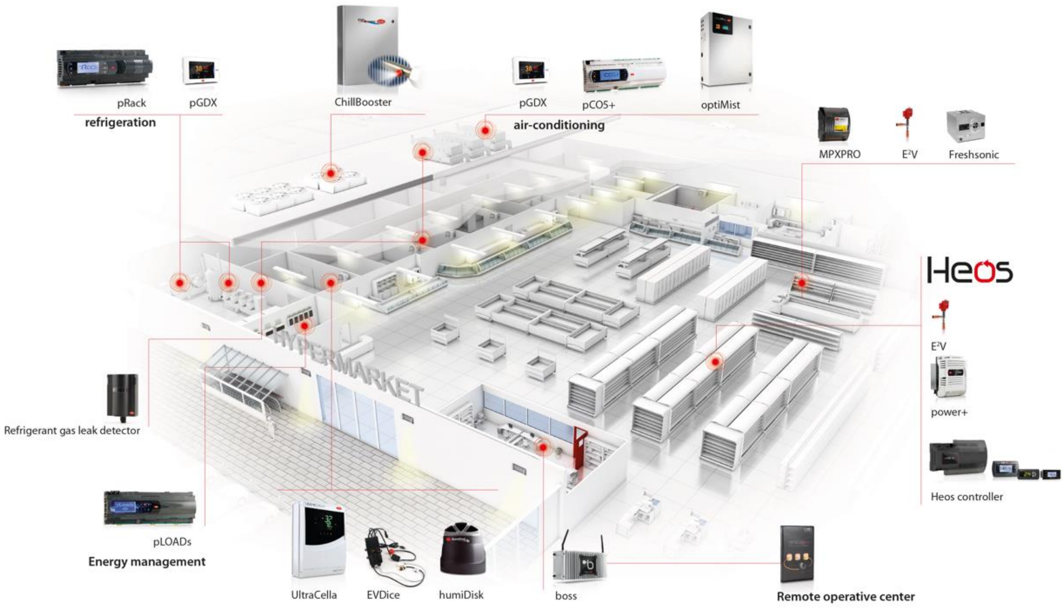


- for air treatment systems:

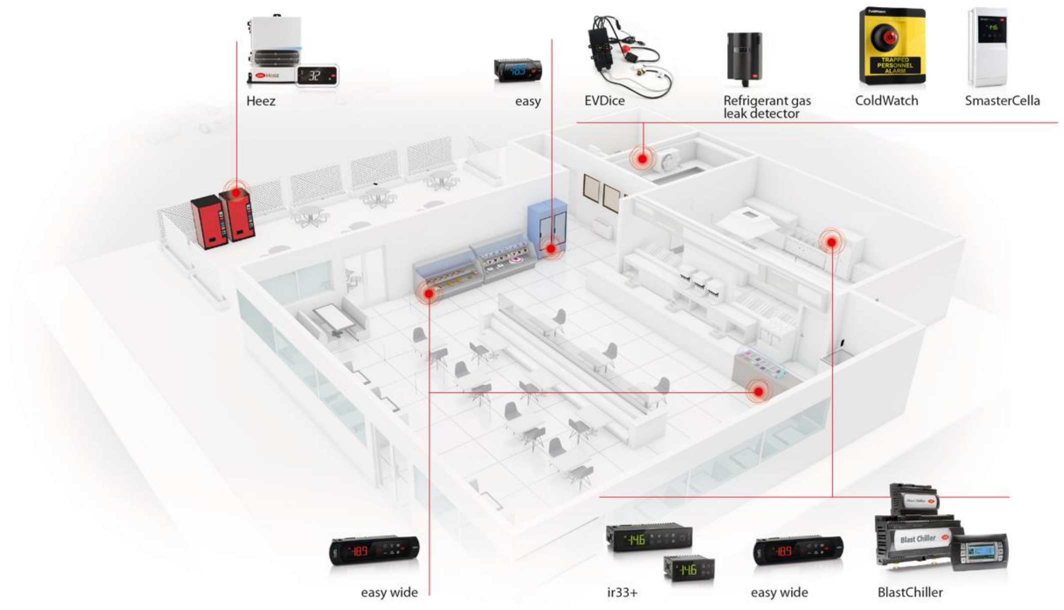
In the refrigeration sector, the group specialises in the design, manufacturing and distribution of control systems for the food retail and food service segments. Carel's offer is for:

- individual refrigerator units, such as beverage coolers, plug-in refrigerators and display cabinets;
- complex and interconnected commercial refrigeration systems, such as those for supermarkets of all sizes, convenience stores and foodcourts;
- supervisory systems for individual machines, such as plant and remote supervision centres.

Example application of Carel's solutions for commercial refrigeration in food retail (supermarkets):



Example application of Carel's solutions for commercial refrigeration in food service (quick service restaurants):

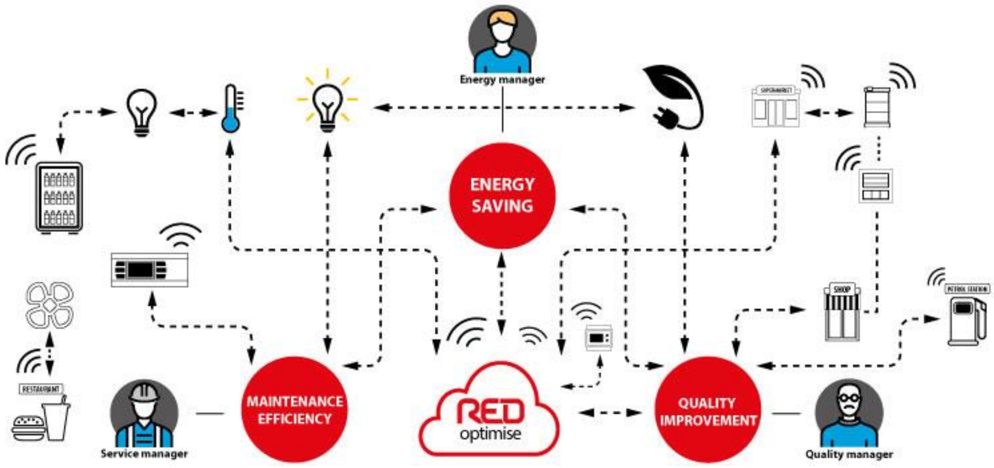


Example application of Carel's solutions for commercial refrigeration in food service (beverage coolers):

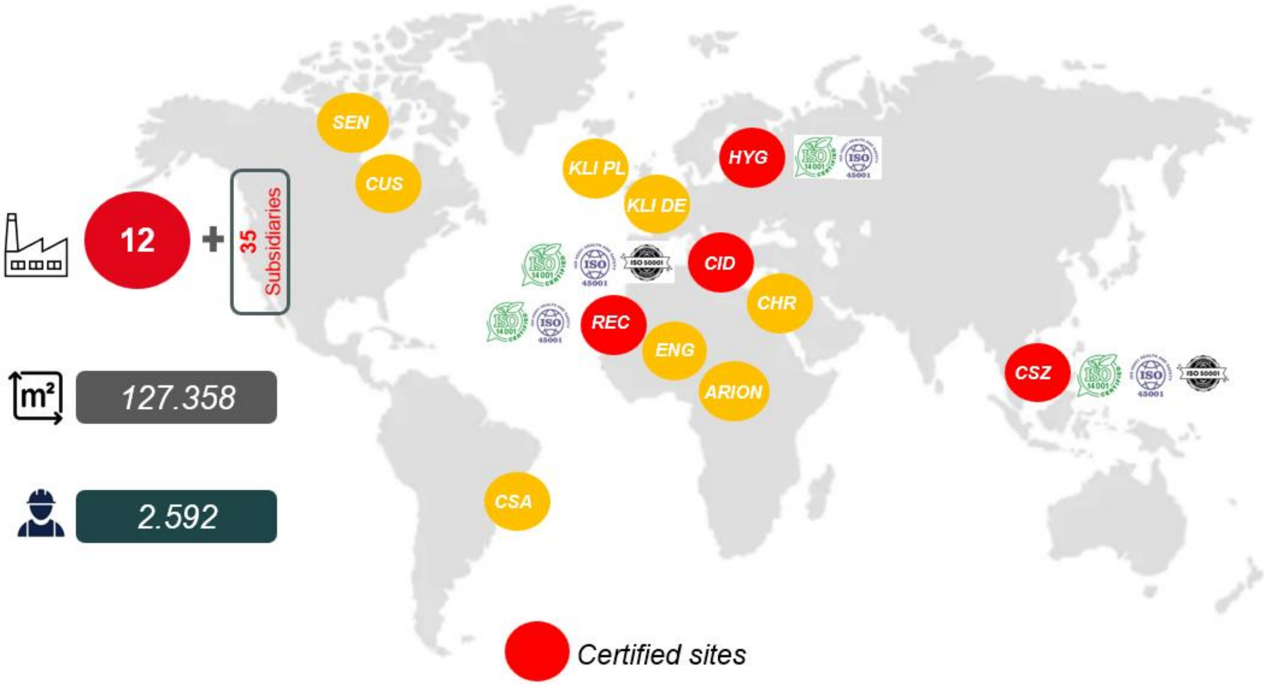
The group's portfolio is complemented by services linked to Carel's solutions, such as **commissioning** (contract work), remote management and monitoring of the group's HVAC/R systems and application components, which allows for "dialogue" between the group's service centres and end customers, subscriptions for services dedicated to the remote management and monitoring of plant and machinery through the processing of data collected using **Internet of Things** features.

The **IoT solution** has been developed to integrate the specific solutions of the HVAC/R markets via cloud and on-site solutions. The portfolio includes benchmarking, statistics, alarms and standard reporting, whereby users can optimise their daily activities and achieve their goals more effectively in terms of services, energy, quality and marketing. The development of this business is crucial for Carel, including for its future.

Example IoT solutions for the HVAC and refrigeration markets

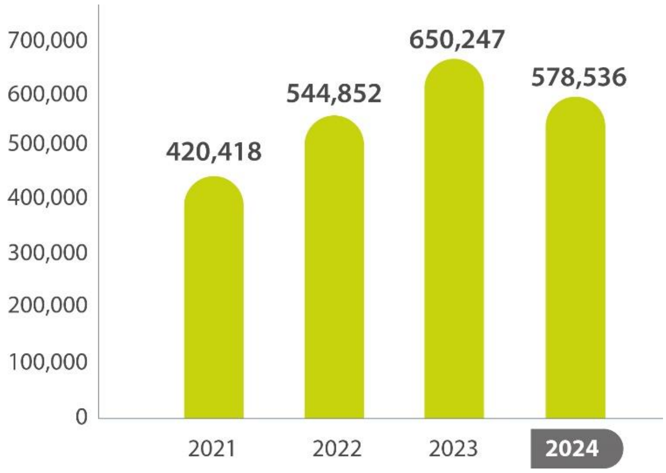


About 80 percent of sales take place outside Italy where the Group has a widespread and articulated sales and customer support network. Specifically, CAREL has a presence in America (North, Central and South), Asia, Australia, Africa and Europe; it is structured in 47 sales subsidiaries that include 12 production plants. These are joined by partners and distributors in another 75 countries.



BUSINESS OVERVIEW

Performance 2024 saw an 11% contraction in revenue compared to the previous year, mostly caused by the downturn in demand for heat pumps components principally seen in Europe.



REVENUE BY BUSINESS SEGMENT

Demand dynamics, especially in the HVAC sector in Europe, led to a drop in revenue mainly in the residential sector. This situation was the result of a challenging market scenario, mainly caused by delays in the regulatory activities of some states, which reduced incentives, the continuing unfavourable gas/electricity price dynamics and a high level of stocks throughout the downstream production and distribution chain.

The refrigeration market's performance was affected by the slowdown in demand in some countries, particularly those in Europe, resulting in a 4% drop in revenue compared to the previous year.

Revenue by business segment is broken down in the following table:

(€'000)	2024	2023	Variation %	FX variation %
HVAC revenue	409,974	472,144	(13.2%)	(13.1%)
REF revenue	167,879	175,141	(4.1%)	(3.9%)
Total core revenue	**577,853**	**647,285**	**(10.7%)**	**(10.6%)**
Non-core revenue	683	2,962	(76.9%)	(76.9%)
Total revenue	**578,536**	**650,247**	**(11.0%)**	**(10.9%)**

REVENUE BY GEOGRAPHICAL SEGMENT

Analysing the single geographical area, the group's most important region, the EMEA (Europe, Middle East and Africa), where it earns 65% of its revenue, saw a reduction in revenue of 16.7% at constant exchange rates (the decrease would have been around 20% on a like-for-like basis). This downturn was partly caused by the generalised negative performance of the group's business verticals with a significant decrease in demand for heat pumps. The generally weak demand in Europe is due to a number of mainly macroeconomic (very limited GDP growth and still high interest rates) and regulatory elements, compounded by high stock levels in the supply and distribution chains. This contraction was only partly offset by the Kiona Group's good performance.
APAC (Asia-Pacific), which accounts for about 14% of the group's revenue, reported a decrease of 5.8% at constant exchange rates compared to the previous year as a result of a weak economic scenario in China, particularly in the real estate sector, only partly offset by positive results in the industrial and data centre sector.

Revenue earned in North America, which accounts for about 18% of the total, grew by 6.7% at constant exchange rates and benefited from the group's excellent performance in both the HVAC sector, particularly in data centre cooling applications, and the refrigeration sector, which is increasingly oriented towards the use of refrigerants with a low environmental impact.
Lastly, South America (which accounts for about 3% of the group's total turnover) shows significant growth thanks to Carel's good performance in Brazil.

A breakdown of revenue by geographical segment is provided below:

(€'000)	2024	2023	Variation %	FX variation %
Europe, Middle East and Africa	376,718	450,231	(16.3%)	(16.7%)
APAC	83,003	89,310	(7.1%)	(5.8%)
North America	103,600	97,192	6.6%	6.7%
South America	15,215	13,514	12.6%	19.8%
Total	**578,536**	**650,247**	**(11.0%)**	**(10.9%)**

LISTING ON THE STOCK MARKET

Carel Industries S.p.A.'s ordinary shares were listed on the STAR segment of the stock market organised and managed by Borsa Italiana S.p.A. on 11 June 2018. The transaction entailed the placement of 35,000,000 ordinary shares, which subsequently increased to 40,250,000 on 25 June 2018 following the exercise of the greenshoe option. The placement with institutional investors involved 40.25% of the share capital and 25.20% of shares with voting rights.

On 5 January 2021, Luigi Nalini S.a.p.a. sold 3,582,560 ordinary Carel shares, equal to around 3.6% of its share capital.

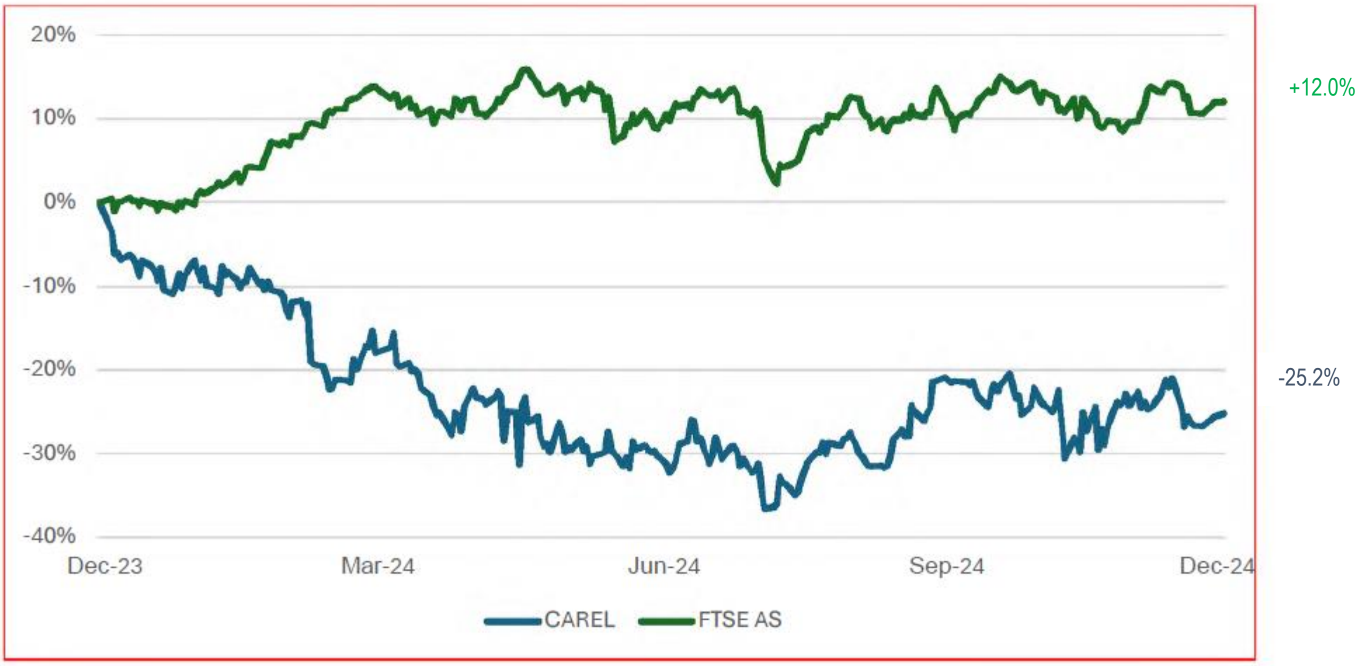
In the second half of 2023, the parent carried out a capital increase that raised the number of its shares from 100,000,000 to 112,499,205.

During 2024, the share price dropped by 25.2% to €18.54 per share on the last trading day of the year. This performance reflects the reduction in revenue recorded by the group, mainly due to the challenging heat pump market. Approximately 70,000 shares were traded on average a day in 2024 while the maximum price reached in the year was €23.95 per share.

CAREL INDUSTRIES SHARE AT 31 DECEMBER 2024	
Stock exchange:	Borsa Italiana STAR segment
Isin Code:	IT005331019
Ticker:	CLR
Indexes:	FTSE All-share Capped, FTSE Italia All-Share, FTSE Italia Mid Cap, FTSE Italia Star, FTSE Italia Industria, FTSE Italia Edilizia e Materiali
Number of shares:	112,499,205
Nominal amount:	unassigned
Earnings per share:	0.56
Dividend per share:	0.165

MAJOR SHAREHOLDERS AT 31 DECEMBER 2024

	Number of shares	% of share capital	Voting rights	% of voting rights
Luigi Rossi Luciani S.a.p.a.	38,206,863	33.96%	76,386,882	44.46%
Athena FH S.p.A.	21,133,420	18.79%	42,245,840	24.58%
Capital Research and Management Company	9,272,559	8.24%	9,272,559	5.40%
7 Industries Holding B.V.	7,377,583	6.56%	7,377,583	4.29%



OTHER SIGNIFICANT EVENTS OF THE YEAR

DIVIDEND DISTRIBUTIONS

In June 2024, the parent distributed dividends of €21,374 thousand, in accordance with the shareholders' resolution of 18 April 2024.

OVERVIEW OF THE GROUP'S PERFORMANCE

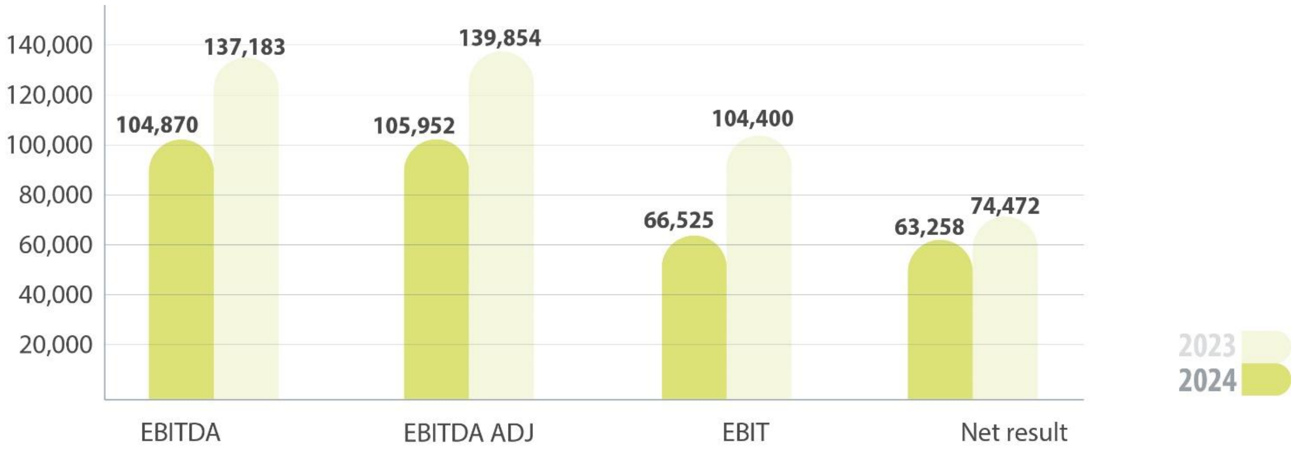
The main performance figures for 2024 compared to the previous year are as follows:

(€'000)	2024	2023	Variation	Variation %
EBITDA[1]	104,871	137,183	(32,313)	(23.6%)
ADJUSTED EBITDA	105,953	139,854	(33,902)	(24.2%)
OPERATING PROFIT	66,526	104,400	(37,874)	(36.3%)
PROFIT FOR THE YEAR	63,259	74,473	(11,214)	(15.1%)

2024 EBITDA amounts to €104.9 million equal to 18.1%[2] of revenue, down €32.3 million from €137.2 million for the previous year (when it was equal to 21.1% of revenue). This reduction is mostly a result of the smaller business volumes, mainly seen in Europe, only partly offset by the consolidation of the Kiona Group for the entire year (consolidated from September in 2023).

Net of non-recurring effects of around €1.1 million (€2.7 million in 2023) related to costs incurred for M&A activities, adjusted EBITDA would have come to €106.0 million, equal to 18.3% of revenue compared to 21.5% in 2023.

The profit for the year came to €63.3 million, down 15.1% on the previous year. It is equal to 10.9% of revenue compared to 11.5% for 2023.



The main financial position indicators at 31 December 2024 and 2023 are as follows:

(€'000)	31.12.2024	31.12.2023	Variation	Variation %
Net Non-current assets [3]	508,920	507,725	1,195	0.2%
Net Working capital [4]	76,909	77,509	(601)	(0.8%)
Defined benefit plans	(7,390)	(8,479)	1,088	(12.8%)
Net invested capital [5]	**578,438**	**576,755**	**1,683**	**0.3%**
Equity	441,535	396,174	45,361	11.4%

[1] The group calculates EBITDA 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. It uses EBITDA to assess its operating performance.

[2] The EBITDA ratio is the ratio of EBITDA to revenue.

[3] Net non-current assets is the sum of property, plant and equipment, intangible assets, equity-accounted investments and other non-current assets less other non-current liabilities.

[4] Net working capital is the sum of trade receivables, inventories, tax assets, other current assets, deferred tax assets, trade payables, current tax liabilities, other current liabilities, deferred tax liabilities and provisions for risks.

[5] Net invested capital is the sum of (i) net non-current assets, (ii) net working capital and (iii) defined benefit plans.

(€'000)	31.12.2024	31.12.2023	Variation	Variation %
Call options for non-controlling interests and earn-out	86,714	144,918	(58,205)	(40.2%)
Net financial debt	50,190	35,664	14,526	40.7%
Total	**578,438**	**576,755**	**1,683**	**0.3%**

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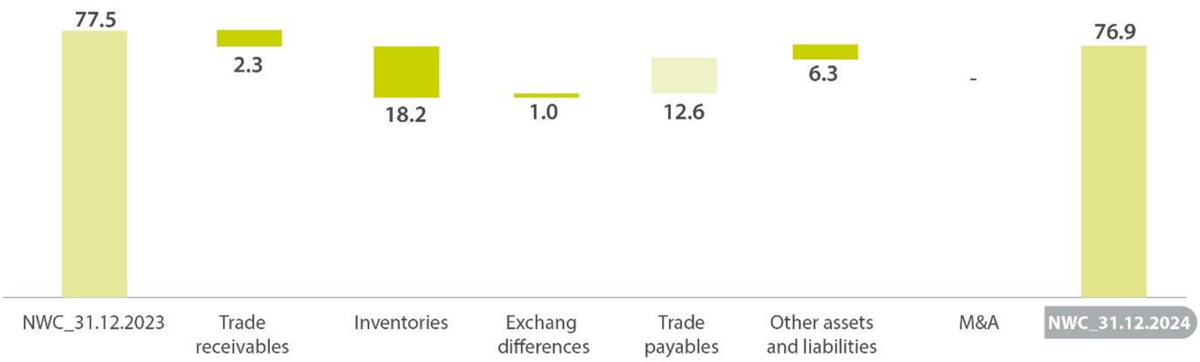
Non-current assets amount to €508.9 million, up by €1.2 million from €507.7 million at the previous year end. Net of right-of-use assets, the group's investments amount to €31.6 million, compared to €27.4 million at the end of the previous year. The parent invested heavily in plant and machinery and new machinery was installed at the Polish site, which was extended.

The investments in intangible assets, mostly made by the parent and Kiona, amount to €10 million and related principally to the Group digitalization projects and capitalisation of R&D costs.

Amortisation and depreciation, including the effects of the application of IFRS 16, totalled €38.3 million in 2024 compared to €32.8 million in 2023. This includes €11.5 million related to the PPA procedure (€8.1 million in 2023).

Net working capital of €76.9 million is substantially unchanged from the balance of €77.5 million at 31 December 2023.



Inventories decreased significantly as a result of both the stock reduction policy implemented by the group and increased write-downs during the year due to some low turnover inventories.

Call options for non-controlling interests and earn-out relate to the liabilities for the call options for the non-controlling investments in Sauber and Kiona and the liability recognised for the earn-out for the managers of Senva. The decrease in this caption mainly relates to the acquisition of the non-controlling interest in CFM (49%) on 22 March 2024, as well as the fair value loss on the remaining call options and earn-out. The difference between the consideration paid for the remaining stake in CFM and the corresponding liability recognised at 31 December 2023, as well as the remeasurement of the fair value of the other liabilities for call options and earn-out, amounts to approximately €15 million, and consequently led to the recognition of a gain of the same amount in profit or loss.

The group's **net financial debt** increased by €14.5 million to €50.2 million compared to €35.7 million at 31 December 2023. Net cash with banks of €5.2 million at 31 December 2023 became net bank loans and borrowings of €17.7 million at the end of the year. During the year, the group disbursed cash of around €21.4 million to pay dividends (including dividends to non-controlling investors) and €44.3 million to acquire the non-controlling interests in CFM (see earlier).

Reference should be made to the statement of cash flows for more information on the cash flows for the year.

A breakdown of net financial debt is as follows:

(€'000)	31.12.2024	31.12.2023
Non-current financial liabilities	84,433	120,432
Current financial liabilities	36,626	39,575
Non-current lease liabilities	24,934	26,958
Current lease liabilities	6,605	6,406
Cash and cash equivalents	(99,119)	(154,010)
Current financial assets	(3,290)	(3,697)
Net financial debt	**50,190**	**35,664**
Net financial debt excluding the effects of IFRS 16	18,651	2,300
Net (cash with banks) bank loans and borrowings	17,658	(5,220)

The net financial debt is mainly comprised of:

- current and non-current bank loans and borrowings totalling €59.3 million (€90.7 million at 31 December 2023);
- current and non-current amounts due to bondholders totalling €59.9 million (€59.8 million at 31 December 2023);
- current and non-current other loans and borrowings totalling €0.7 million (€1.8 million at 31 December 2023);
- current and non-current financial liabilities related to acquisitions totalling €0.6 million (€7.1 million at 31 December 2023);
- current and non-current lease liabilities totalling €31.7 million (€33.6 million at 31 December 2023);
- cash and cash equivalents totalling €99,1 million;
- other current financial assets of €3.3 million.

The group complied with the covenants provided for in its loan agreements. Refers to the Explanatory Notes for more information.

At 31 December 2024, 36% of cash and cash equivalents and current financial assets were held by Italian group companies, approximately 12% by the US subsidiaries, roughly 12% by the Chinese subsidiary and 5% by the Kiona Group. The remaining amount was split among the other group companies.

KEY PERFORMANCE INDICATORS

	2024	2023(*)
ROS [6]	11.5%	16.1%
ROI [7]	11.5%	18.1%
ROE [8]	14.3%	18.8%
ROA [9]	7.8%	11.3%
Inventory turnover [10]	2.31	2.6
DSO [11]	63.4	54
DPO [12]	81.1	77
Group tax rate [13]	20.7%	20.1%

[6] The Return on Sales (ROS) is the ratio of operating profit (loss) to revenue.

[7] The Return on Investment (ROI) is the ratio of operating profit (loss) to net invested capital.

[8] The Return on Equity (ROE) is the ratio of the profit (loss) for the year to equity.

[9] The Return on Assets (ROA) is the ratio of the operating profit (loss) to total assets.

[10] Inventory turnover is calculated as the ratio of (i) purchases of raw materials, consumables, goods and changes in inventories to (ii) average inventories at the end of the previous and current years. This ratio is multiplied by 365.

[11] DSO is the ratio of (i) the average of trade receivables at the end of the previous and current years to (ii) revenue. This ratio is multiplied by 365.

[12] DPO is the ratio of (i) the average of trade payables at the end of the previous and current years to (ii) the sum of purchases of raw materials, consumables and goods and changes in inventories and cost of services. This ratio is multiplied by 365.

[13] The group tax rate is the ratio of income taxes to the profit before tax.

	2024	2023(*)
R&D investments [14]	32,652	27,027
R&D as % of revenue [15]	5.6%	4.2%
Capex as % of revenue [16]	5,5%	4.2%
Cash conversion rate [17]	65.4%	85.6%

(*) Please note that R&D investment and R&D % of revenue have been restated from the published values as of December 31, 2023 (25,865 thousand euros and 4.0%, respectively) for greater comparability of the same.

Key cash flows are as follows:

CASH FLOWS FROM OPERATIONS (INDIRECT METHOD)

(€'000)	2024	2023
Profit for the year	63,259	74,473
Profit for the year net of amortisation, depreciation and impairment losses, provisions, net financial (income) expense, income taxes and (gains)/losses on the sale of non-current assets	**115,551**	**145,918**
Cash flows before changes in net working capital	(7,237)	(15,845)
Interest and income taxes paid	(22,931)	(28,045)
Net cash flows from operating activities	**85,384**	**102,028**
Cash flows used in investing activities	(27,647)	(197,005)
Increase in share capital	-	195,427
Acquisitions of equity investments	(44,294)	-
Dividends to owners of the parent and non-controlling investors	(21,428)	(21,246)
Cash flows used in financing activities	(46,218)	(20,654)
Change in cash and cash equivalents	**(54,202)**	**58,551**
Opening cash and cash equivalents	153,321	95,459
Closing cash and cash equivalents	99,119	154,010

Net cash flows from operating activities decreased to €85.4 million down 16.8 million from the previous year, mainly as a result of the smaller turnover.

Overall, the group used cash flows of €54.2 million after distributing dividends of €21 million, making investments of €27.6 million and acquiring non-controlling investments (CFM) for €44 million.

[14] The R&D investments are the sum of R&D Opex and R&D Capex.

[15] The R&D investments as a percentage of revenue is the ratio of R&D investments to revenue.

[16] Capex as a percentage of revenue is the ratio of cash flows from investing activities to revenue.

[17] The cash conversion rate is calculated as the ratio of (i) operating cash flows net of cash flows from investing activities to (ii) EBITDA.

OVERVIEW OF THE PARENT'S PERFORMANCE: CAREL INDUSTRIES S.P.A.

The parent, Carel Industries S.p.A., has its offices at the main production site in Brugine (Padua).

It manufactures and markets products which it distributes to the end customers in the markets it manages directly (mostly Italy) and its foreign subsidiaries in the markets they manage.

The parent provides centralised treasury services to the group and the European companies have a cash pooling system in which it acts as pooler. At year end, it had financial assets of €5.4 million and financial liabilities of €26.8 million related to the cash pooling account. Its non-current financial assets (loans) with the subsidiaries Recuperator and Kiona remained unchanged at €32 million.

In 2022, Carel set up the domestic tax consolidation scheme for IRES (corporate income tax) purposes for the 2022-2024 period in accordance with article 117 and following articles of the Consolidated Income Tax Act. Its subsidiaries Recuperator S.p.A., Enginia S.r.l. and CRC S.r.l. joined the scheme under separate master agreements with the parent.

The parent's net financial debt amounts to €97.6 million (31 December 2023: €55.9 million).

It also distributed dividends of approximately €21 million to its shareholders during the year.

The parent's key figures are summarised below:

(€'000)	2024	2023	Variation %
Revenue from third parties	109,401	152,009	-28.0%
Intragroup revenue	122,610	133,259	-8.0%
Other revenue	5,727	9,605	-40.4%
Operating costs	(225,601)	(255,101)	-11.6%
EBITDA	**12,137**	**39,772**	**-69.5%**
Amortisation, depreciation and impairment losses	(11,449)	(10,525)	8.8%
Operating profit	**688**	**29,247**	**-97.6%**
Net financial income	24,621	19,965	23.3%
Profit before tax	**25,309**	**49,212**	**-48.6%**
Income taxes	(2,144)	(4,698)	-54.4%
Profit for the year	**23,165**	**44,515**	**-48.0%**

In 2024, revenue from third parties amounts to €109 million, down by 28% on the previous year while intragroup revenue decreased by 8%. This contraction, which is in line with that seen at group level, is chiefly due to the slowdown in demand in the European markets, mostly for heat pumps.

Other revenue mainly consists of royalties from group companies for know-how licences and tax assets for R&D activities as provided for by national laws.

The number of employees decreased from 756 at the end of 2023 to 753 at the reporting date.

Financial income includes dividends of €28.1 million (2023: €29.8 million) mainly received from the Chinese, American and German (HygroMatik) subsidiaries.

The reclassified statement of financial position as at 31 December 2024 compared with the previous year end is as follows:

(€'000)	31.12.2024	31.12.2023(*)	Variation %
Non-current assets	460,788	434,505	6.0%
Working capital	8,763	12,789	-31.5%
Defined benefit plans	(3,140)	(4,319)	-27.3%

(€'000)	31.12.2024	31.12.2023(*)	Variation %
Net invested capital	**466,411**	**442,975**	**5.3%**
Equity	360,536	359,041	0.4%
Other liabilities for call options	8,250	28,033	-70.6%
Net financial debt	97,624	55,901	74.6%
Total coverage	**466,411**	**442,975**	**5.3%**

(*) at 31 December 2023, working capital and other liabilities for call options were restated by €12,636 thousand to include the liabilities to CFM.

The increase in non-current assets is mainly due to:

- investments in property, plant and equipment of €9.5 million (including right-of-use assets of €0.5 million) and intangible assets of €6.5 million;
- recognition of the 49% investment in CFM.

Amortisation and depreciation amount to €11.4 million.

Working capital decreased, mostly as a result of the reduction in trade receivables and inventories (from €56.1 million to €47.0 million and from €33.6 million to €27.3 million, respectively), only partly offset by the smaller trade payables from €66.8 million to €59.0 million at year end.

Lastly, net financial debt amounts to €97.6 million at 31 December 2024, comprising cash and cash equivalents and current and non-current financial assets of €70.7 million (the portion related to non current financial assets is accounted in the caption Other non-current assets), offset by financial liabilities of €168.3 million, including lease liabilities of €14.0 million.

The reconciliation of the parent's and group's equities at 31 December 2024 is provided below:

(€'000)	31.12.2024		31.12.2023	
	Equity	Profit for the year	Equity	Profit for the year
Carel Industries S.p.A.	**360,536**	**23,165**	**359,041**	**44,515**
Profit and equity of consolidated companies	353,835	53,311	310,293	59,357
Elimination of the carrying amount of investments in consolidated companies	(451,949)	9,576	(422,714)	(2,288)
Elimination of intragroup dividends	-	(30,130)	-	(29,827)
Elimination of intragroup profits on inventories	(10,828)	4,652	(15,480)	(2,285)
Purchase price allocation	258,197	(3,689)	260,878	(4,390)
Other adjustments	(74,846)	5,757	(115,595)	5,859
Carel Industries Group	**434,944**	**62,642**	**376,422**	**70,942**

Other adjustments mostly relate to the fair value measurement of the call options for 17.6% of Kiona and 30% of Sauber.

OCCUPATIONAL HEALTH AND SAFETY AND THE ENVIRONMENT

There were no fatal injuries during the year, continuing the trend of previous years.
Two of the parent's employees applied for occupational disease compensation.
In 2024, 17 minor events were reported in the workplace (14 involving employees and three involving temporary workers), which led to their time off work or a temporary reduction in their work hours. No injuries during the commute to and from work using transport organised by the group took place during the year.
There was an increase of 37% in the injury frequency rate (employees and other workers) compared to a 3% increase in the total number of hours worked by group employees. Absence from work was very limited as represented by the severity index of 0.44 (severity index = total days lost/hours worked normalised per 10,000).
The group did not receive any complaints nor was it ordered to appear in court for alleged violations of occupational health and safety regulations or environmental crimes in 2024.
During 2024, Carel Industries S.p.A. confirmed its ISO 45001:2018 health and safety certification and ISO 14001:2015 environmental certification.

Overall, 30% of the group's production sites (2024 scope, including new acquirees), representing a surface area equal to 50% of the total are certified, covering 58% of the personnel at such sites.
More information about this is available in the Corporate Sustainability Rerporting in line with the ESRS and reported in the following paragraph.

HR AND ORGANISATION

At year end, a breakdown of the group's employees by geographical segment is as follows:

	31.12.2024	31.12.2023	Variation
Europe, Middle East and Africa	1,846	1,901	(55)
APAC	398	406	(8)
North America	285	273	12
South America	63	61	2
Total	**2,592**	**2,641**	**(49)**

There was a slight decrease in the number of employees (-1.9%), which was closely linked to the group's business performance and, therefore, the termination of some fixed-term contracts in the production sites.
Blue and white collars account for 35% and 65%, respectively, as shown in the table below:

31.12.2024		
	Total	**%**
Managers	80	3%
White collars	1,601	62%
Blue collars	911	35%
Total	**2,592**	**100%**

In 2024, the group hired 285 resources, of whom 36% were women, while 331 left, of whom 37% were women, and some of whom had reached retirement age.

2024 TRAINING COURSES

Training of one of the key tools for developing the group's business strategy and to ensure the utmost professionalism within all company areas. The group has always implemented top-class employee training and development programmes and provided more than 42,000 thousand hours of training (an average of 16 hours per employee) in 2024.

INDUSTRIAL RELATIONS

The group's HR offices and representatives of the trade unions at the group's sites in Italy and abroad worked together with positive results during the year. Attesting the positive labour relations is the fact that just three days of strikes and one two-hour strike (called at national level) took place in 2024, with an average participation rate of 15.7%.
During 2024, an internal labour agreement was finalised at CAREL Adriatic, the group's Croatian site, supplementing those already in force in Italy at Carel Industries and Recuperator.
The unionisation rate at group level remained very low, proving that "direct" industrial relations, i.e., without the arbitration of an internal or external trade union representative, are often preferred, especially at local level and when permitted by the ruling regulations.
In 2024, 58% of the group's employees were covered by collective bargaining agreements while the remainder are hired with company or individual contracts in line with the local regulations and market practices, the group's code of ethics and its human rights, diversity and HSE policies.

ESSENTIAL INTANGIBLE RESOURCES

The Group believes that essential intangible resources, as defined by Article 1 of Legislative Decree No. 125 of September 6, 2024 (“Legislative Decree 125”), are represented by organizational capital, human capital and relational capital. In this regard, please refer to the paragraphs “Research and Development 2024 Activities,” “Group Sustainability Strategy,” “Working Conditions and Employee Welfare,” “Resource Training and Employee Professional Development,” “Corporate Culture,” “Carel's Corporate Governance Structure,” and “Stakeholders' Interests and Opinions” in this management report.

2024 R&D ACTIVITIES

The group has always put R&D at the centre of its business to retain its leadership position in the HVAC/R market, ensure its competitive edge and provide customers with technologically innovative solutions at advantageous prices.

The development teams continue to focus on solutions for more energy efficient products and the possibility to use natural refrigerants. The cost of refrigerants in Europe is sky-rocketing due to the restrictions on those with the greatest environmental impact.

Services also increased both in the field, bolstered by the group’s expertise in the various applications offered, and online with digital services to collect information from the systems used to write reports and descriptive analytics that improve and optimise management of refrigeration and conditioning systems.

The R&D unit currently comprises the four digital, knowledge centre, humidification, heat exchanges and mechanics divisions.

In 2024, the unit had 318 employees (including 162 at the parent, 12 in the US, 67 in China, five at HygroMatik, five at Recuperator, eight at Klingenburg, 18 at Senva and 41 at Kiona). Our people are highly qualified, boasting an impressive educational background.

R&D costs (personnel expense, opex and capex) equalled 5.6% of turnover and amounted to €32.7 million, up on the previous year (+20.8%).

Some development groups in the digital and R&D divisions have stated new flexible working methods for SW and HW development activities. This has allowed the design team to understand the customers’ real needs and their final application of the products through continuous engagement. The group also trialled a new interaction method among team members which, unlike the more traditional methods, allows for more frank, effective and efficient discussions.

The group focused especially on consolidating development skills at the other global development sites through the systems managers to improve their ability to meet group design requirements. It maintained its development processes, methods and standards and circulated them throughout the group to be used as a basis for all design activities and guarantee identical quality levels at each site.

The group continued to fine-tune its production part approval process (PPAP) put in place for suppliers of materials, in particular of customised materials, in order to improve the quality in terms of both the design and the reliability of the production flows. This will improve the reliability of the supply flows, with the resulting improvements in logistics and quality. Similarly, the group reinforced its production part approval process (PPAP) regarding customers, exploiting the market’s move to using flammable refrigerants, investigating FEMEA techniques on products and the production process, in addition to formalising the process flow and process control plan.

The group confirmed its modular approach to product development in the various areas (electronic, mechanical and software) to encourage as far as possible the re-use and re-usability of the modules and thus reduce development times, achieve greater reliability and reduce product costs.

In 2024, the group continued its focus on the use of the new customisation management process, supported by a product lifecycle management (PLM) software to make development activities more efficient, simplify product configuration and customisation thus boosting its business (enhancing the very modular structure and configuration and customisation flexibility provided for in the production lines). The intention is to achieve greater integration between the product engineering and industrialisation activities and to structure information flows among the different group sites where the products are developed.

Furthermore, R&D activities are also developed through long-standing partnerships with the Padua University, Milan Politecnico University, the Danish Technological Institute, the Fraunhoffer Institute, the SMACT Competence Centre and the Udine University (in areas ranging from analogue and digital electronics, evolved calculation design and power electronics to the theory of systems and controls, thermodynamic applications, technical physics and mechanical production processes), CNR (National Research Institute) and the most important sector associations, such as EPEE (European Partnership for Energy and the Environment), EUROVENT (which operates at European level representing the refrigeration and heating and air conditioning sector with work groups in the Middle East and India), EPHA (European Heat Pump Association), AICARR (Italian Association of Air conditioning, Heating and Refrigeration), ASHRAE (American Society of Heating and Air-Conditioning Engineers), AHRI (Air-Conditioning, Heating and Refrigeration Institute), CRAA (Chinese Refrigeration and Air Conditioning Industry Association) and CAR (Chinese Association of Refrigeration).

In 2024, the group also joined the Italian associations ANIMA and ASSOCOLD, which operate in the industrial and commercial refrigeration sectors respectively, and the Unione del Caldo e del Freddo Green, coordinated by Legambiente and active in the field of sustainable technologies based on natural refrigerants.

During the year, four guiding tenets underpinned product development projects:

- acquisition of new base technologies and processes;
- development of new products/product platforms;
- improvement of platform products;
- development of new vertical solutions using available products.

These tenets led to:

- energy efficiency;
- natural refrigerants;
- monitoring, data analysis and streamlining of systems;
- revision and expansion of current product ranges.

The group is studying new versions of the new **iJ** refrigeration controls. This range features highly appealing aesthetics, can easily be integrated into the refrigeration units and its design, parameters and functionalities are very adaptable. The new platform has excellent connectivity (BLE, NFC), is highly integrated with the controller systems, compatible with flammable refrigerants and very resistant to polluting agents.

The iJ product family has a version that can be used in **particularly hostile environments** (**in terms of dust and humidity**) designed for commercial refrigeration in professional kitchens.

In addition, with a view to expanding on-shelf solutions and responding to customers’ needs with an increasingly worldwide view in terms of applications and coverage of different market niches, the iJ product platform underwent significant product feature development in 2024, expanding its potential in terms of wireless connectivity by introducing Wi-Fi embedded in the control. This represents significant progress in terms of new features available for the platform.

In fact, Wi-Fi connectivity enables supervised connections with controls, including when applications or installations where wired connectivity may be difficult or even uneconomical, thus offering a direct connection to the cloud, facilitating real-time data sharing and thus potentially enabling a range of services for all applications whose benefits to the end customer include:

1. Possibility to remotely monitor the status and performance of the product from anywhere, using a mobile application or web portal and thus ensure constant control of the equipment’s performance.

2. Real-time data collection and analysis, which enables continuous optimisation of product performance, allowing customers to receive suggestions to improve system energy efficiency and reduce operating costs.

3. Enabling new services such as predictive maintenance, which helps prevent failures and extend product life.

The integration of these new technical features not only improves the customer experience, but also makes the product more competitive and suitable for a variety of application scenarios.

In 2024, the group carried out the project to develop the first module of the new **Mid Size** Controller (MSC) platform. The objective of the project was twofold: 1) to enable technological solutions and architecture to be used in the future for the creation of mid-range product solutions and 2) to thus be in a position to develop a new electronic control specialised for ducted refrigerated counters, cold rooms and plug-in counters typical of retail applications.

Priority was given to providing strategies for the direct optimisation of energy consumption and support for the building's energy manager through suggestions about possible points of intervention, facilitating integration with state-of-the-art supervisor systems to enable an overall view of consumption areas (refrigeration, lighting, air conditioning) and an analysis of their competition or overlap.

To do this, the new electronic control has been equipped with direct access to the consumption of electrical loads typical of a refrigerated counter (compressors, fans and heaters) through which the data collected can be used to directly make changes to the parameters or to suggest possible energy-saving variations to the maintenance technician.

The data collected can be channelled from the continuous monitoring system to the supervisor system to build a comparative view and intercept energy "irregularities" to be reported for intervention.

As the days, weeks, months pass, it will be possible to create in the data aggregation system an optimal reference model to be coped by individual units to maximise efficiency. In a second phase, this digital model could become an internal reference for the control that works independently and parameterises itself to approach the optimal working condition on the system.

The connectivity offered by a local and cloud monitoring service will again allow the creation of reference models which all monitored devices belonging to the same class will be aligned with.

The new platform also includes a USB-C port that greatly simplifies initial product configuration. This port is used differently compared to what Carel currently offers for higher-end product families.

It allows commissioning even when the system is not switched on. This means that product parameterisation, software updates and data collection can be started quickly without having to switch on the system, making the entire installation and management process much more efficient, quicker and safer.

Finally, by exploiting the potential of the HW made available by the new platform, the roadmap for this specific application includes the implementation of a smart defrost algorithm that will be able to intelligently adjust the defrosting cycles of the refrigeration counter, improving the system's energy efficiency and extending its life.

In 2024, the group developed a new µSOM, a new general-purpose miniaturised system-on-module to be adopted on future platforms under development as a new product core, consisting mainly of a microprocessor, RAM and FLASH memories. This system expands Carel's existing µSOM portfolio and continues to share some common features in order to make integration or migration as simple as possible

for both next generation products and others already in mass production, implementing the concept of modularity to its fullest extent. The new µSOM also represents a business continuity strategy to minimise the risk of exposure to procurement issues, particularly in the current uncertain market environment. This is due to its backward compatibility features, such as the same form factor and pin-to-pin compatibility with some existing products.

This new µSOM also introduces major improvements compared to its predecessors: up to 68% more computing power than its predecessors, and a greater focus on cybersecurity, thanks to the adoption of the state-of-the-art ARM architecture and all the methods it provides (secure boot, trustZone, authenticated debugging, anti-tampering, etc.). Another important aspect concerns the possible introduction of new mass storage, due to the presence of new expansion buses, and lastly, the introduction of USB-C.

In 2024, the group completed development of the new E5V-C valve. Once launched on the market, this new model will strengthen and complete Carel's valve range for CO2 applications. The group continued to invest in new resources to develop fluid dynamic simulation capabilities of valves in order to pre-empt and resolve possible problems as early as the design stage.

In 2024, the group carried out a research project in the applied research laboratory of the Hqs Konwledge Centre with the Padua University's Department of Information Engineering, dedicated to **heat pumps** for the residential market with state-of-the-art technologies (permanent magnet compressors with variable capacity, electronic expansion valves and top-of-the-line electronics) and natural refrigerants (R-290 and propane). The project contributed to the study and development of electronic systems for analysing and **predicting faults**, in particular, the malfunctioning of evaporator coils due to dust, debris, foliage, ice, and refrigerant leaks. It required skills and technologies, such as mathematical **modelling** and **machine learning**, and combined several climate chamber test campaigns with the generation of synthetic data to expand the tested case studies.

In addition, a research project in the field of **air treatment units** was conducted in the same laboratory, drawing on the technologies and expertise of the various group companies (Carel, Enginia, Recuperator and Klingemburg). During the project, the team analysed the **performance** and **reliability** of different components, such as electronic control, various types of humidifiers, cross-flow or enthalpy wheel heat exchangers, dampers and inspection windows seen as a whole. The aim is to provide additional functionalities to customers that adopt the entire Carel Group product package in this application.

The group protects its innovative product portfolio invented over the years with 87 patents (applied for or granted), nine of which are the result of innovation activities in 2024 and cover, in addition to its inventions, novel applications used in other fields but applied by Carel in applications of interest to its customers.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2014
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2024
CAREL INDUSTRIES
CAREL SUZHOU
HYGROMATIK
RECUPERATOR
ENGINIA
SENVA
KLYNGENBURG

SUSTAINABILITY STATEMENT
ESRS 2: GENERAL DISCLOSURES

BASIS FOR PREPARATION

This sustainability statement (the "statement") has been prepared on a consolidated basis for 2024. The scope of consolidation is the same as that used to prepare the consolidated financial statements of the CAREL Group's (the "Group" or "CAREL"), headed by Carel Industries S.p.A. (the "Parent" or "Carel Industries").

This statement has been prepared, for the first time, in compliance with the ESRS (European Sustainability Reporting Standards) envisaged by the EU CSRD (Corporate Sustainability Reporting Directive), implemented in Italy by Legislative decree no. 125/2024[18].

The sustainability statement covers the value chain with reference to the policies and actions presented below enforced by CAREL to manage the impacts, risks and opportunities connected with its upstream and downstream activities, as identified in the double materiality assessment (presented in the "Material impacts, risks and opportunities" section), and in relation to the calculation of GHG Scope 3 emissions (presented in chapter E1 - Climate change).[19]

The metrics reported in the sustainability statement that are subject to estimation by management and characterised by a high level of uncertainty are:

- all forward-looking information, as it refers to future events, the outcomes of which may differ, even substantially, from the forecasts made;
- metric E1-6 - Gross Scopes 1, 2, 3 and Total GHG emissions, with reference to Scope 3 emissions (see chapter E1 - Climate change for details);
- metrics related to disclosure requirement E5-4 - Resource inflows (in particular E5-4 31 (a) and (b), c));
- the CapEx and OpEx amounts identified as financial resources for the implementation of future actions for which the group has estimated the necessary investments, whose implementation, however, may vary significantly depending on the context.

No metrics presented in the document are validated by an external body other than the party issuing the assurance report.

It should be noted that the metric for Scope 3 - category 11 (Use of sold products) emissions has been changed from the figure reported in 2023, following a refinement in the calculation methodology, in alignment with SBTi requirements. The updated metric is provided in the "Indirect emissions (Scope 3)" section of chapter E1 - Climate change.

The parent has not availed itself of the option to omit a specific piece of information corresponding to intellectual property, know-how or results of innovation, nor of the exemption from disclosure of impending developments or matters in the course of negotiation, as provided for in articles 19a(3) and 29a(3) of Directive 2013/34/EU.

The time horizons considered in the preparation of this sustainability statement, which deviate from the time horizons defined by ESRS 1, are as follows:

- short-term: from zero to one year. The short-term time horizon is aligned with the planning period of the financial budget;
- medium-term: from one to four years. The medium-term time horizon is aligned with CAREL's business plan and sustainability plan;

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[18] Data Points BP-2 13 (a), (b) and (c) are considered not applicable, as this is the first year that the group has applied the ESRS to prepare a sustainability statement.

[19] Please refer to chapter E1 - Climate change for details on the share of Scope 3 emissions measured using input data from specific activities along the upstream and downstream value chain.

- long-term: from four to ten years. The long-term time horizon is in line with CAREL's climate transition plan, which includes 10-year emission reduction targets.

The sustainability statement includes information required to be disclosed by Regulation (EU) 2020/852 of the European Parliament and of the Council and information on management systems certified in accordance with the following standards: ISO 14001 (Environmental Management System), ISO 50001 (Energy Management System), ISO 45001 (Occupational Health and Safety Management System), UNI/PdR 125:2022 (Gender Equality Management System). Entity-specific metrics are also included, some of which refer to the GRI Standards framework.
The disclosure requirements *SBM-1 40 (a) i.* and *SBM-1 42 (b)* are reported on page 31 of the sustainability statement and supplemented with the information on pages 11 and following of the management report.

BUSINESS MODEL AND VALUE CHAIN

The CAREL Group[20] has always been known for advanced control systems and innovative solutions for the heating, ventilation, air conditioning and refrigeration (HVAC/R) sector. Its high efficiency solutions are a certainty for environmental protection thanks to their optimised and integrated control systems, which allow for significant energy savings and, in turn, a smaller environmental impact.

The areas of application of CAREL Group products and services are listed in the "Activities and markets" section of the management report to which reference should be made for further details.

DOWNSTREAM VALUE CHAIN

CAREL's main customers have traditionally been Original Equipment Manufacturers (OEMs), manufacturers of complete units for applications in the HVAC/R markets, which account for a significant share of the group's overall turnover; however, in recent years, the group has developed significant business relations with other types of customers, particularly designers, contractors, end users and distributors, which it serves through an extensive logistics network based on specialised external carriers.

Over the years, the group has created a network of partnerships with customers (co-development) to achieve a better understanding of their needs, promote innovation and maximise the length of their relationship for the supply of components, enhancing the customer lifetime value.

UPSTREAM VALUE CHAIN

The CAREL Group's supplier base is very broad and diversified and consists of suppliers of materials, components and products and a wide range of service providers. These are mainly global distributors and, to a lesser extent, manufacturers of electronic components and small to medium-sized manufacturers of materials, mechanical, electro-mechanical components and finished goods.

The main purchasing categories are electronic components (e.g., semiconductors, PCBs, resistors, capacitors, etc.) and electromechanical components (e.g. transformers, switches, circuit breakers, etc.), mechanical components (both plastic and metal) and finished products which are then resold (e.g. supervisors, displays, sensors, accessories, etc.).

The procurement strategy is differentiated depending on the supplier's segment, considering impact criteria and difficulty in replacing or restoring supply. CAREL establishes relationships and escalation mechanisms with senior management of strategic suppliers and periodically evaluates the supplier relationship through strategic alignment meetings. Strategic suppliers are those which are high impact and difficult to replace. For its medium-impact suppliers that are difficult to replace (bottleneck suppliers), CAREL implements multi-sourcing policies and monitors that the supplier's production capacity can meet the group's future demand curve. The management of critical suppliers also includes monitoring their financial soundness and the vendor rating tool used to assess delivery and quality performance. In

[20] The headcount of employees by geographical area is provided in chapter S1 - Own workforce.

addition, CAREL has an internal measurement tool to quantify the risk, in terms of potential damage to its business, associated with each component used as an input for the production of its products. The Group uses this tool to assess the economic impact of any supply disruptions, taking into account the economic importance of each component and the turnover that the products containing it are able to generate. Leverage suppliers, with low supply risk, are managed through frequent calls for tenders and auctions. Finally, CAREL adopts consolidation strategies for suppliers with a low economic impact and low supply risk.

GROUP SUSTAINABILITY STRATEGY

Product and process innovation is a key success factor that has contributed to the group's growth in recent years and will be strategic for its future development. The group has always put R&D at the centre of its business to retain its leadership position in the HVAC/R market, ensure its competitive edge and roll out technologically innovative solutions to provide its customers with new products, solutions and/or services that respond to and incorporate technological innovations. The intrinsic nature of these products and services and their development means that the group has to constantly upgrade them along with their performance and characteristics and the reliability of its technology.

The strategy that drives product innovation within the group relies on environmental sustainability as its main target. This strategy has been pursued for some years through two different but converging paths: on the one hand, maximising energy efficiency with increasingly smart and interconnected products and, on the other, the use of natural refrigerant gases and fluids with a low environmental impact, thus encouraging end users' energy transition. This is particularly important since approximately 32%[21] of the energy consumed every year in Europe refers to the group's main uses and traditional refrigerant gases (HFCs) which, if released into the atmosphere, can produce a greenhouse effect thousands of times more harmful than that created by carbon dioxide. Please refer to chapter E1 - Climate change for more specific information on developments in energy efficiency and the reduced environmental impact of CAREL products.

In addition to these two paths, which have guided CAREL's strategy for several years, there is a third area, in which the group is progressively intensifying its efforts: increased product circularity. This objective is pursued through studies and analyses aimed, on the one hand, at increasing the use of recycled material and, on the other, at increasing the life span of products, promoting their disassembly, reuse and recycling at the end of their life cycle. Please refer to chapter E5 - Circular Economy for more detailed information.

In order to effectively promote innovation, the group recognises the central role of its people as the main driver of progress and innovation. With this in mind, the main challenge for CAREL is to be an appealing hub for talent, able to attract and retain the best resources. For this reason, like in previous years, CAREL places the people who make up its workforce at the centre of its actions, paying particular attention to understanding their needs and developing their talents, and promoting a work environment that fosters professional and personal growth. Our people are a cornerstone of our strategy and are a key driver of sustainable development.

CAREL's strategy thus brings with it significant positive impacts in terms of contributing to socio-economic development through the creation of secure jobs, fostering labour inclusion, and promoting the creativity and innovation of human resources and developing their transversal and technical skills. At the same time, the strategy is articulated in guidelines aimed at managing and mitigating the potential negative impacts associated with conducting a business activity. Please refer to chapter S1 - Own workforce for a more in-depth discussion of the actions that have material positive impacts or mitigate potential material negative impacts and the types of workers who benefit from them.

The CAREL culture code is a fundamental part of the strategy and aims to propose a strong and shared corporate identity, foster cohesion between people and alignment towards the achievement of the strategic goals. CAREL's approach therefore focuses on the active involvement of its people, ensuring

[21] Source: Energy Performance of Building Directive.

that their interests are integrated into the corporate strategy; only in this way can a solid and lasting relationship be built, where the well-being of employees is the key to long-term sustainable success.

2025-2028 SUSTAINABILITY PLAN AND CLIMATE TRANSITION PLAN

In 2024, CAREL updated its sustainability strategy by preparing a new four-year sustainability plan for the 2025-2028 period.

Several of the parent's high-level departments were involved in the preparation of this new sustainability plan, each of which contributed, for its own area of operation, to the identification of long-term objectives, also considering the requests of the various (internal and external) stakeholders.

The planned sustainability targets and actions were defined by considering feedback from sustainability rating agencies, which take into account the interests of different stakeholder categories (e.g. employees, workers in the value chain, etc.)22, the findings of benchmarking against best market practices regarding the management of sustainability issues, as well as existing and emerging regulations that have a connection to ESG matters.

The degree of achievement of the targets identified in the sustainability plan, which are presented in detail in the different chapters of this statement, will allow the group to monitor its performance in relation to the impacts, risks and opportunities identified and the actions planned to manage them.

Between the end of 2023 and the beginning of 2024, CAREL also defined its climate transition plan, identifying near-term emission reduction targets, validated in early 2025 by the Science-Based Target iniative (SBTi), in order to align the group's strategic path with the broader international climate objectives (for more information, please refer to chapter E1 - Climate change). The decarbonisation levers and specific actions in the transition plan have been integrated into the new sustainability plan, which sets out their implementation in the 2025-2028 period.

INTERESTS AND VIEWS OF STAKEHOLDERS

The CAREL Group's ongoing engagement and the active involvement of internal and external stakeholders demonstrate its accountability to the social and economic context in which it operates. Furthermore, they enable it to identify and share the main development and market trends, considering both the risks and the opportunities arising from the evolution of the HVAC/R industry, downstream, and the electronics industry, upstream. Its focus on the quality stakeholder engagement, provided for in the code of ethics and designed to ensure an understanding of stakeholder expectations and needs, translates into a proactive, ongoing dialogue with all its stakeholders. The group recognises that stakeholder engagement is fundamental to understanding the impacts, both positive and negative, that its operations may generate and to act to enhance or mitigate them, but that it also represents an opportunity for mutual growth and enrichment, thus contributing to the creation of long-term sustainable value.

For this reason, stakeholders are continuously informed about the group's activities through the engagement tools and channels summarised below:

TABLE 1: TOOLS AND CHANNELS FOR STAKEHOLDER ENGAGEMENT

Stakeholder	Engagement tools and channels	Engagement objectives
Shareholders, investors and analysts	• Shareholders' meeting • Press releases • Financial disclosures to the market • Company website • Telephone calls and emails	• Ensure transparency and access to information about the group's sustainability strategies, performance and commitments

[22] CAREL's own workforce was indirectly involved in the process of defining and monitoring the sustainability plan through the involvement of all the group's human resources departments, which summarised concerns raised by employees, while workers' representatives were not directly involved in the process.

Stakeholder	Engagement tools and channels	Engagement objectives
	• Conference calls • Road shows	• Promote an in-depth understanding of the integration of ESG criteria into the group's strategy • Consolidate market and shareholder confidence
Financial institutions	• Financial disclosures to the market • Regular meetings with banks	• Ensure transparency and access to information about the group's sustainability strategies, performance and commitments • Promote an in-depth understanding of the integration of ESG criteria into the group's strategy • Consolidate the financial sector's confidence • Facilitate access to financial capital
Customers	• Liaise with sales personnel and subsidiaries' employees • Interaction with regional and Group functions (e.g., senior management, S&M, R&D, etc.) • Company website • Trade fairs, events, seminars • Trade associations • Customer satisfaction surveys (Voice of Customer, Net Promoter Score) • Online analysis of the brand's reputation and social media • Blogs	• Promote product co-development • Ensure alignment of the group's objectives with the needs and interests of customers
Own workforce and workers' representatives	• Onboarding programme (CAREL Group induction Process) • Training and skills development (performance development) • Company Intranet • Internal magazine (Display – CAREL People Magazine) • Internal communication via meetings, email and web media • Regular meetings with trade union representatives	• Understand own workers' needs and interests • Create a stimulating working environment that is attentive to people's well-being • Ensure the professional development of own workers • Increase talent attraction and retention
Suppliers and business partners	• Circulation of the suppliers' code of conduct • Ongoing dialogue and transfer of good practices and skills • Definition and agreement of standards • Regular visits to production sites • Certification and auditing of suppliers (CAREL supplier audit check-list) • Liaising with quality control personnel • Order management software • Vendor evaluation procedure	• Establish lasting business relations • Include social and environmental aspects in the selection and evaluation of suppliers • Mitigate potential negative impacts associated with the supply chain, including in connection to value chain workers • Minimise the impacts of disruptions to the supply chain
Social media and influencers	• Interviews with senior management • Trade fairs and events • Press area of the company website • Social media, blogs • Liaise with sales personnel and branch employees • Company website	• Spread brand awareness • Establish new business relations • Understand stakeholders' views about the brand • Ensure continuous communication of the group's objectives

Stakeholder	Engagement tools and channels	Engagement objectives
	• Trade fairs, events, seminars • Analysis of the brand's online reputation and social media	
Bodies and institutions (local bodies, public administration, regulators, sector associations)	• Meetings with representatives of local institutions	• Understand local bodies' interests • Ensure compliance with local regulations
Communities and future generations (local communities and NGOs, schools and universities)	• Support and sponsor social initiatives • Dialogue with universities and schools	• Understand local communities' needs and interests • Promote development of the territory
Sector associations	• Membership of national and international trade associations	• Understand market trends • Monitor emerging regulations impacting the HVAC/R sector

Continuous dialogue with stakeholders enables the group to integrate their concerns into its commitment policies, strategy and business model, ensuring that they are aligned with their interests and expectations.

Specifically, CAREL takes stakeholders' interests into consideration both to assess the impact of its own operations on them and to integrate these interests into its sustainability strategy. To this end, the materiality assessment in 2022 involved the direct engagement of internal and external stakeholders, while the materiality assessment activities performed in 2024 involved a work group composed of corporate functions representing several key stakeholders, ensuring an inclusive analysis of their interests. In addition, suppliers are actively involved through the sustainability assessment conducted in the phase-in stage, allowing CAREL to better understand the impacts of its procurement choices. Stakeholder interests are also considered when the corporate strategy is defined, as demonstrated by the process of constructing the 2025-2028 sustainability plan, which is a tool that reinforces the existing strategy, whose objectives and initiatives were developed taking into account feedback from sustainability rating agencies, which reflect the priorities of different stakeholder categories (for more details, please refer to the "Group sustainability strategy" paragraph in this chapter).

The ESG team, which is also in charge of promoting dialogue with stakeholders, brings stakeholder concerns and possible impacts on the group's sustainability strategy to the attention of the audit, risk and sustainability committee, the executive committee and the sustainability executive director (who report to the board of directors).

SUSTAINABILITY GOVERNANCE

CAREL'S CORPORATE GOVERNANCE STRUCTURE

CAREL's corporate governance structure, based on the traditional administration and control system, comprises the following bodies:

- Audit, risk and sustainability committee the board of directors ("BoD"), which oversees the parent's running and has set up the audit, risk and sustainability committee ("ARSC") and the remuneration committee;
- the board of statutory auditors, which has oversight duties;
- the shareholders' meeting, at which shareholders resolve on all matters reserved to them by the law or by-laws.

CAREL has applied diversity criteria (including for gender) in the composition of its board of directors, with due regard for the key objective of ensuring adequate expertise and professionalism among its members.

In their meeting on 18 April 2024, the shareholders resolved, inter alia, on the renewal of the board of directors. On 6 March 2024 and taking into account the results of the self-assessment process, the board of directors expressed its guidance on the composition of the new board, including the hope that, in presenting the lists, the shareholders would maintain a similar quality level of the board in terms of expertise and experience, considering the characteristics, including gender, of the candidates. It also highlighted the opportunity for the shareholders to assess the potential inclusion of individuals with management experience in listed companies or companies comparable to CAREL in terms of size, complexity, internationalism and/or business, with a view to further enriching the range of the board members' backgrounds, professionalism and expertise.

Given the company's structure and size, as well as its ownership structure and list voting mechanism provided for by the by-laws, which guarantees transparent elections and a balanced composition of the board of directors, in its meeting of 26 February 2025, the board of directors did not deem it necessary to adopt specific diversity policies and/or practices with respect to the composition of the boards of directors and statutory auditors and the age, gender and educational and professional background of the various members.

The current composition of the board of directors complies with the provisions on gender quotas for the company bodies of listed companies. Specifically, at least two fifths of the board of directors is comprised of directors of the less represented gender, in compliance with the provisions on gender balance in the company bodies of listed companies.

Moreover, the members of the current board of directors have a broad range of specialised skills, including experience in technical and general management of companies operating in related sectors, relevant to the group's activities and geographical presence, ICT and digital transformation, strategic consulting with a focus on lean manufacturing and the management of software services companies.

The composition of the board of directors, its committees and the board of statutory auditors is presented below:

TABLE 2: COMPOSITION OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND THE BOARD OF STATUTORY AUDITORS[23]

	2024			
	Board of directors	Audit, risk and sustainability committee	Remuneration committee	Board of statutory auditors
No. of members	9	3	3	5
Executive	4	3	3	NA
Non-executive	5	-	-	NA
(of whom, independent)	(5) (55%)	-	-	NA
Female	(44%)	(67%)	(67%)	2 (40%)
Male	5 (56%)	(33%)	(33%)	3 (60%)
Gender diversity ratio[24]	0.80	2	2	0.67
< 30 years	-	-	-	-
ears	(9%)	-	-	-
> 50 years	8 (91%)	3 (100%)	3 (100%)	5 (100%)

Role of governance bodies in managing sustainability issues

The group has set up specific bodies and roles to monitor impacts, risks and opportunities. The BoD defines the strategies of the parent and the group in line with the pursuit of sustainable success and monitors their implementation. It also establishes the most appropriate corporate governance system for the company's business and the pursuit of its strategies, taking into account the degree of autonomy

[23] The members of the administrative, management and supervisory bodies do not include employees or other workers.

[24] The gender diversity ratio is the average ratio of female to male board members.

offered by the regulation. If necessary, it assesses and promotes the appropriate amendments, submitting them to the approval of the shareholders when they fall under their remit. The BoD defines the nature and level of risk in line with the group's strategic objectives, considering all aspects relevant to its sustainable success. Furthermore, it approves the commitment policies[25], the annual sustainability statement and the long-term sustainability plan. In 2025, the BoD reviewed the double materiality assessment carried out for sustainability reporting purposes. In addition to the tasks assigned to the board of directors, sustainability is also part of the annual self-assessment process, in which members are invited to assess whether, during their term of office, they organised initiatives aimed at providing adequate knowledge of the sector in which the parent operates and of its trends and evolution, also with a view to sustainable development.

In order to promote and implement sustainable development policies internally, in 2021, the BoD appointed a entrusted a board member, the sustainability executive director, with specific sustainability operating powers:

- define policies for the group's sustainability vision and strategy with the chief executive officer;
- design a sustainability governance system with the chief executive officer;
- establish the periodic improvement objectives with the chief executive officer and check regularly that they are met;
- support the integration of the sustainability activities into the business plan in accordance with the parent's code of ethics and the code of corporate governance together with the chief executive officer and the dedicated internal units (such as the ESG team and the legal affairs and compliance office);
- identify tools and methods to measure the creation of value over the medium to long term once the sustainability plan has been implemented;
- periodically check the group's sustainability status;
- provide regular reports to the BoD on sustainability issues;
- participate in the meetings of the audit, risk and sustainability committee, when invited to do so, to report on the progress of the activities underway and scheduled, the sustainability risks and related organisational structure;
- participate in the meetings of the remuneration committee, when invited to do so, to define the ESG objectives in the remuneration policies;
- monitor compliance with the relevant regulations, changes in such regulations and national and international best practices;
- supervise the preparation of the sustainability statement;
- define and coordinate the stakeholder engagement policies and channels (including the company website) in terms of their sustainability in compliance with the defined strategy;
- manage the group's reputation and stakeholders' assessments of its sustainability policies.

The highest level of responsibility in relation to sustainability issues, including climate change, is entrusted to the ARSC set up by the parent's board of directors. The ARSC carries out relevant investigations in order to support the BoD in performing assessments related to internal controls and risk management and in approving the sustainability statement pursuant to Legislative decree no. 125/2024. It also assists the BoD in overseeing sustainable development issues, including climate change, through inquiries, assessments and decisions regarding the management of risks related to adverse events which have come to the BoD's attention, including environmental, social and governance risks. Moreover, it assists the BoD with its research, consulting and advisory functions, in performing assessments and making decisions about sustainability, also monitoring the performance of group activities and dynamics with stakeholders, defining and suggesting guidelines about sustainability and monitoring compliance with codes of conduct adopted by the group and its subsidiaries. Lastly, it ensures that amendments to laws and regulations pertaining to sustainability are suitably understood and assessed in terms of the potential impact on business, assigning specific tasks and responsibilities for their implementation. It monitors international sustainability initiatives and keeps the board of directors up to date, in order to consolidate the group's international reputation. Periodically, the ARSC reports to the BoD on the activities within its

[25] The commitment policies, together with the related specific procedures, are the main control over the management of material impacts, risks and opportunities.

remit. The ARSC regularly liaises with the ESG team, guaranteeing consistency throughout activities underway, developments in the sustainability plan and the results achieved.

Indeed, CAREL has an inter-departmental ESG team, which integrates sustainability management into all the group's areas. The team, which is led by the CFO, reports directly to the CEO and the sustainability executive director and supports the BoD in the creation of targets and initiatives to be included in the long-term sustainability plan, in addition to monitoring the progress towards achieving such goals. In addition to liaising periodically with the ARSC, the ESG Team also meets periodically with the senior management for updates on the sustainability plan and on ESG issues in general (including regulatory developments and ratings).

Furthermore, the ESG team:

- is responsible for coordinating all sustainability activities: it prepares the sustainability statement and disseminates a sustainability culture throughout the group;
- engages with stakeholders and responds to requests from sustainability rating agencies and socially responsible investors (SRI);
- handles sustainability-related impacts, risks and opportunities, including those associated with climate change, in collaboration with the competent functions, and helps the different internal areas to identify areas of improvement, thus contributing to the creation of sustainable success.

Thanks to the diverse skills of the team members (i.e., the HSE manager, the HR controller, the IR manager, the head of financial consolidated statements, the head of corporate communication, the HVAC/R corporate business manager and the general services manager), sustainability matters are addressed and managed from different perspectives, considering all sustainability-related impacts, risks and opportunities. The BoD draws on the expertise and knowledge of the ESG team to address sustainability issues. Between the end of 2023 and 2024, the ESG team brought the following topics to the BoD's attention: the group's decarbonisation plan and the gender equality certification (UNI/PdR 125:2022) for the parent.

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

The group's remuneration policy for 2024, subject to the shareholders' approval, has been designed with the aim of maintaining, in line with the past, a responsible operating approach, oriented towards the principles of expertise, performance and sustainability. The parent's ongoing commitment to these objective, in particular, assigns increasingly significant weight not only to traditional targets related to the business' financial performance but also to ESG parameters, linked to the assessment of the impact of the group's activities on the environment, social aspects and governance.

CAREL's remuneration policy hinges on the following principles: equality, diversity and inclusion, competitiveness, sustainability and transparency.

The pursuit of a better pay mix balance continued in 2024, which is consistent with the long-term sustainability vision. The remuneration policy provides for ESG indicators for both the short-term (MBO) and long-term incentive (LTI) schemes, with measurable and quantitative targets.

Specifically, in the case of the MBO schemes, at least 30% 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 individual ESG targets are generally assigned in relation to a beneficiary's role, responsibilities and/or specific strategic projects/activities. In 2024, the individual ESG performance targets assigned to the chief executive officer and key management personnel were: CAREL production sites' emission reduction and gender equality certification.

The 2024-2028 LTI (Long Term Incentive) schemes 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 parent's ESG commitments. Specifically, 15% of the award is linked to the decarbonisation plan (reduction of GHG emissions from CAREL's production sites in line with the decarbonisation strategy and the emission reduction targets approved by SBTi), while 15% is linked to the reduction of the gender pay gap of the parents' white collars.

RISK MANAGEMENT SYSTEM

A company's ability to effectively manage business risks safeguards its value over time and promotes its long-term sustainability. Drawing on national and international best practices, the CAREL Group has developed an internal control and risk management system which is an integral part of the group's corporate governance. It establishes specific rules, procedures and organisational responsibilities for the correct identification and management of business risks, to ensure that the group operates in line with the board of directors' objectives.

The system allows the identification, measurement, management and monitoring of the key risks and ensures the reliability, accuracy and timeliness of reporting. It also helps to ensure that the group operates in line with its targets, including from a medium to long term sustainability viewpoint - in economic, equity, financial and environmental, social and governance (ESG) terms. It contributes to protecting the group's assets, the efficiency and effectiveness of its processes and ensures compliance with the relevant regulations and respect for human rights and the environment.

The group's integrated risk management model identifies all types of risks that could impede the group's achievement of its strategic objectives or damage its reputation.

Risk management in the CAREL Group includes risk identification, assessment, control and monitoring, and reporting using qualitative and/or quantitative procedures.

RISK IDENTIFICATION

- Identification by management of the risk universe, i.e., those risks that may have a potential impact on the business strategies and objectives by defining the group's risk model.

RISK ASSESSMENT

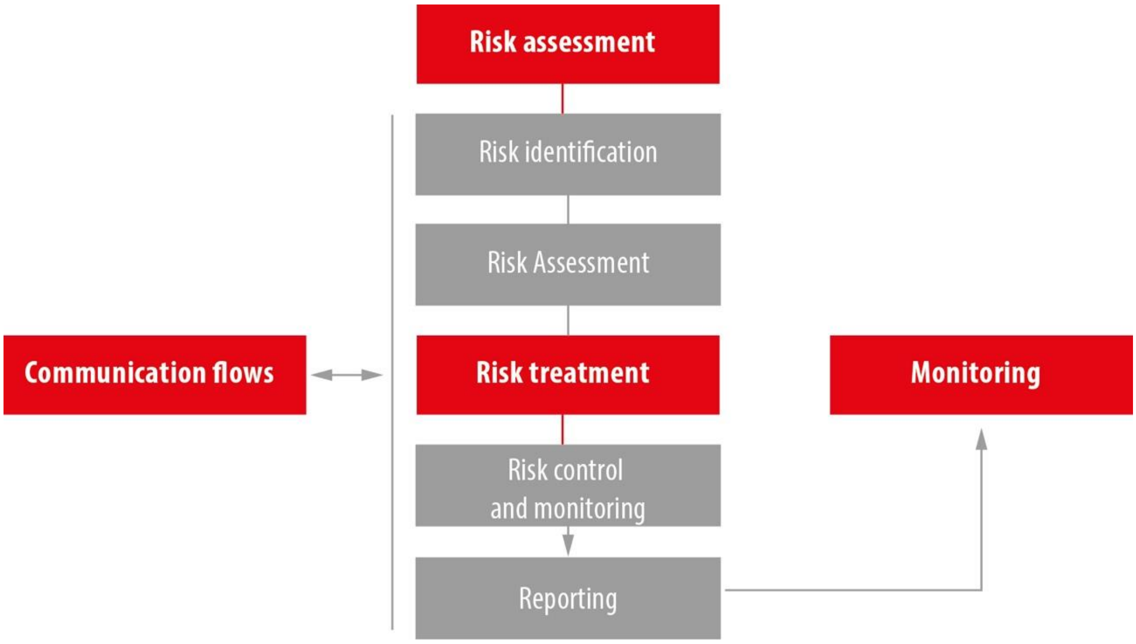
- Risk assessment by management using assessment tools and in accordance with the impact and probability of the adverse event.
- The impact of risks was assessed both quantitatively (economic/financial) and qualitatively (reputational, regulatory and procedural compliance), with an additional focus on ESG and HSE impacts. The inherent risk, i.e., the maximum level of risk that could be assumed with no control activities, was initially assessed in accordance with these two criteria. The subsequent assessment of the mitigation actions implemented by CAREL on a risk-by-risk basis helped identify the residual risk, i.e., after the application of all prevention and protection measures.

RISK CONTROL AND MONITORING

- Management's definition of the risk response strategy and activities based on the risk assessment (e.g., eliminate/mitigate, transfer, monitor, accept).
- Periodic monitoring of the risk portfolio to assess trends and check the operational effectiveness of the response strategies identified.

REPORTING

- Continuous communication flows of business processes and systems which use periodic reporting to protect against risks.



The model is considered when strategic decisions are taken and in key decision-making processes and covers both internal and external risks. Specifically, internal risks are managed by classifying risks into four different categories: financial, strategic, operational and compliance.

The comprehensive and detailed list of risks and impacts affecting the CAREL Group is mapped within the Enterprise Risk Management (ERM) risk register. In order to promote the integration of risk assessment into the decision-making process at several company levels, thereby creating and fostering a common culture of risk management throughout the group, the ERM model envisages the involvement of management as a whole and of some specific individuals.

Specifically, risk management within the CAREL Group involves several parties/units, all linked by an accurate information flow system: the chief executive officer, the audit, risk and sustainability committee, the risk manager, the internal audit unit and process owners.

The internal audit unit provides independent assurance about the adequacy and effective operations of the internal control and risk management system. To this end, each year, the unit prepares an action plan which, after discussion with the internal audit manager and the audit, risk and sustainability committee, is approved by the board of directors. The scope of the activities includes operational and compliance audits on the parent's and group companies' processes according to the priorities and critical issues identified during the risk assessment carried out at the beginning of the year, when the plan was being prepared, which, indeed, is aimed at defining the planning of internal audit activities using a risk-based approach.

The aim of the audit activities is to check, on the one hand, that the operations of the companies are in line with the applicable procedures and, on the other, that the procedures are periodically updated and made available to the various bodies. As of 2022, the inclusion of sustainability matters within audit activities was planned and approved. Specifically, surveys were conducted to increase the knowledge, awareness and dissemination of the sustainability plan approved by the parent's board of directors, as well as the reporting process for non-financial information.

During the year, four audits were conducted on the parent's processes and two audits on the group's foreign companies, in addition to several follow-up activities related to the audits carried out in previous years. The audit activities in 2024 focused on certain aspects relating to the parent's HSE, ICT/ICS, Marketing (with specific focus on the risks of market evolution and innovation) and Procurement areas and processes. The group companies audited in 2024 were subject to a general review of the procedures governing the current main processes. Specific activities were also carried out in order to check compliance with corporate principles and values, focusing, in particular, on the content set out in the group's policies and other relevant documentation including, inter alia and where applicable, the anti-corruption procedure, the human rights policy, the Code of Ethics and the 231 model.

ANALYSIS OF CLIMATE CHANGE-RELATED RISKS AND OPPORTUNITIES

CAREL is aware of the need to identify and manage climate change challenges. Therefore, it qualified climate change an external risk category that has an impact on its profitability, operations and reputation.

In order to assess its resilience to climate change and thus develop a medium- to long-term strategic vision that integrates the risks and opportunities related to climate change, in 2023, as part of its broader risk assessment management, the group consolidated the process of identifying, assessing and managing climate risks by conducting qualitative-quantitative analyses of climate scenarios, updating the preliminary qualitative assessments conducted in previous years.

The need to use specific tools, such as scenario analyses, to adequately integrate climate-related issues into the risk management process and identify, assess, and control and monitor climate-related risks is due to the particular characteristics of such risks which, for example, may occur over longer time horizons than those generally considered and with a different impact, depending on the geographical area.

CAREL referred to the recommendations of the Task Force on Climate Related Disclosure (TCFD) to classify climate change risks. The TCFD divided climate-related risks into two major categories: (1) risks related to the transition to a lower-carbon economy and (2) risks related to the physical impacts of climate change, both of which can substantially affect company performances and the operating environment.

Transition risks are associated with the shift to a lower-carbon economy, which may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations.

In contrast, physical risks resulting from climate change can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as damage to assets and impacts from supply chain disruption.

At the same time, as part of the transition to a lower-carbon economy, the efforts to mitigate and adapt to climate change also produce opportunities for organisations, for example, through resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain, which is essential in a context of rapid and constant change.

The identification, assessment and control and monitoring of climate risks followed the risk management process envisaged under the internal control and risk management system, which, where necessary, was adjusted in order to adequately address the specific characteristics of these risks.

While transition risks were analysed at group level, physical risks were considered by individual production site/commercial subsidiary (considering their actual location). The different approach is due to the fact that physical risks vary by geographical area, while transition risks are usually applicable on a global scale (with a few exceptions, such as the risks arising from current/emerging regulations).[26]

The results of the qualitative-quantitative analysis of climate scenarios were duly combined and subsequently integrated within the ERM risk register. Therefore, in line with the integrated risk management model, management assessed the climate-related risks identified in accordance with the impact and likelihood of adverse event criteria. By intersecting impact and likelihood of occurrence, CAREL assessed the significance of climate change risks against its risk appetite, and classified them by priority. Based on the established priority, which reflects the assessment of the residual risk significance, management defined response strategies and actions, focusing, in particular, on the most significant risks.

The group will continue to identify and assess the new risks and opportunities related to climate change as they materialise, by refreshing its procedures annually in order to increasingly raise awareness about climate issues.

Transition risks and opportunities

In order to identify and assess the risks and opportunities associated with transitioning to a low-carbon economy, CAREL relied on transition climate scenarios, which provide several plausible assumptions about the likely timeline of climate policy development and technology adoption to limit greenhouse gas emissions, changes in the energy mix, market dynamics, and other factors to achieve a climate-friendly economy. The climate scenarios' assumptions were analysed to identify the possible effects of these developments on the group's assets and activities in the short-, medium- and long-term.

The scenarios covered by the transition risk analysis include[27][28]:

- The IEA's (*International Energy Agency*) Net Zero Emissions by 2050 Scenario: a normative scenario that shows a pathway for the global energy sector to achieve net zero CO_2 emissions by 2050, limiting the global temperature rise to 1.5°C compared to pre-industrial levels by 2100;
- IEA's Announced Pledge Scenario (APS): an exploratory scenario that assumes that all climate commitments made by governments and companies around the world, as well as long-term net-zero targets, will be met in full and on time;
- IEA's Stated Policies Scenario (STEPS): an exploratory scenario that provides a more conservative benchmark for the future, by not taking for granted that governments will reach all announced goals.

In addition to analysing climate scenarios, reports and studies from authoritative international organisations (including, inter alia, the IEA reports "The future of cooling" and "The future of heat pumps") were also examined in order to integrate the specific features of the industry and the target market in which the group operates. In order to adequately map the risk deriving from climate regulation, current and pending regulations were also examined, focusing on those impacting the HVAC/R sector.

[26] The analysis of physical risks has not been conducted on the supply chain; however, a business interruption triggered by an extreme weather event affecting the production sites of strategic suppliers could lead to the non-supply of materials to CAREL, with consequent slowdowns and/or disruptions to the group's own operations.

[27] The NZE, APS and STEPS scenarios were developed by the International Energy Agency (IEA) and presented in the World Energy Outlook 2021.

[28] No climate-related assumptions have been made in the financial statements.

Below is a list of the main risks deemed significant for CAREL and their financial, operational and reputational implications.

TABLE 3: TRANSITION RISKS RELATED TO CLIMATE CHANGE

Category	Risk	Description	Potential impacts
Policy and legal	Regulation of existing products	Refrigerant gas restrictions and energy efficiency regulations are among the main regulatory changes underway. These regulations could lead to phase-outs and bans on the use of some products, in addition to energy performance improvement requirements. CAREL constantly monitors emerging regulations and invests in research and development to bring its products and services into line with new regulations and mitigate potential negative impacts, such as a decrease in sales and loss of competitiveness.	Increased operating costs (OpEx) Need to adapt products to regulations Penalties for non-compliance Decrease in sales
	CBAM and ETS	The EU Emissions Trading Scheme (ETS), which imposes payment of an allowance based on company emissions, and the ETS 2 and the Carbon Border Adjustment Mechanism (CBAM), which introduce similar measures for products imported into the EU, may result in an increase in direct and indirect procurement costs for CAREL (according to the IEA, in an NZE scenario, carbon prices could reach USD250/tonne in 2050). In addition to constantly monitoring regulations, the group is developing a decarbonisation strategy in order to mitigate the impacts of these regulations.	Increased operating costs (OpEx) Increased procurement costs Penalties for non-compliance
	Exposure to litigation	Changes in the regulatory compliance applicable to natural resource management and increased litigation and penalties related to environmental protection could increase the risk of facing higher penalties and legal fees as well as reputational damage. Consequently, CAREL closely monitors environmental regulations, uses ISO 14001 and ISO 50001 certified management systems, and is considering performing a Life Cycle Analysis (LCA) on various products.	Increased operating costs (OpEx) Penalties for non-compliance Reputational damage
Market	Changing stakeholder behavior	Stakeholder expectations vis-à-vis ESG matters are on the rise: business partners demand increasingly better performance in terms of supplier evaluation, customers and institutions demand increasingly efficient and environmentally friendly products, and investors demand greater transparency about companies' environmental performance. To mitigate the risk of losing market share and appeal, CAREL is investing heavily in product energy efficiency and minimising its environmental impact, as well as communicating these efforts through the various ESG ratings it participates in (e.g., Carbon Disclosure Project, MSCI and Ecovadis).	Increased operating costs (OpEx) Loss of market share Failure to attract capital Reputational damage
	Increased cost of raw materials and energy	In recent years, CAREL has faced major challenges, such as rising prices and supply disruptions affecting certain critical raw materials and components, which, coupled with the instability of energy resource prices, could result in reduced productivity and increased operating costs. The group is working to sign long-term agreements with suppliers in order to ensure stable prices and supplies. Accordingly, it is reviewing the design of its products to diversify sources of supply, and is investing in self-generation of energy from renewable sources to reduce its dependence on external energy sources and the impact of energy price fluctuations.	Increased operating costs (OpEx) Supply disruption Inability to adjust production to increased demand
Technology	Replacing products and services with more environmentally-friendly products	CAREL mitigates the risk arising from its competitors offering better performing and more environmentally innovative products by adopting innovation processes that stimulate the pursuit of increasingly competitive and unique solutions, and by adapting its value proposition to the needs of new competitive scenarios. Indeed, competitors that can better respond to new market needs, increasingly connected to climate change mitigation, could take away market share.	Loss of market share

Category	Risk	Description	Potential impacts
	Transition to low impact technology	In order to respond to the requests of institutions and reduce its carbon footprint, CAREL must allocate the right resources to the transition of its production structure. These investments are necessary in order to meet the international net zero goals and future compliance requirements. CAREL commenced its decarbonisation journey years ago (e.g., by installing heat pumps and photovoltaic panels).	Increased operating costs (OpEx) Increased capital expenditure (CapEx)
Reputation	Failure to meet emission reduction targets	Failure to meet the set goals - or failure to meet them on schedule - could result in a loss of market share and compromise the group's reputation. Therefore, CAREL is actively committed to defining a decarbonisation strategy and communicating its efforts to reduce its environmental impact. To this end, it plans to invest heavily in the transition of its production processes to a low-carbon system.	Reputational damage Failure to attract capital Penalties for non-compliance

Part of the analysis included a quantitative assessment to estimate the anticipated financial effects of the occurrence of selected transition risks, for which sufficient information and data were available.

Climate change not only poses or exacerbates risks for CAREL, but also offers opportunities that the group actively seeks to seize by launching innovative products and services with reduced environmental impact, optimising production processes to reduce GHG emissions and exploring new emerging markets related to the transition to a low-carbon economy. Therefore, the group actively seeks to turn challenges into opportunities for growth and sustainable development, becoming more resilient to climate change.

CAREL has identified the following main opportunities:

TABLE 4: TRANSITION OPPORTUNITIES RELATED TO CLIMATE CHANGE

Category (TCFD)	Opportunity	Description	Potential impacts
Resource efficiency	Increased efficiency of its buildings and processes	Implementing resource efficiency strategies provides multiple opportunities to mitigate the environmental impact and ensure compliance with respect to emerging regulations. By optimising the energy efficiency of its buildings and production processes and by renewing its fleet, CAREL is working to significantly reduce the consumption of natural resources and GHG emissions. As described in the "Environmental information" chapter, these initiatives aim to mitigate climate change and to reduce operating costs, while also improving CAREL's positioning vis-à-vis stakeholder expectations and increasingly stringent environmental regulations.	Reduced operating costs (OpEx) Adapting to emerging regulations Reduced exposure to future fossil fuel price increases
Energy source	Green energy supply and self-generation of electricity	CAREL is aware of the impact that generating energy from fossil fuels has in terms of contributing to climate change. Therefore, for some time now the group has been increasing the share of certified energy from renewable sources, while implementing, where possible, systems of self-generation of electricity via the installation of photovoltaic panels (for additional information, reference should be made to the "Environmental information" chapter). Accordingly, CAREL is now able to increase its energy independence and is less exposed to energy market volatility, while significantly reducing its direct carbon footprint.	Reduced operating costs (OpEx) Reduced exposure to future fossil fuel price increases
Market	Increased sales due to rising temperatures	According to the IEA, the rise in average temperatures due to climate change will lead to a significant increase in CDDs (cooling degree days) around the world, albeit at different rates depending on the area. It is estimated that a 1°C increase in global average temperatures by 2050 (compared to today) will lead to a 25% increase in CDDs on average across regions. Therefore, this will generate a higher demand for air conditioning and cooling systems, especially in tropical and subtropical areas, where rising temperatures, combined with humidity, will make these systems necessary.	Increased demand for products and services
Products & Services	Selling products in line with national and international energy efficiency	Thanks to the distinctive qualities of CAREL's products, the group is a business partner that can assist its customers along their path to reducing their carbon footprint. Therefore, demand is expected to increase, especially for more energy-efficient products. CAREL's	Increased demand for products and services Increased competitiveness

Category (TCFD)	Opportunity	Description	Potential impacts
	and decarbonisation policies	product range is highly efficient and capable of reducing energy consumption. Furthermore, its solutions significantly reduce the environmental impact by providing an alternative to the use of fossil fuels in domestic heating. Specifically, thanks to the integration with Kiona, CAREL can benefit from the opportunities offered by the increased digitilisation and servitisation of the HVAC/R industry, in particular by strengthening its positioning in the energy efficiency-oriented digital services sector. The group is also investing in research into products that use alternative refrigerant gases, in line with national and international policies.	

The analysis of transition risks and opportunities related to climate change thus made it possible to identify regulatory changes, market developments and technological innovations that will have an effect on the group's operational processes, the products and services offered and management of the value chain, so that CAREL can take them into consideration when defining its strategy. Specifically, when defining its short-, medium- and long-term corporate strategies, CAREL has considered the risks associated with the more rigorous regulations on refrigerant gases, tighter energy efficiency standards and the availability of resources, and the opportunities arising from the development of lower emissions technologies and the offer of products in line with international decarbonisation policies. In particular, the identified risks and opportunities have allowed and will allow CAREL to prudently design strategic directives, and the underlying financial planning, reflected in the sustainability plan and in the broader climate transition plan (which includes science-based targets for emissions reduction), related to the products and services offered and internal production processes, pre-empting emerging trends and regulatory developments.

Physical risks

As part of the process to identify and assess the physical risks (acute and chronic) resulting from climate change, in 2023, the group conducted a quantitative analysis in order to understand the degree of exposure to climate risk factors of all its facilities (production sites, warehouses and commercial subsidiaries) and quantify the potential negative impacts should the risk events occur.

Five acute physical risks (coastal flooding, river flooding, extreme rainfall, storms and heat wave) and three chronic ones (wildfire, drought and heat stress) were considered.

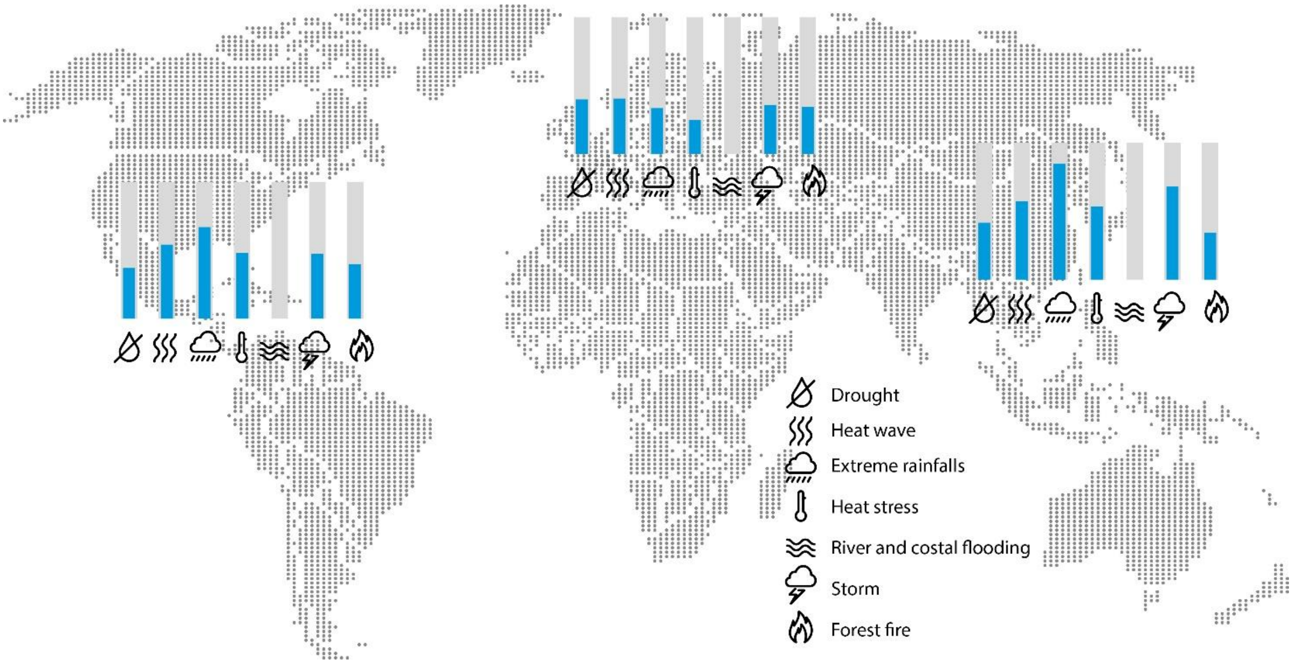
CAREL's resilience to the climate risk factors considered was assessed against the results of global climate models, which reflect the different climate scenarios developed by the Intergovernmental Panel On Climate Change (IPCC)[29], and which indicate different forecast climate-altering gas concentrations related to an expected temperature increase from 1.5°C (RCP 2.6) to about 5°C (RCP 8.5 - avoid at all costs scenario) by 2100 compared to pre-industrial levels. Each risk factor was analysed for all climate scenarios considered (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5) and over different time horizons (short-, medium- and long-term: 2025, 2030, 2040, 2050 and 2080). The years selected for analysis cover the time horizons of the medium- and long-term strategies formalised in the group's sustainability plan and climate transition plan, and are extended to assess the effects of physical risks on property, plant and equipment, such as production facilities and warehouses.

Data were collected from each group facility to be included in the physical risk modelling tool (including their geographical coordinates), in addition to qualitative information, such as historical extreme weather events that have occurred in the past and the mitigation measures already implemented. As high exposure to a physical risk factor does not necessarily result in a major negative impact, this data collection was conducted with the aim of assessing the likelihood of the facilities to be negatively affected by a hazardous weather event.

[29] Climate scenarios developed for the IPCC's Fifth Assessment Report (AR5).

Thanks to this analysis, for each of the risk factors covered and for each of the climate scenarios analysed and the time horizons considered, we obtained the degree of risk exposure - on a scale of 0 to 100 - of CAREL's individual facilities around the world.

The image below shows the average risk exposure of all CAREL's production facilities[30], broken down by geographical area, to the different risk factors, considering RCP 4.5 (business as usual scenario)[31], which the experts consider as the most likely scenario by 2030.



As mentioned earlier, extreme rainfall is the risk factor to which the group's sites are most exposed. In contrast, no production site is exposed to the risk of river or coastal flooding. The exposure for all other climate risk factors is medium to moderate.

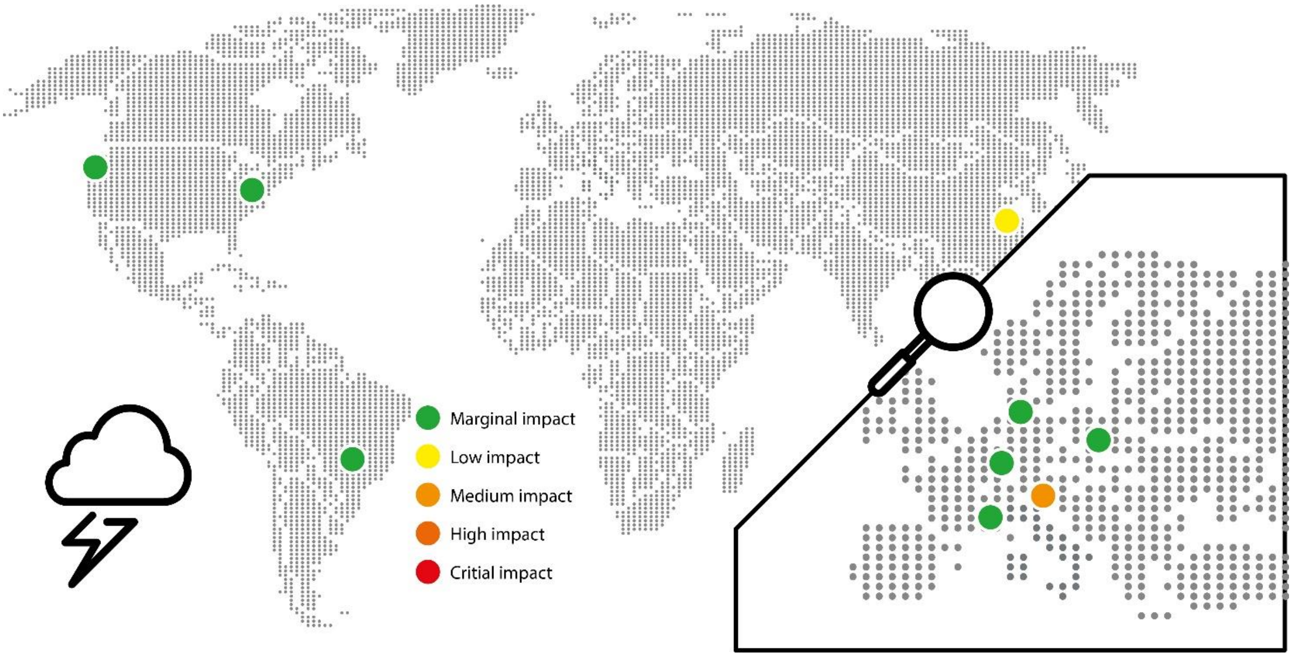
Therefore, the overall exposure of production sites is not critical. This positive result is also confirmed in terms of the economic impact resulting from storm and wildfire risk classes.

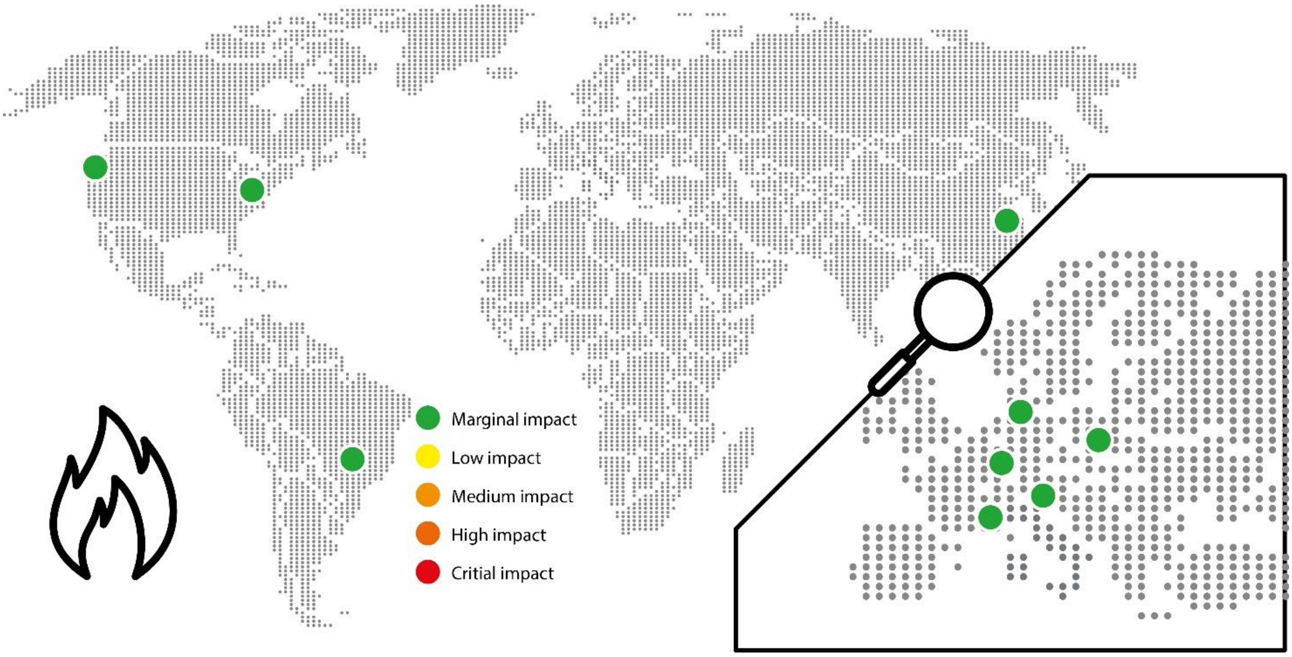
Indeed, the images below show that the financial impact (defined using a scale from marginal to critical impact) should the above acute weather events occur, considering the RCP 8.5 scenario - which provides projections for all three risk categories analysed - to 2030[32], ranges from medium/low to marginal. This is an extremely good result since the assessment does not include the adaptation measures already implemented by production sites.

[30] This only covers production facilities and not the commercial subsidiaries or companies that only provide services.

[31] RCP 8.5 was considered for the storm risk since the projections for RCP 4.5 were not available.

[32] The financial impact resulting from river flooding is not reported because the production sites are not exposed to this risk.





The group takes into account the identification of these risks and the determination of the possible financial impacts of their occurrence when defining its strategy and investments in terms of adaptation activities, with the aim of increasing the resilience of the group's own operations. In recent years, the group has developed a strategy focused on identifying disaster recovery centres and mirroring the production of core products. The group is currently defining appropriate improvement Plans to ensure that the existing or planned mitigation measures (i.e., generator sets) for the various areas are adequate based on the degree of exposure to climate risk factors and the resulting potential financial impacts identified.

DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

In the second half of 2024, CAREL conducted a materiality assessment, updating the assessment carried out in 2022 (including a stakeholder engagement process which involved internal and external stakeholders) and adopting a methodological approach in line with the principles contained in Commission Delegated Regulation (EU) 2023/2772, issued on 31 July 2023 and set out in the ESRS.

The double materiality assessment was conducted through the identification and subsequent assessment of impacts, risks and opportunities (IROs), including those connected with CAREL's own operations and the upstream and downstream value chain[33], including through its products and services, as well as through its business relationships.

The outcome of the double materiality assessment was the identification of the topics and sub-topics that exceeded the impact materiality threshold and/or the financial materiality threshold; this assessment is therefore the basis for the identification of the material topical standards, which are therefore reported on in this sustainability statement.

A description of the double materiality assessment conducted by CAREL in 2024 is provided below:

UNDERSTANDING THE CONTEXT

The analysis of the company context, business model, business relationships and value chain was conducted through a study of the activities, markets served and products and services offered by CAREL, key stakeholders and the nature of the group's business relationships. This process also included the mapping of the value chain, which highlighted the main activities carried out by the various group companies, their geographical areas of operation and the actors in the group's value chain, upstream and downstream, including, where known, those beyond tier 1 suppliers (e.g., raw material extractors and smelters). Gaining an understanding of the context was also based on the results of the analysis of emerging and developing regulations related to climate change, carried out in 2023 as part of the climate risk assessment.

IDENTIFYING IMPACTS, RISKS AND OPPORTUNITIES

Identifying impacts

The existence of impacts was examined for each "sub-topic" and "sub-sub-topic" provided by the ESRS, considering not only the Group's own operations but also, where known, the upstream and downstream value chain operations (as shown by the value chain mapping). To identify impacts in the upstream and downstream value chain, the impact of the entire life cycle of the products/services purchased and sold by the group (e.g., extraction of raw materials, disposal of finished products by the end user, etc.) was considered.

The impacts identified in the 2022 materiality assessment, performed with the direct involvement of the stakeholders through interactive workshops and online questionnaires, were considered as the starting point. Additional impacts were also identified, related either to emerging sustainability topics or to segments of the value chain that had not been considered in the 2022 materiality assessment.

Identifying risks and opportunities

The identification of financial risks related to sustainability matters was based on the risks contained in the Group's ERM risk register, which also includes ESG risks, including the physical and climate risks and transition risks identified by the qualitative-quantitative analysis of climate scenarios described in the "Analysis of climate risks and opportunities" section. Some of the identified risks are generated in the group's upstream or downstream value chain and have an economic, financial, operational and/or reputational impact on CAREL. When identifying risks, consideration was also given to risks arising from identified potential negative impacts which could expose the group to risks of penalties and/or could

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[33] The identification of the IROs was conducted by considering the upstream and downstream value chain, as described in the "*Business model and value chain"* section of this chapter, for the following topics: E1 - Climate change, E2 - Pollution, E3 - Water and marine resources, E5 - Resource use and circular economy, S2 - Workers in the value chain, S4 - Consumers and end-users, G1 - Business conduct.

trigger consequences of a reputational nature and/or higher costs, as well as in relation to the environmental and social resources that CAREL needs, directly or indirectly, to operate, and which could negatively impact its continuity, profitability and/or financial stability.

The above-mentioned qualitative-quantitative analysis of the climate scenarios also gives rise to the opportunities considered in the analysis. To date, most sustainability matters are considered to be a source of risk for the group, as any opportunities arising from mitigation actions taken in response to certain risks were not considered opportunities for the purposes of this analysis.

ASSESSMENT OF IMPACT MATERIALITY AND FINANCIAL MATERIALITY

The impact and financial materiality assessment involved a work group composed of corporate departments - most of them members of the ESG team - with expertise in the areas being assessed and representing the interests of several key stakeholders.

Assessment of impacts

The assessment of impacts, based on the assessments obtained from the stakeholder engagement activities conducted for the purposes of the 2022 materiality assessment, took into account the following two dimensions:

- Severity/Benefit, which considers the following aspects:
  - Scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment;
  - Scope: how widespread the negative or positive impacts are;
  - [In the case of negative impacts] Irremediable character: whether and to what extent the negative impacts can be remediated.
- [In the case of potential impacts] [34] likelihood of occurrence.

Both dimensions were assessed using a scale from 1 to 5.
The impact assessment was then obtained by multiplying the likelihood of occurrence by the severity, and a value between 1 and 25 was obtained. This range was subdivided into four levels, called tiers (consistent with the Group ERM), with tier 1 representing the highest, and thus the most material level, and tier 4 the lowest, and thus the least material level.

The assessment of potential impacts did not take mitigation actions into account. The management of these impacts, including mitigation actions, is in fact part of the policies, actions and targets, extensively described in the chapters on the topics. In this way, a comprehensive understanding is provided, both of the impacts resulting from the group’s operations and its value chain net of mitigation measures, and of how the group is addressing these impacts.

Potential negative human rights impacts were assessed by prioritising severity over likelihood of occurrence.

Assessment of risks and opportunities[35]

The assessment of risks and opportunities was based on the group’s ERM and, with respect to climate risks and opportunities, the qualitative-quantitative analysis of climate scenarios, described in the “Analysis of climate risks and opportunities” section. Risk assessments were performed using assessment tools and in accordance with the impact and likelihood of adverse events. The “Risk management system” section provides more information about the assessment metrics. These assessments are being reviewed by the work group to confirm their validity.

DETERMINING THE MATERIALITY THRESHOLDS

Materiality thresholds were defined for financial materiality and impact materiality, i.e., the thresholds above which IROs are considered material.

In line with the choices made for the purposes of the ERM, a materiality threshold was defined for financial materiality at tier 2, so risks and opportunities in tiers 1 and 2 were considered material. This is because

[34] The current impacts are considered to be highly severe.

[35] The group does not prioritise sustainability risks over other types of risks.

risks classified as tier 1 represent risks that exceed the “risk tolerance”, i.e., the theoretical level of risk that the group is unable and/or unwilling to bear, because the occurrence of such a risk would threaten its continuity. Risks that exceed the “risk appetite”, i.e., the level of risk that the group is willing to take in pursuit of its strategic objectives, are placed in tier 2. Risks classified as lower level are business risks that the group is able to bear without them significantly affecting its operations.

A materiality threshold was defined for financial materiality at tier 3, so risks and opportunities in tiers 1, 2 and 3 were considered material. This more conservative approach makes it possible to take into account not only impacts that are quite severe and have a medium likelihood of occurrence, but also impacts that may have, on the one hand, a very limited likelihood of occurrence but high severity, and on the other hand, impacts with a low severity but a high likelihood of occurrence.

The outcomes of the financial and impact materiality assessments were consolidated to obtain the list of material sustainability topics, which were then used to define the content of this sustainability statement. From a conservative perspective, a sustainability topic is considered material if it is material from the financial materiality perspective, the impact materiality perspective, or both. A topic or sub-topic was considered material if at least one IRO within it was found to be material.

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

The table below presents the impacts, risks and opportunities assessed as material for each of the sustainability matters identified as material as a result of the materiality assessment.

Each topic chapter describes the policies, actions (current and future) and targets that enable the group to manage and monitor material IROs and their current and expected effects, while the “Group sustainability strategy” section describes the associated strategy.

TABLE 5: RELEVANT IMPACTS, RISKS AND OPPORTUNITIES

ESRS			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[36]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[37][38]	+/-, C/P[39]	U, O, D[40]			
ESRS E1 | Climate change	Climate change adaptation	-	R	Risk that due to adverse weather conditions or a power outage, one of more CAREL systems or devices might stop working, thus disrupting production.		O	Long-term	-	-
	Climate change adaptation	-	R	Risks that the group incurres higher operating costs (e.g., higher compliance costs, fines, etc.) due to changes in policies enacted to promote the transition to a low carbon economy (e.g., CSRD, Montreal Protocol, Kigali Amendment, Regulation (EU) no. 517/2014, product eco-design, energy efficiency requirements, carbon tax, CBAM, etc.)		O	Medium-term	-	-
	Climate change mitigation	-	I	GHG emissions generated directly by CAREL Group-controlled production facilities, offices and employee mobility in company or mixed-use vehicles (Scope 1 and 2), and indirectly by CAREL Group operations in the upstream and downstream value chain (Scope 3)	-, C	U, O, D	Short-term	• E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions - Entity-specific metric (emission intensity per m2 and total employees)	• Health, safety and environmental policy • Suppliers' code of conduct
	Energy	-	I	Consumption of energy in production directly and indirectly controlled by the group to process raw materials and produce finished goods	-, C	U, O, D	Short-term	• E1-5 (Energy consumption and mix) - Entity-specific metric (emission	• Health, safety and environmental policy • Suppliers' code of conduct

[36] CAREL did not conduct consultations on pollution, water resources and resource inflows and outflows.

[38] No significant current financial effects have arisen as a result of the identified material risks and opportunities.

[39] Positive impacts are marked with a “+” and negative impacts with a ‘-’. Current impacts are marked with “C” and potential impacts with “P”.

[40] U”, “O” and “D” denote the IROs in the upstream value chain, own operations and downstream value chain, respectively.

ESRS			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[36]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[37][38]	+/-, C/P[39]	U, O, D[40]			
								intensity per m2 and total employees)	
	Climate change mitigation / Energy	-	R	Risk that changes in demand and supply of certain raw materials, products and services due to changes in customer behaviour or an increase in the cost of raw materials due to the transation to a low carbon economy lead to a drop in demand for CAREL's goods and services or a rise in production costs		U, O, D	Medium-term	-	• Health, safety and environmental policy • Suppliers' code of conduct
	Energy	-	O	Increased business opportunities and reputation capital through the development of energy-efficient products that enable end users to reduce their energy consumption		O, D	Medium-term	- Entity-specific metric (reduction of electricity consumption by product family)	•Health, safety and environmental policy
ESRS E2 - Pollution	Pollution of air	-	I	Air pollution caused by chimney stacks and burners of the CAREL Group's production facilities	-, C	O	Short-term	• E2-4 (Pollution of air, water and soil)	• Health, safety and environmental policy
	-Pollution of water -Pollution of soil	-	I	Air, water and soil pollution caused by the typical activities of companies that extract/manufacture raw materials and semi-finished products	-, C	U	Short-term	-	• Suppliers' code of conduct
	Pollution of air	-	R	Customer dissatisfaction and loss of opportunities and socio-economic development due to the Group's failure to meet pollution reduction targets, also considering stakeholders' increased focus on sustainability.		O, D	Medium-term	-	• Health, safety and environmental policy
	Substances of concern and substances of very high concern	-	I	Production and/or use along the upstream value chain of components and materials that contain chemicals that are hazardous and/or extremely hazardous for human health, animal health and the environment	-, C	U	Short-term	-	• Suppliers' code of conduct
ESRS E3 - Water and marine resources	Water	Water withdrawal, water consumption	I	Water withdrawal and consumption in upstream and downstream activities in the value chain, with potential intensification of water stress in vulnerable regions	-, C	U, D	Short-term	• E3-4 (Water consumption)	• Suppliers' code of conduct
	Water	Water discharges	I	Discharges of contaminated and inadequately treated water into surface and groundwaters with potential soil and groundwater pollution	-, P	U	Short-term	-	• Suppliers' code of conduct
ESRS E5 - Circular economy	Resource inflows, including resource use	-	I	Use of raw materials or resources related to products and their packaging, contributing to their depletion and over-consumption	-, C	U, O	Short-term	• E5-4 (Resource inflows)	• Health, safety and environmental policy • Suppliers' code of conduct
	Waste	-	I	Production of hazardous and non-hazardous waste, potentially polluting the environment	-, C	U, O, D	Short-term	• E5-5 (Resource outflows)	• Health, safety and environmental policy • Suppliers' code of conduct
ESRS S1 - Own workforce[41]	- Working conditions - Equal treatment and opportunities for all	- Secure employment - Employment and inclusion of persons with disabilities	I[42]	Contribution to socio-economic development through the creation of employment opportunities, fostering inclusion in employment	+, C	O	Short-term	• S1-6 (Characteristics of the undertaking's employees) • S1-7 (Characteristics of non-employees in the undertaking's own workforce)	• Diversity policy • Human rights policy

[41] All own workers on which CAREL could have a material impact are included in the reporting boundary under ESRS 2. A deeper understanding of how workers with particular characteristics (e.g., those working in particular contexts or carrying out certain activities) may be more exposed to risks was obtained through ad hoc analyses carried out by Carel (e.g., risk assessment conducted as part of the health and safety management system and risk assessment related to gender-based violence and gender equality - see chapter S1 - Own workforce). The potential negative impacts reported are not generalised, but are connected to potential aspects related to specific work environments. The risks identified with reference to the sub-sub-topic "Health and safety" concern the entire workforce, but to a greater extent, workers involved in manufacturing operations, while the risk that the CAREL Group may be involved in potential violations of external human rights policies or regulations, exposing the group to possible penalties, reputational damage and negative impacts on the business relates in particular to blue collar workers in countries considered most at risk in terms of human rights violations. Despite some of the Group's sites being located in areas at risk of forced or compulsory or child labor (e.g., India, China), at present no operations at risk of forced or compulsory labour or child labour have been identified for the group's own workforce. No material impacts on the group's own workforce were identified as a result of the Group's climate transition plan.

42 All the workers in the own workforce are already or may in the future be affected by the identified positive impacts.

ESRS			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[36]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[37][38]	+/-, C/P[39]	U, O, D[40]			
								• S1-11 (Social protection) • S1-12 (Persons with disabilities)	
	Working conditions	- Adequate wages - Social dialogue - Collective bargaining including the rate of workforce covered by collective agreements	I	Inadequate wages, also as a result of poor social dialogue and/or collective bargaining	-, P	O	Short-term	• S1-10 (Adequate wages) • S1-8 Collective bargaining coverage and social dialogue	• Gender equality policy • Human rights policy
	Working conditions	Health and safety	I	Occurrence of work-related illnesses, accidents and/or damage to health due to employee exposure to the main risks present in the group (e.g., risks of manual handling of loads, noise, incorrect use of equipment, etc.) not correctly managed by the group through the correct prevention measures.	-, P	O	Short-term	• S1-14 (Health and safety metrics) • Entity-specific metric (injury severity rate)	• Health, safety and environmental policy
	Working conditions	Health and safety	R[43]	Risk of incidents involving CAREL Group personnel caused by unsafe behaviour, ineffective or missing procedures or monitoring, or inadequately assessed workplace hazards for which inadequate preventive and protective measures have been taken. In the event of a serious injury, this risk may lead to criminal liability for the employer, impacts on the planning and performance of activities and penalties or bans for the group, as well as increased costs, including those for outsourced work.		O	Short-term	• S1-14 (Health and safety metrics) • Entity-specific metric (injury severity rate)	• Health, safety and environmental policy
	Working conditions	Health and safety	R[43]	Failure to assess or inadequate assessment of risks such as noise, work-related stress, microclimate, manual handling of loads, chemical and mechanical risks can be a cause of work-related ill health. The group may incur penalties, suspensions and increased costs as a result of such ill health. This risk can also affect governance if the employer does not demonstrate a concrete commitment to protecting the health of its employees and preventing dangerous environments and activities.		O	Short-term	• S1-14 (Health and safety metrics) • Entity-specific metric (severity rate)	• Health, safety and environmental policy
	Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity	I	Incidents of discrimination based on, for example, gender identity, ethnic origin, sexual orientation, disability, age, religion and political opinions in the group's workforce, due to lack of attention to equal opportunities and equal treatment, generating distress among employees.	-, P	O	Short-term	• S1-12 (Persons with disabilities) • S1-9 (Diversity metrics) • S1-16 (Remuneration metrics: pay gap and total remuneration) • S1-17 (Incidents, complaints and severe human rights impacts)	• Diversity policy • Human rights policy
	Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity - Training	R[44]	Risk that the group is unable to ensure an adequate level of retention due to poor internal personnel enhancement or an inadequate diversity and human rights management model. This could lead to the loss of personnel if the retention activities (e.g., assessments, incentives and development, succession/replacement plans, training/redeployment, management of employment contracts, management of mandatory/complementary pension schemes, management of remuneration and corporate well-being plans) implemented are not in line with those currently applied in other companies.		O	Short-term	• S1-12 (Persons with disabilities) • S1-9 (Diversity metrics) • S1-16 (Remuneration metrics: pay gap and total remuneration) • S1-13 (Training and skills development metrics) • S1-17 (Incidents, complaints and	• Gender equality policy • Diversity policy • Human rights policy

[43] The identified risk stems from a potential negative impact identified by CAREL, which could expose the group to penalties and/or reputation risks and/or higher costs.

[44] The risk identified is related to dependencies on the Group's own workforce, with particular reference to strategic figures, whose availability and continuity are critical to the Group's success.

ESRS			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[36]	**Sub-topic**	**Sub-sub-topic**	**IRO**	**Description of IRO[37][38]**	**+/-, C/P[39]**	**U, O, D[40]**			
		and skills development						severe human rights impacts)	
	Equal treatment and opportunities for all/Other work-related rights	- Diversity - Gender equality and equal pay for work of equal value - Measures against violence and harassment in the workplace - Child labour - Forced labour	R[43]	Risk that the CAREL Group may be involved in potential violations of human rights (diversity, equity, inclusion) policies, procedures, code of ethics or external regulations, exposing the group to possible penalties, reputational damage and negative impacts on the business.		O	Short-term	• S1-12 (Persons with disabilities) • S1-9 (Diversity metrics) • S1-16 (Remuneration metrics: pay gap and total remuneration) • S1-17 (Incidents, complaints and severe human rights impacts)	• Diversity policy • Human rights policy
	Equal treatment and opportunities for all	Training and skills development	I	Encouragement of creativity and innovation, development of transversal and technical expertise that expand employees' hard and soft skills.	+, C	O	Short-term	• S1-13 (Training and skills development metrics)	• Gender equality policy • Human rights policy
	Equal treatment and opportunities for all	Training and skills development	R[44]	Increased operating costs as a result of upgrading skills, hiring new staff or replacing employees, as well as due to ineffective training.		O	Short-term	• S1-13 (Training and skills development metrics)	• Gender equality policy • Human rights policy
ESRS S2 - Workers in the value chain[45]	Working conditions	Health and safety	I	Work-related injuries and incidents impacting workers in the value chain, due to a failure of business partners to take the necessary safety measures.	-, P	U, D	Short-term	-	• Suppliers' code of conduct • Human rights policy
	Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity	I	Incidents of violence and harassment in the workplace, discrimination on the grounds of gender and unequal pay or discrimination against persons with disabilities involving value chain workers	-, P	U, D	Short-term	-	• Suppliers' code of conduct • Human rights policy • Diversity policy
	Other work-related rights	- Child labour - Forced labour - Adequate housing - Water and sanitation	I	Episodes of violations of basic human rights such as child labour, forced labour, lack of adequate housing and lack of sanitation facilities along the supply chain, particularly in the context of the conflict minerals.	-, P	U	Short-term	• Entity-specific metric (% of 3TG suppliers compliant with the CMRT)	• Suppliers' code of conduct • Diversity policy • Gender equality policy • Human rights policy
ESRS G1 - Business conduct[46]	Corporate culture	-	R	Risk that the group may incur penalties/administrative sanctions due to a change and/or non-compliance with the national and international regulatory and/or tax framework.		O	Short-term	NA	• Code of ethics • Anti-bribery policy
	Corporate culture	-	R	Risk that the group may not adopt an effective sustainability communication strategy, reflected in various documents such as the sustainability plan, non-financial reporting, the CDP rating and sustainability-related press releases. This risk could affect its reputation.		O	Short-term	NA	-

[45] All the value chain workers on whom CAREL could have a material impact are included in the reporting boundary under ESRS 2. All the potential negative impacts identified for value chain workers relate to individual incidents, with the exception of incidents of violations of fundamental human rights such as child labour or forced labour. In the context of the conflict minerals (which is positioned in the upstream value chain, beyond tier 1), should the violation occur, the impact would be connected with the group, emerging in the context of mining activities present in the upstream value chain, as a direct consequence of the group's business. CAREL's business requires the manufacture of certain products, the components of which contain minerals and metals, including gold, tin, tantalum and tungsten (3TG), that may originate from conflict-affected and high-risk areas. The extraction and/or processing of these minerals could have negative social (for workers in these activities) and/or environmental impacts in geographical areas where the revenue from such activities may be used to finance or favour armed groups, violations of international law and human rights abuses. The main category of workers in the value chain that could be negatively impacted is therefore the workers involved in the extraction and processing of 3TG minerals. As a strategic measure, the group implemented a specific due diligence process for this potential negative impact.

[46] IROs related to business conduct were identified considering the severity of the relevant regulatory frameworks, the group's sector, and the sensitivity of the group's stakeholders to sustainability issues.

ESRS			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[36]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[37][38]	+/-, C/P[39]	U, O, D[40]			
	Protection of whistleblowers	-	I	Incidents of retaliation, of any kind, against those who raise concerns, following the reporting of alleged wrongdoing, due to a lack of protection, legal or otherwise, and the failure to guarantee anonymity by the group.	-, P	U, O, D	Short-term	NA	• Whistleblowing procedure
	Political influence and lobbying activities	-	I	Through involvement in international organisations and associations, promotion of innovative regulations for sustainable development and the energy transition.	+, C	O	Medium-term	• G1-5 (Political influence and lobbying activities)	-
	Management of relationships with suppliers including payment practices	-	I	Dissemination, management and oversight of good environmental and social practices in the supply chain through supplier engagement activities (e.g., sharing of the Suppliers' code of conduct, implementation of training activities, start-up of partnerships, etc.)	+, P	U, O	Medium-term	NA	• Suppliers' code of conduct • Code of ethics
	Corruption and bribery	Incidents	R	Risk that the CAREL Group may be sued for unlawful acts committed by employees/members of the organisation/consultants/suppliers/customers who become perpetrators of unlawful practices/corrupt behaviour in favour of the group, exposing CAREL to the consequences of their actions. This could result in the group incurring financial, administrative and criminal penalties, loss of profits (e.g., giving or promising to give money or anything else to public or similar officials to obtain an undue advantage for the group, altering accounting records to create resources that can be used for corruption purposes, etc.).		U, O, D	Short-term	• G1-4 (Incidents of corruption or bribery)	• Whistleblowing procedure • Anti-bribery policy • Suppliers' code of conduct

ADDITIONAL INFORMATION

Pollution

With respect to its own operations, the group's atmospheric emissions come from the emission stacks on its production facilities, which are mapped and monitored on an ongoing basis and include periodic analyses for pollutants. This aspect is also extended to sites that have not yet certified, as part of the environmental management system. As far as the value chain is concerned, pollution is mainly due to emissions of substances into the air, water and soil by suppliers along the supply chain, and the potential presence of hazardous and extremely hazardous substances in some components purchased by the group.

Water

Water consumption by CAREL is not a material topic for its own operations, as the group's water withdrawals are related to sanitation use rather than industrial processes. Starting from 2020, consumption of all the group companies has been monitored, including with reference to any water stressed areas where they are located using the WRI Acqueduct tool. Water withdrawals and consumption are materials aspects along CAREL's value chain. There is significant water consumption upstream for the production of some essential components, such as microprocessors and other electronic components; while downstream, water consumption is related to the use of some of the group's products, such as humidifiers, which require water to operate.

Resource use and circular economy

The group regularly purchases electronic and mechanical components as well as finished products, including packaging materials to produce its goods, thus contributing to the depletion of natural resources. The group's activities also generate waste during the production and assembly processes, including a small amount of hazardous waste. To identify and understand its negative impacts and risks related to the use of resources, as well as the opportunities offered by the circular economy, the group uses various tools, which interface closely with those adopted to analyse emissions along the value chain. With respect to resource inflows, the annual analysis conducted to calculate Scope 3 emissions related to purchased goods and products (category 1) makes it possible to examine resource inflows, identifying the different types of materials and their impacts in terms of GHG emissions and to plan actions to reduce environmental impacts, such as the purchase of recycled materials. As far as waste is concerned, the annual analysis of Scope 3 emissions from waste generated in operations (category 5) allows the composition of waste to be examined and the environmental impacts of its management to be assessed.

The analysis of waste is also extended to the downstream value chain, in line with the calculation of Scope 3 emissions related to the end-of-life treatment of sold products (category 12), albeit with a different level of detail.

Biodiversity and ecosystems

As stated in the environmental policy, CAREL is committed to limiting impacts on land and biodiversity, also in order to preserve natural resources. To this end, it conducted a proximity analysis in 2024 to understand the group's potential direct impacts on biodiversity. The analysis, which focused specifically on the group's production facilities, was conducted using two reference tools: Natura 2000 and Protected Planet. As a result of the analysis, none of the locations considered were located within, or in close proximity to, biodiversity-sensitive areas; therefore, no specific mitigation measures to protect biodiversity are deemed necessary at present.[47]

Although the topic of biodiversity was not material, the group is committed to updating and extending the analysis, in order to also identify and assess potential dependencies, physical and transitional risks, and systemic risks related to biodiversity and ecosystems.

STATEMENT ON DUE DILIGENCE

Due diligence is the process by which companies identify, prevent, mitigate and account for how they address the actual and potential negative impacts on the environment and people connected with their business, including their upstream and downstream value chain.

The table below sets out the references to the sections of the sustainability statement that contain the policies, actions and objectives that represent the starting point for the ESG due diligence. This due diligence will be extended and structured over the next few years to cover all material sustainability matters from a social and environmental perspective, considering the evolution of the CSDD (corporate sustainability due diligence).

TABLE 6: DUE DILIGENCE KEY ELEMENTS AND REFERENCE IN THE SUSTAINABILITY STATEMENT

Due diligence key element	Reference in the sustainability statement
Incorporation of due diligence into governance, strategy and business model.	• ESRS 2 SBM-2: Group sustainability strategy • ESRS 2 GOV-2: Role of governance bodies in managing sustainability issues • ESRS 2 SBM-3: Material impacts, risks and opportunities • ESRS E1: Environmental management system • ESRS E1, E2, E3, E5: Environmental and occupational health and safety policy, suppliers' code of conduct • ESRS S1: Human rights policy, diversity policy, gender equality policy and environmental, occupational health and safety policy. • ESRS S2: Human rights policy, conflict minerals policy, suppliers' code of conduct • ESRS G1: Management of relationships with suppliers, suppliers' code of conduct
Stakeholder engagement in all key phases of the due diligence	• ESRS 2 SBM-2: Interests and views of stakeholders • ESRS S1, S2: Involvement of own workforce
Identification and assessment of negative impacts	• ESRS 2 IRO-1: Description of the process to identify and assess material impacts, risks and opportunities • ESRS S1: Whistleblower reporting channels • ESRS S2: Due diligence on conflict minerals, whistleblower reporting channel for workers in the value chain • ESRS G1: Assess supplier sustainability
Address negative impacts	• ESRS E1: Transition plan for climate change mitigation, decarbonisation levers • ESRS E2: Pollution management in own operations and supply chain, substances of concern and substances of very high concern

47 No consultations have been conducted with the affected communities.

Due diligence key element	Reference in the sustainability statement
	• ESRS E3: Water resource management in own operations, water resource management in the value chain • ESRS E5: Resource inflows and circular economy, waste management • ESRS S1: Whistleblower reporting channels • ESRS S2: Due diligence on conflict minerals • ESRS G1: Whistleblowing procedure
Monitoring the effectiveness of these efforts	• Targets: • ESRS E1: E1-4 Targets related to climate change mitigation and adaptation • ESRS E2: Pollution-related future initiatives and targets • ESRS E3: Water-related future targets • ESRS E5: Future targets related to resource inflows, future targets related to waste management • ESRS S1: Workers' rights (in relation to the adaptation of the human rights due diligence process) • ESRS S2: Future targets for workers in the value chain • ESRS G1: Future initiatives and targets related to supply chain management (in relation to the implementation of the due diligence process) • Metrics • ESRS E1: E1-5 E1-6: Consumption and emissions • ESRS E2: E2-4 Pollution of air • ESRS E3: E3-4 Water consumption • ESRS E5: E5-4 Resource inflows, E5-5 Resource outflows (in relation to waste management) • ESRS S1-17: Incidents, complaints and severe human rights impacts

The group currently carries out a specific due diligence to manage the impacts of the procurement of components which contain minerals and metals, including gold, tin, tantalum and tungsten (3TG), that may originate from conflict-affected and high-risk areas. See chapter S2 - Workers in the value chain for additional information.

INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

As discussed earlier, the CAREL Group has developed an internal control and risk management system which is an integral part of its corporate governance. It enables the correct identification and management of business risks. In its ERM risk register, a core tool of the integrated risk management model, the group has identified the risk that non-financial information prepared for stakeholders contains material misstatements (data incompleteness, data inaccuracy or non-compliance with legal requirements), the omission of material facts or non-compliance with sustainability reporting regulations.[48]

The group monitors that risk using a structured reporting process formalised in line with a specific internal procedure that defines the roles, duties and operating methods of the employees at the parent and its subsidiaries to ensure the correct management of the qualitative information and quantitative data necessary to prepare this sustainability statement. In order to guarantee the completeness and adequacy of the data and information contained in the sustainability statement, CAREL has launched a project to expand its internal controls over sustainability reporting. The project includes updating the procedure in 2025 to account for the regulatory changes introduced by the CSRD and Legislative decree no. 125/2024.

The BoD is responsible for approving the sustainability statement, assisted by the ARSC, which is in charge of checking the document's completeness and compliance with the law. CAREL's board of statutory auditors ensures that the entire reporting process complies with the applicable legislation.

[48] The parent uses the ERM risk register as a tool to map risks, integrating the findings of risk assessment and internal controls. The risk assessment is performed in accordance with the method described in the "Risk management system" section. No risks related to sustainability reporting other than that already identified have been included the ERM risk register. The parent ensures that a report of the findings of the risk assessment and internal controls is sent to the administrative, management and supervisory bodies at least every two years through the risk card analysis and monitoring reports. The reporting frequency ensures constant monitoring and effective support for strategic decisions.

The person in charge of sustainability reporting is the chief financial officer, who coordinates the entire reporting process through the process owners, whose duties include collecting, consolidating and verifying the quantitative and qualitative sustainability information provided by the data owners. Typically, the process owners are the heads of the parent's departments, such as HR or HSE, who coordinate a specific data collection process from the individual companies within the reporting boundary. The individual in-scope companies are assigned one or more data owners, i.e., local people identified by each department head, who are responsible for collecting information related to their activities. These assignments are managed through a matrix that identifies, for each KPI to be reported, the data owner and the related process owner who validates the transmitted data. This approval matrix also reflects the hierarchical tree for the segregation, collection and validation of information within the IT reporting system. The data owners receive a handbook containing methodological and operating guidelines to ensure the accuracy and completeness of the data provided, thus enhancing the reliability of the data collection process. Moreover, they are involved in training activities whenever there are material changes to data collection, in order to ensure an adequate understanding of the changes. The process owners are assigned first-level control duties, i.e., controls aimed at checking the adequacy of the data collected (e.g., consistency checks, including comparisons with other IT tools used by the group, historical trend analyses, etc.) and the completeness of the data received from the individual data owners. The data owners, on the other hand, are responsible for archiving the documentary evidence underlying the transmitted data. Each branch involved in the reporting process must also send a representation letter in which the branch's managing director and finance manager confirm the correctness and completeness of the information provided.

A key element of the group's reporting process is the adoption of dedicated software to collect and consolidate quantitative data for sustainability reporting. The automation of quantitative data collection and validation processes contributes significantly to reducing the risk of manual errors (e.g., through data formatting and validation rules, currency and energy consumption conversion, emission calculations, etc.). Moreover, thanks to the duty allocation system, the structured approval flows and the segregation of duties the risk of unauthorised changes, errors or data alterations has been mitigated. A further advantage of using the software is the traceability of information by monitoring every input and change made and comparing data with previous periods.

CONTENT INDEX

Topic	Disclosure Requirement	Chapter	Section (subsection)
ESRS 2 – General Disclosures	BP-1 General basis for preparation of sustainability statements	ESRS 2: GENERAL DISCLOSURES	Basis for preparation
	BP-2 Disclosures in relation to specific circumstances	ESRS 2: GENERAL DISCLOSURES	Basis for preparation
	GOV-1 – The role of the administrative, management and supervisory bodies	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Carel's corporate governance structure, Role of governance bodies in managing sustainability issues)
	GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Role of governance bodies in managing sustainability issues)
	GOV-3 Integration of sustainability-related performance in incentive schemes	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Integration of sustainability-related performance in incentive schemes)
	GOV-4 Statement on due diligence	ESRS 2: GENERAL DISCLOSURES S2: WORKERS IN THE VALUE CHAIN	Statement on due diligence Due diligence on conflict minerals
	GOV-5 Risk management and internal controls over sustainability reporting	ESRS 2: GENERAL DISCLOSURES	Internal controls over sustainability reporting
	SBM-1 Strategy, business model and value chain	ESRS 2: GENERAL DISCLOSURES	Business model and value chain Group Sustainability strategy
	SBM-2 Interests and views of stakeholders	ESRS 2: GENERAL DISCLOSURES	Interests and views of stakeholders
	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2: GENERAL DISCLOSURES	Group Sustainability strategy Risk management system Material impacts, risks and opportunities
	IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Description of the process to identify and assess material impacts, risks and opportunities

Topic	Disclosure Requirement	Chapter	Section (subsection)
			Material impacts, risks and opportunities
	IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement	ESRS 2: GENERAL DISCLOSURES	Content index
E1 – Climate Change	ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Integration of sustainability-related performance in incentive schemes)
	E1-1 Transition plan for climate change mitigation	E1: CLIMATE CHANGE	Transition plan for climate change mitigation Decarbonisation levers
	ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2: GENERAL DISCLOSURES	Group sustainability strategy Risk management system (Analysis of climate change-related risks and opportunities)
	ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Risk management system (Analysis of climate change-related risks and opportunities)
	E1-2 Policies related to climate change mitigation and adaptation	E1: CLIMATE CHANGE	Climate change mitigation policies and processes
	E1-3 Actions and resources in relation to climate change policies	E1: CLIMATE CHANGE	Decarbonisation levers
	E1-4 Targets related to climate change mitigation and adaptation	E1: CLIMATE CHANGE	Transition plan for climate change mitigation (Emission reduction targets) Future targets related to climate change mitigation
	E1-5 Energy consumption and mix	E1: CLIMATE CHANGE	Energy consumption
	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions	E1: CLIMATE CHANGE	GHG emissions
E2 – Pollution	ESRS 2 IRO-1 – Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information – Pollution)
	E2-1 – Policies related to pollution	E2: POLLUTION	Pollution management in own operations and supply chain Management of hazardous substances contained in products
	E2-2 – Actions and resources related to pollution	E2: POLLUTION	Pollution management in own operations and supply chain Management of hazardous substances contained in products Pollution-related future initiatives and targets
	E2-3 – Targets related to pollution	E2: POLLUTION	Pollution-related future initiatives and targets
	E2-4 –Pollution of air, water and soil	E2: POLLUTION	Pollution management in own operations and supply chain
	E2-6 - Anticipated financial effects from material pollution-related risks and opportunities	E2: POLLUTION	Pollution management in own operations and supply chain
E3 –Water and marine resources	ESRS 2 IRO-1 — Description of the processes to identify and assess material water and marine resources-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information – Water)
	E3-1 – Policies related to water and marine resources	E3: WATER	Water resource management in internal operations Water resource management in the value chain
	E3-2 – Actions and resources related to water and marine resources	E3: WATER	Water resource management in internal operations Water resource management in the value chain
	E3-3 – Targets related to water and marine resources	E3: WATER	Water-related future targets
	E3-4 – Water consumption	E3: WATER	Water resource management in internal operations
E4 –Biodiversity and ecosystems	ESRS 2 IRO-1 — Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information – Biodiversity and ecosystems)
E5 –Resouce use and circular economy	ESRS 2 IRO-1 — Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information – Resource use and circular economy)
	E5-1 — Policies related to resource use and circular economy	E5: RESOURCE USE AND CIRCULAR ECONOMY	Commitment policies Resource inflows and circular economy
	E5-2 — Actions and resources related to resource use and circular economy	E5: RESOURCE USE AND CIRCULAR ECONOMY	Resource inflows and circular economy Waste management
	E5-3 – Targets related to resource use and circular economy	E5: RESOURCE USE AND CIRCULAR ECONOMY	Resource inflows and circular economy (Future targets related to resource inflows) Waste management (Future targets related to waste management)

Topic	Disclosure Requirement	Chapter	Section (subsection)
	E5-4 – Resource inflows	E5: RESOURCE USE AND CIRCULAR ECONOMY	Resource inflows and circular economy
	E5-5 – Resource outflows	E5: RESOURCE USE AND CIRCULAR ECONOMY	Waste management
S1 – Own workforce	ESRS 2 SBM-2 – Interests and views of stakeholders	ESRS 2: GENERAL DISCLOSURES	Group sustainability strategy Interests and views of stakeholders
	ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2: GENERAL DISCLOSURES S1: OWN WORKFORCE	Group sustainability strategy Material impacts, risks and opportunities Working conditions and worker well-being Training and professional development of employees Equal treatment and opportunities for all
	S1-1 Policies related to own workforce	S1: OWN WORKFORCE	Commitment policies Involvement of own workforce Working conditions and worker well-being Training and professional development of employees Equal treatment and opportunities for all
	S1-2 Processes for engaging with own workers and workers' representatives about impacts	S1: OWN WORKFORCE	Involvement of own workforce Occupational health and safety (Risk assessment and involvement of workforce) Equal treatment and opportunities for all Involvement of own workforce
	S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns	S1: OWN WORKFORCE G1: BUSINESS CONDUCT	Involvement of own workforce (Whistleblower reporting channels) Corporate culture
	S1-4 Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	S1: OWN WORKFORCE	Working conditions and worker well-being Training and professional development of employees (Hard and soft skills training, Professional development of employees) Equal treatment and opportunities for all (Gender equity management system, Future initiatives and targets for equal treatment and opportunities for all) Occupational health and safety (Health and safety training, Company doctor, Future initiatives and targets for occupational health and safety) Commitment policies Involvement of own workforce
	S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	ESRS 2: GENERAL DISCLOSURES S1: OWN WORKFORCE	Group sustainability strategy Interests and views of stakeholders Training and professional development of employees (Future targets for the training and professional development of employees) Equal treatment and opportunities for all (Future initiatives and targets for equal treatment and opportunities for all) Occupational health and safety (Future initiatives and targets for occupational health and safety)
	S1-6 Characteristics of the undertaking's employees	S1: OWN WORKFORCE	Own workforce Working conditions and worker well-being (Employment stability and well-being)
	S1-7 Characteristics of non-employee workers in the undertaking's own workforce	S1: OWN WORKFORCE	Own workforce
	S1-8 Collective bargaining coverage and social dialogue	S1: OWN WORKFORCE	Working conditions and worker well-being (Collective bargaining and freedom of association)
	S1-9 – Diversity metrics	S1: OWN WORKFORCE	Equal treatment and opportunities for all (Gender equity management system)
	S1-10 Adequate wages	S1: OWN WORKFORCE	Working conditions and worker well-being (Adequate and competitive wages)
	S1-14 Health and safety metrics	S1: OWN WORKFORCE	Occupational health and safety (Accidents)
	S1-16 Compensation metrics (pay gap and total compensation)	S1: OWN WORKFORCE	Working conditions and worker well-being (Adequate and competitive wages) Equal treatment and opportunities for all (Equal pay)

Topic	Disclosure Requirement	Chapter	Section (subsection)
	S1-17 Incidents, complaints and severe human rights impacts	S1: OWN WORKFORCE	Working conditions and worker well-being (Workers' rights)
S2 – Workers in the value chain	ESRS 2 SBM-2 – Interests and views of stakeholders	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities Interests and views of stakeholders
	ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2: GENERAL DISCLOSURES	Risk management system Material impacts, risks and opportunities
	S2-1 – Policies related to value chain workers	S2: WORKERS IN THE VALUE CHAIN G1: BUSINESS CONDUCT	Commitment policies (The human rights policy, Suppliers' code of conduct, The conflict minerals policy) Whistleblower reporting channel for workers in the value chain Whistleblowing procedure
	S2-2 – Processes for engaging with value chain workers about impacts	S2: WORKERS IN THE VALUE CHAIN	Whistleblower reporting channel for workers in the value chain
	S2-3 – Processes to remediate negative impacts and channels for value chain workers to raise concerns	S2: WORKERS IN THE VALUE CHAIN G1: BUSINESS CONDUCT	Whistleblower reporting channel for workers in the value chain Whistleblowing procedure
	S2-4 – Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	S2: WORKERS IN THE VALUE CHAIN G1: BUSINESS CONDUCT	Due diligence on conflict minerals Management of relationships with suppliers (Suppliers' code of conduct)
	S2-5 – Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	S2: WORKERS IN THE VALUE CHAIN	Future targets for workers in the value chain
G1 – Business conduct	ESRS 2 GOV-1 – The role of the administrative, supervisory and management bodies	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Integration of sustainability-related performance in incentive schemes, Role of governance bodies in managing sustainability issues)
	ESRS 2 IRO-1 –Description of the processes to identify and assess material impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities
	G1-1 Corporate culture and Business conduct policies and corporate culture	G1: BUSINESS CONDUCT	Corporate culture (Code of ethics, Anti-corruption procedure, Whistleblowing procedure, Training on corporate culture) Management of relationships with suppliers (Suppliers' code of conduct)
	G1-2 Management of relationships with suppliers	G1: BUSINESS CONDUCT	Supply chain (Management of relationships with suppliers)
	G1-3 Prevention and detection of corruption and bribery	G1: BUSINESS CONDUCT	Corporate culture (Anti-corruption procedure, Training on corporate culture)
	G1-4 Confirmed incidents of corruption or bribery	G1: BUSINESS CONDUCT	Corporate culture (Anti-corruption procedure)
	G1-5 – Political influence and lobbying activities	G1: BUSINESS CONDUCT	Corporate culture (Organisations and associations)

APPENDIX B: LIST OF DATAPOINTS IN CROSS-CUTTING AND TOPICAL STANDARDS THAT DERIVE FROM OTHER EU LEGISLATION

Disclosure Requirement and related datapoint	SFDR49 reference	Pillar 350 reference	Benchmark Regulation51 reference	EU Climate Law52reference	Reference Section
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816, Annex II		ESRS 2: GENERAL DISCLOSURES - Sustainability governance (Carel's corporate governance structure)

[49] Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosures Regulation) (OJ L 317, 9.12.2019, p. 1).

50 Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR") (OJ L 176, 27.6.2013, p. 1).

51 Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

52 Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021, p. 1).

ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		ESRS 2: GENERAL DISCLOSURES - Sustainability governance (Carel's corporate governance structure)
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				ESRS 2: GENERAL DISCLOSURES - Statement on due diligence
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not Applicable
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Not Applicable
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not Applicable
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not Applicable
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	E1: CLIMATE CHANGE - Transition plan for climate change mitigation
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article12.1 (d) to (g), and Article 12.2		E1: CLIMATE CHANGE - Transition plan for climate change mitigation
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		E1: CLIMATE CHANGE - Transition plan for climate change mitigation (Emission reduction targets)
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5Table #1 and Indicator n. 5 Table #2 of Annex 1				E1: CLIMATE CHANGE – Energy consumption
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				E1: CLIMATE CHANGE – Energy consumption
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex 1				E1: CLIMATE CHANGE – Energy consumption (Energy intensity)

ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		E1: CLIMATE CHANGE – GHG emissions
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		E1: CLIMATE CHANGE – GHG emissions (Emissions intensity)
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not Applicable
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Phased-in Disclosure Requirement
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Phased-in Disclosure Requirement
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Phased-in Disclosure Requirement
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Phased-in Disclosure Requirement
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1				E2: POLLUTION - Pollution management in own operations and supply chain
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1				E3: WATER - Water resource management in internal operation, Water resource management in the value chain
ESRS E3-1 Politica dedicata, paragrafo 13	Indicator number 8 Table 2 of Annex 1				Not Applicable

ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1				Not material for CAREL
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1				E3: WATER - Water resource management in internal operation
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1				E3: WATER - Water resource management in internal operation
ESRS 2- SMB-3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1				Not material for CAREL
ESRS 2- SMB-3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1				Not material for CAREL
ESRS 2- SMB-3 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1				Not material for CAREL
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1				Not material for CAREL
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1				Not material for CAREL
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1				Not material for CAREL
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1				E5: RESOURCE USE AND CIRCULAR ECONOMY - Waste management
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1				E5: RESOURCE USE AND CIRCULAR ECONOMY - Waste management
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				ESRS 2: GENERAL DISCLOSURES - Material impacts, risks and opportunities
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				ESRS 2: GENERAL DISCLOSURES - Material impacts, risks and opportunities
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I				S1: OWN WORKFORCE - Commitment policies (Human rights Policy)
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		S1: OWN WORKFORCE - Commitment policies (Human rights Policy)
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				S1: OWN WORKFORCE - Commitment policies (Human rights Policy)
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				S1: OWN WORKFORCE - Occupational health and safety
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				G1: BUSINESS CONDUCT - Corporate culture (Whistleblowing procedure)

ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		S1: OWN WORKFORCE - Occupational health and safety (Accidents)
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				S1: OWN WORKFORCE - Occupational health and safety (Accidents)
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		S1: OWN WORKFORCE - Equal treatment and opportunities for all (Equal pay)
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				S1: OWN WORKFORCE - Working conditions and worker well-being (Adequate and competitive wages)
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				S1: OWN WORKFORCE - Working conditions and worker well-being (Workers' rights)
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)		S1: OWN WORKFORCE - Working conditions and worker well-being (Workers' rights)
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I				ESRS 2: GENERAL DISCLOSURES - Material impacts, risks and opportunities S2: WORKERS IN THE VALUE CHAIN - Due diligence on conflict minerals
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1				S2: WORKERS IN THE VALUE CHAIN - Commitment policies G1: BUSINESS CONDUCT - Corporate culture, Supply chain
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1				S2: WORKERS IN THE VALUE CHAIN - Commitment policies (Suppliers' code of conduct)
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		S2: WORKERS IN THE VALUE CHAIN - Commitment policies, Whistleblower reporting channel for workers in the value chain
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		S2: WORKERS IN THE VALUE CHAIN - Commitment policies
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1				S2: WORKERS IN THE VALUE CHAIN - Whistleblower reporting channel for workers in the value chain

ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1				Not material for CAREL
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material for CAREL
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1				Not material for CAREL
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1				Not material for CAREL
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material for CAREL
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1				Not material for CAREL
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1				G1: BUSINESS CONDUCT - Corporate culture (Anti-corruption procedure)
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1				Not Applicable
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II)		G1: BUSINESS CONDUCT - Corporate culture (Anti-corruption procedure)
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				Not Applicable

In this document, CAREL reports all the information prescribed by the disclosure requirements related to sustainability issues found to be material by the double materiality assessment, i.e. assessed above the impact materiality and/or financial materiality threshold, as described in the “Determining the materiality thresholds” section. In particular, with regard to metrics, CAREL reports all information required by the disclosure requirements when the topic is deemed material to the group’s own operations and, where appropriate, provides additional entity-specific disclosures to provide a more complete representation of the group’s impacts, risks and opportunities on sustainability issues. The group adopts phase-in provisions for the reporting of the following material related disclosure obligations: E1-9, E2-6, S1-8 (for non-EEA countries), S1-11, S1-12, S1-13, S1-15. The group adopts phase-in provisions for the reporting of the following disclosure obligations unrelated to the double materiality assessment: SBM-1 40 (b), (c), SBM-3 48 (e) (quantitative information).

E1: CLIMATE CHANGE

CLIMATE CHANGE MITIGATION POLICIES AND PROCESSES

ENVIRONMENTAL POLICY

In order to address the impacts related to climate change and in accordance with the requirements of the ISO 14001-certified environmental management system, CAREL has an environment, health and safety policy (the "environmental policy" or "policy"), approved by the board of directors in 2018.

All group personnel are responsible for implementation of the commitments expressed in the policy, starting with the full involvement of senior management. The management of operations and the implementation of the principles outlined in the policy is handled both centrally, through instructions from the parent, and at the level of the individual subsidiaries and operating sites.

The policy defines the principles and commitments adopted by the parent and its subsidiaries, directly or indirectly, to reduce their impacts on the environment and territory. The policy is binding for the employees, managers, collaborators (e.g., consultants, agents) and company representatives of the CAREL Group companies, as well as the main stakeholders, i.e., those parties that act in the name and on behalf of group companies within the scope of their remit and, in particular, in their relationships with the CAREL Group, and are required to adopt conduct in line with the general principles of the policy. In particular, the CAREL Group shares the commitment, objectives and principles expressed in the policy with its suppliers and customers, as they are fundamental to the development of the parent and the group.

Furthermore, the group's environmental policy is addressed to all those to whom its provisions apply, inviting them to behave responsibly and sustainably in their everyday life, in line with the principles described below, in order to contribute to sustainable development and greater awareness about environmental issues.

With respect to the issue of climate change, the policy outlines the following principles[53]:

- contribute, in the appropriate places and in the performance of its operations, to the promotion of sustainable scientific and technological development, aimed at environmental protection, the safeguarding of resources and the reduction of water, energy and fuel consumption in order to mitigate climate change risks;
- focus the commitment, also of collaborators, on aspects of improving the management of GHG emissions;
- rationalise energy consumption through sustainable production systems, promoting the use of energy from renewable sources and logistical solutions that optimise transport capacity;
- consider aspects related to environmental production when designing and developing systems, products and processes to assess the potential impact over their life cycle environmental performance and, especially, during their utilisation stage and after their useful life.

In adopting the policy, the CAREL Group made reference to:

- the international standard UNI EN ISO 14001 on Environmental Management Systems;
- the laws, regulations and guidelines of each country in which CAREL operates.

The policy was made available to recipients and other relevant parties through publication on the company intranet and website. In addition to providing information about the policy, CAREL recognises employee training as a fundamental tool for its implementation and is therefore committed to its dissemination, including through mandatory training during the onboarding phase and regular training afterwards.

[53]The environmental policy does not explicitly address the issue of climate change adaptation.

ENVIRONMENTAL MANAGEMENT SYSTEM

Several years ago, CAREL began to roll out environmental management systems (EMS) certified in accordance with the ISO 14001 standard, first at CAREL Industries and subsequently also at HygroMatik, Recuperator and CAREL Suzhou. An environmental management system is a set of processes and procedures designed to monitor, manage and improve an organisation's environmental impact and ISO 14001 provides a framework for implementing an effective system, ensuring regulatory compliance and promoting environmental sustainability. Implementation of an ISO 14001-compliant environmental management system follows a structured path that involves an initial assessment to analyse material environmental aspects and check compliance with current regulations, followed by the development of the system, which involves the definition of commitments, operating procedures and objectives to improve the organisation's environmental performance. Key elements of the system are:

- the internal audit, which makes it possible to periodically assess the effectiveness of the measures taken and to identify possible areas for improvement;
- external certification, issued by an accredited body, attesting that the system complies with the ISO 14001 standards;
- the principle of continuous improvement, which is fundamental to ensuring the system's effectiveness over time, reducing environmental impacts and identifying new opportunities to optimise the use of resources.

In December 2023, in order to further improve the energy efficiency of its sites, the parent obtained UNI CEI EN ISO 50001:2018 certification for energy management systems. Thanks to this important milestone, the group has been able to adopt a systemic approach to energy management, focused particularly on processes, and have it periodically checked via independent audits. The parent's decision to introduce and maintain an energy management system is closely linked to the targets of the long-term sustainability plan, as better management of energy resources and optimisation of consumption indirectly contribute to reducing atmospheric emissions and mitigating climate change.

To ensure continuous oversight of the system's use and improvements, the parent set up an energy team as part of the group's HSE function which is responsible for:

- ensuring that CAREL's energy management system is designed, implemented, kept up-to-date and constantly improved in accordance with the applicable standard;
- collecting and analysing consumption and energy management data;
- defining and updating the baseline and energy performance indicators;
- assessing the technical feasibility of improvement opportunities;
- implementing action plans for energy performance improvement and to monitor their progress;
- reporting to senior management on the performance of the management system as part of its review and on any necessary improvements.

In October 2024, the first surveillance audit was successfully passed, thanks to which it was possible to enhance the progress made in the field of energy efficiency, mainly related to the plan to gradually replace traditional gas air-conditioning systems with modern heat pumps.

SUPPLIERS' CODE OF CONDUCT

The group's policy commitments also extend to the supply chain. Carel shares its suppliers' code of conduct to promote its principles of conduct and asks that all suppliers and their collaborators, subcontractors and other parties working on their behalf comply with it.

Through the code and in relation to climate change, CAREL requires its suppliers not only to comply with existing environmental regulations and requirements, but also to implement initiatives to improve their environmental performance, including, for example, programmes to reduce energy consumption and GHG emissions. Specifically, the code of conduct requires suppliers to minimise their GHG emissions by monitoring and reducing consumption and sourcing energy from renewable sources.[54] Finally, the code specifies that all parties working with the group collaborate in the calculation of the environmental impact of the entire value chain in order to ensure proper reporting (e.g., collection of data for the calculation and reporting of Scope 3 GHG emissions) and to minimise its negative effects.

TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

CAREL is aware of the urgent need to mitigate the effects of climate change. Reports published by authoritative international institutions offering climate scenario frameworks, such as the IPCC, and the IEA, highlight the need for a rapid and profound change in the economic system, so as to at least halve the emissions generated by 2030 and achieve net zero by 2050. Accordingly, in response to the growing challenges related to climate change, in line with European commitments and the objectives of the Paris Agreement, CAREL has adopted its own climate transition plan, which is part of the group's broader strategic path to transform its business model in line with a low-carbon economy. The group's transition plan defines emission reduction targets validated by the Science Based Targets initiative (SBTi), with a time horizon to 2033. It has identified specific decarbonisation levers to achieve them, along with concrete actions that, through process and product innovation, aim to progressively reduce the environmental impact of the group's activities, both in terms of emissions from its own operations (i.e., Scope 1 and 2 emissions) and emissions generated along the entire value chain (i.e., Scope 3 emissions). Over the coming years, in alignment with ongoing regulatory developments, CAREL intends to expand its Plan to incorporate the achievement of Net Zero targets by 2050, aiming - through its strategic approach and business model - to contribute not only to limiting global warming to 1.5°C in accordance with the Paris Agreement but also to the attainment of climate neutrality by 2050, a key policy priority for the European Union.The main decarbonisation levers identified for the abatement of Scope 1 and 2 emissions include the electrification of heating systems, the renewal of the car fleet, the purchase of an increasing share of certified renewable electricity and the expansion of photovoltaic installations[55]. Scope 3 emissions, which account for more than 99% of the group's carbon footprint, will be reduced first and foremost by reinforcing the business strategy that the group has been pursuing for several years now, i.e., the commitment to energy efficiency in CAREL products and the reduction - or elimination where possible - of the use of traditional refrigerant gases in favour of solutions with a lower environmental impact. In addition, CAREL plans to increase the share of recycled materials used and to steer incoming and outgoing transport activities towards modes with a lower environmental impact, such as switching from air to sea transport wherever possible. The "Actions (decarbonisation levers)" section of this chapter provides more details of the decarbonisation levers and their effect on climate change mitigation.

Emissions from the use of CAREL products over their entire lifetime account for 97.41% of the group's carbon footprint[56]. CAREL is aware that its ability to reduce these emissions is profoundly linked both to greater product energy efficiency (which it has based its strategy on for several years now) and to the overall energy mix. In order to obtain a forecast of the trend in emissions from the use of its products, CAREL referred to the trends forecast in the climate scenarios provided by the IEA[57] about the evolution of the energy mix at a global level[58], to which it added the group's business growth estimates.

In order to implement the plan and achieve the decarbonisation targets, the group has estimated an average annual expenditure of €530 thousand for the 2024-2033 period, which it will adjust depending on its annual financial resources.

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[54] The suppliers' code of conduct does not explicitly address the issue of climate change adaptation.

[55] Scope 1 and 2 emissions are not assessed as locked-in, given the group's energy consumption (see the "Consumption" section).

[56] Being the sum of Scope 1, 2 (market-based) and Scope 3 emissions

[57] Scenarios considered: NZE, STEPS, APS.

[58] With respect to Scope 3, potential locked-in emissions are strictly dependent on the global energy mix. The IEA scenarios (NZE, STEPS, APS) show a significant change in the global energy mix, leading to a decrease in the CO2 intensity in electricity geration and, consequently, in the emissions resulting from the use of CAREL products.

The board of directors and supervisory bodies have approved the technical and financial aspects of the Transition Plan prepared to achieve the near-term targets to 2033. The Plan has now become part of the Group's future development strategies, laying the foundation for a longer-term commitment with the intention of achieving even more ambitious goals by 2050. The integration of the Transition Plan with the company's development strategies is also demonstrated by the connection between the financial development plan underpinning the transition plan and the annual authorisation process for the corporate investment plan.

The group is not excluded from the EU Paris-aligned Benchmarks in accordance with the exclusion criteria stated in Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Standards Regulation).

EMISSION REDUCTION TARGETS

In early 2024, the Group officially undertook to set Near-Term targets in line with the SBTi criteria. The Science Based Target initiative (SBTi) is a climate-action organisation that enables companies and financial institutions worldwide to play their part in combating the climate crisis. The organisation develops standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating within 1.5°C compared to pre-industrial levels and reach net zero by 2050 at the latest.

Between the end of 2024 and the beginning of 2025, the Group was involved in the "Target Validation" process by SBTi, which validated the Group's near-term targets, shown below:[59][60]

1) Carel Industries S.p.A. commits to reducing absolute Scope 1 and 2 emissions by 54.6% by 2033 from the base year 2023;

1) Carel Industries S.p.A. commits to reducing absolute Scope 3 emissions from the purchased goods and services (category 1), fuel and energy-related activities (category 3), upstream and downstream transportation and distribution (categories 4 and 9), employee commuting (category 7) and use of sold products (category 11) by 32.5% by 2033 from the base year 2023.

The targets presented were identified and validated using the tools provided by SBTi, and are therefore based on robust scientific data. The Scope 1 and 2 (market-based) reduction target is aligned to limiting the increase in the global average temperature to 1.5°C above pre-industrial levels, in line with the Paris Agreement, while the Scope 3 target is aligned to limiting global warmning to well below 2°C above pre-industrial levels.

ENERGY CONSUMPTION

The group's energy consumption is derived from:

- its production sites;
- lighting;
- heating and cooling of the work environments;
- consumption of fuel for its fleet of company cars and logistics vehicles (owned);
- consumption of fuel for its fleet of company cars (mixed use and personal).

Energy consumption is mainly attributable to production sites, which account for 70% and 93% of the group's total direct and indirect consumption, respectively.

[59] The targets are consistent with the GHG inventory boundary reported for ESRS E1-6.

[60] The CAREL Group's emission reduction targets refer to the cross-sector decarbonisation pathway

TABLE 7: DIRECT AND INDIRECT CONSUMPTION[61][62]

ENERGY CONSUMPTION	m.u.	2023[63]	2024
Fuel consumption from crude oil and petroleum products[64]	MWh	4,134.13	4,922.28
Fuel consumption from natural gas		5,244.56	4,185.12
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources		3,580.90	2,171.39
Total fossil energy consumption	MWh	12,959.59	11,278.79
Share of fossil sources in total energy consumption	%	50.52%	43.29%
Fuel consumption for renewable sources, including biomass	MWh	0	0[65]
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources		12,281.17	13,869.30
Consumption of self-generated non-fuel renewable energy		409.30	905.48
Total renewable energy consumption	MWh	12,690.47	14,774.78
Share of renewable sources in total energy consumption	%	49.48%	56.71%
Total energy consumption	MWh	25,650.06	26,053.57

ENERGY PRODUCTION	m.u.	2023	2024
Non-renewable energy production66	MWh	0	0
Renewable energy production		409.30	905.48

In 2024, the group's total energy consumption (Scope 1 and 2 emissions) approximated 26,053.57 Mwh.

Confirming the increasingly efficient use of energy resources, normalising the consumption of electrical energy per unit area shows a consumption of 133.06 kWh/m2, a reduction of 1.49% compared to 2023 (135.08 kWh/m2).

The group concurrently increased its purchase of renewable electricity by 12.93% in 2024, consolidating its commitment to clean energy sources.

In addition, the self-generation of electricity using photovoltaic panels exceeded 905 MWh in 2024, more than doubling the self-generation of 2023, an increase of 121.23%.

The consumption of fuels used for air conditioning (natural gas), decreased by 20.33% on the previous year.

This change reflects the group's ongoing transition to a more sustainable energy model with a strong commitment to increasing the use of clean energy and reducing the environmental impact of its operations, as detailed in the paragraph on decarbonisation levers.

ENERGY INTENSITY

In 2024, CAREL adopted the calculation methodology required by the ESRS to monitor the energy intensity of its activities. Energy intensity, calculated as the ratio of the total energy consumption from

[61] In 2024, there was no consumption of nuclear energy or energy from coal.

62 The conversion factors used for the calculation were published by the Department for Business, Energy & Industrial Strategy (DEFRA) in 2024.

63 Figures for 2023 were recalculated using the net calorific value of energy carriers to make them comparable with 2024. It is noted that the 2024 data also includes the companies acquired during the 2023 fiscal year; therefore, the scope differs from that of 2023. However, given the nature of the activities carried out by these companies (non-productive companies), it is not deemed necessary to recalculate the 2023 figures, as their energy consumption is considered not significant in relation to the total reported.

64 Energy consumption from fossil fuels by source refers to all companies, both high- and non-high-climate impact.

65 In accordance with regulations in some countries, petrol and diesel purchased at petrol stations to refuel the car fleet contain a portion of biofuel. However, it is currently not possible to quantify the percentage of fuel from renewable sources for the purpose of calculating the indicator.

66 Refers to non-renewable electricity production.

activities in high climate impact sectors (in MWh) to the net revenue from these activities, is 57.06 MWh/€m. Since several group companies carry out more than one activity (each associated with a different "NACE" code), in order to identify the companies included in the high climate impact sectors, it was decided to associate the NACE code representative of the main activity carried out with each of them. As a result, the only company excluded from the high climate impact sectors was "KIONA" (NACE 62.10 "computer and programming activities")[67]. Total revenue of €449.6 million[68] was recognised for the companies included in the energy intensity calculation, to which are added revenues of approximately €28.6 million related to NACE codes with low climate impact and revenues of approximately €100.8 million related to purchased and resold products.

To more effectively monitor energy use trends, in line with previous years, CAREL also calculates energy intensity by comparing total energy consumption to the gross surface area of its facilities and the number of employees. In 2024, CAREL recorded an energy intensity ratio per surface area unit of 0.21 MWh/m², while a comparison of energy consumption to the number of employees gave an intensity ratio of 9.45 MWh/employee[69].

The energy intensity ratio is particularly relevant as it allows the group to consider consumption in relation to the reporting boundary and activities performed during the year, reinforcing its commitment to energy efficiency in its processes and facilities.

GHG EMISSIONS

Table 8: Scope 1, 2 and 3 emissions (tCO2eq) [70 71 72]

	Retrospective				Goals and target years	
	Base year (2023)	Comparative figure (2023)[73]	2024	% 2024/2023	2033	Annual target % / base year[74]
Scope 1 GHG emissions						
Gross Scope 1 GHG emissions (tCO_2eq)	2,292.72	2,292.72	2,113.22[75]	-7.83%	1,891[76]	5.46%
Scope 2 GHG emissions						
Gross location-based Scope 2	6,288.17	6,288.17	6,334.96	+0.74%	NA	NA

67 The energy consumption attributable to KIONA in 2024 amounts to 399 MWh.

68 This expenditure is included in the balances shown in note 22 to the income statement in the consolidated financial statements.

69 Both own workers and non-employee workers were considered.

70 There are no Scope 1 GHG emissions covered by regulated emissions trading schemes.

71 It should be noted that, for the purposes of emissions reporting, financial control coincides with operating control. Therefore, there are no Scope 1 or 2 emissions by investees, such as associates, joint ventures or unconsolidated subsidiaries.

72 Souce of conversion factors used to calculate direct emissions (Scope 1): Department for Business, Energy & Industrial Strategy (DEFRA) – 2024 e 2023. The calculation includes the following greenhouse gases: CO2, CH4, N2O and HFC.

Souce of conversion factors used to calculate direct emissions (Scope 2):

- 2024: Location-based: Terna 2019; Market-based: European residual mix 2023 (AIB 2024), where available, otherwise Terna 2019;
- 2023: Location-based: Terna 2019; Market-based: European residual mix 2022 (AIB 2023), where available, otherwise Terna 2019;

The emission factors for calculating Scope 2 emissions do not include GHG other than CO2 and do not identify the percentage of biogenic CO2.

73 It is noted that the 2024 data also includes the companies acquired during the 2023 fiscal year; therefore, the scope differs from that of 2023. However, given the nature of the activities carried out by these companies (non-productive companies), it is not deemed necessary to recalculate the 2023 figures, as their energy consumption is considered not significant in relation to the total reported.

74 A linear reduction from base year to target year has been considered

75 The "out of scope" biogenic emissions related to Scope 1 amount to 73.43 tCO2. These emissions derive from the petrol and diesel purchased at petrol stations to refuel the car fleet as they contain a portion of biofuel in accordance with regulations in some countries. It is currently not possible to quantify the percentage of fuel from renewable sources. The emission factors used (DEFRA, 2024) assume a certain percentage of renewable fuel.

76 The emissions value in the target year takes into account that the target is set at 100% of Scope 1 and Scope 2 Market-based emissions (base value: 4,165 tCO2eq).

	Retrospective				Goals and target years	
	Base year (2023)	Comparative figure (2023)[73]	2024	% 2024/2023	2033	Annual target % / base year[74]
GHG emissions (tCO_2eq)						
Gross market-based Scope 2 GHG emissions (tCO_2eq)	1,872.63	1,872.63	1,047.95	-44.04%	NA	NA
Scope 3 GHG emissions						
Gross indirect (Scope 3) GHG emissions (tCO_2eq)	6,599,320.94	6,599,320.94	6,266,064.18	-5.05%	3,073,280.8[77]	3.25%
1. Purchased goods and services	126,411.69	126,411.69	106,299.21	-15.91%	NA	NA
2. Capital goods	3,189.78	3,189.78	4,818.08	+51.05%	NA	NA
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	674.19	674.19	597.13	-11.43%	NA	NA
4. Upstream transportation and distribution	3,832.66	3,832.66	3,201.72	-16.49%	NA	NA
5. Waste generated in operations	50.43	50.43	14.18	-71.88%	NA	NA
6. Business travelling	2,643.94	2,643.94	1,843.48	-30.27%	NA	NA
7. Employee commuting	2,403.76	2,403.76	2,741.31	+14.04%	NA	NA
9. Downstream transportation	7,604.43	7,604.43	5,901.75	-22.39%	NA	NA
11. Use of sold products	6,452,295.42	6,452,295.42	6,140,554.26	-4.83%	NA	NA
12. End-of-life treatment of sold products	226.7	226.7	93.06	-58.95%	NA	NA
Total GHG emissions						
Total GHG emissions (location-based) (tCO_2eq)	6,607,901.83	6,607,901.83	6,274,512.36	-5.05%	NA	NA
Total GHG emissions (market-based) (tCO_2eq)	6,603,486.29	6,603,486.29	6,269,225.35	-5.06%	NA	NA

DIRECT AND INDIRECT EMISSIONS (SCOPE 1 AND 2)

A point analysis of the group's energy consumption made it possible to calculate the relevant direct Scope 1 and 2 emissions, which totalled 3,161.17 tCO_2eq in 2024: 2,113.22 tCO_2eq (Scope 1) and 1,047.95 tCO_2eq (Scope 2) (Market-based method which only considers emissions from non-renewable sources). The reduction in Scope 1 and 2 emissions compared to the previous year was 24.10%. The largest reduction is in Scope 2 (44.04% reduction), resulting from the increase in the share of electricity purchased with energy allocation certificates (EAC), as well as the increase in self-generated electricity from photovoltaic panels installed by the group. Specifically, 13,869.30 MWh (86.46%) was purchased

77 As per the SBTi requirements, the emissions value for the target year takes into account that the target is set at 70% of Scope 3 emissions (base value): 4,553,009 tCO_2eq).

with energy allocation certificates: GO (Guarantees of Origin) in Italy, Germany and Croatia, REC (Renewable Energy Certificates) in the US and i-REC (International Renewable Energy Certificates) in China.

There is also a significant reduction in fugitive emissions (from 205.63 tCO_2eq in 2023 to 70.87 tCO_2eq in 2024), achieved through targeted management and containment actions, particularly at the Carel Suzhou site.

The following table shows Scope 1 and 2 emissions (Market-based) by geographical area and a breakdown of Scope 1 emissions by emission source.

Table 9: Breakdown of Scope 1 and 2 (Market-based) GHG emissions by geographical area

Region	Scope 1 (tCO2eq)	Scope 2 (tCO2eq)
North America	192.36	199.66
South America	0	35.96
Western Europe	1,374.42	97.91
Rest of Europe	437.06	569.52
Asia North Pacific	34.15	27.61
South Pacific Asia	75.22	117.28
Total	2,113.22	1,047.95

This result confirms the group's commitments to decarbonisation and how its focus on sustainability is a core value underpinning both the decisions concerning the products launched on the market and the management of production processes.

INDIRECT EMISSIONS (SCOPE 3)

In 2023, CAREL adjusted and extended the calculation of Scope 3 emissions to include all group entities, thus making it possible to qualify 2023 as a base year for setting a Scope 3 (as well as Scope 1 and 2) emissions reduction target and to identify potential decarbonisation levers for its achievement. Between the end of 2024 and the beginning of 2025, the group was involved in the Scope 3 emissions "Target Validation" process by SBTi, in order to have its emissions reduction targets validated. A summary of the emission values and calculation methodologies for each applicable category[78] is provided below.

Category 1: Purchased goods and services

In 2024, emissions totalled 106,299.21 tCO_2eq, of which 7.93% was attributable to the purchase of services.

The "average-data method" is applied to capital goods, considering the weight of the goods purchased[79], while the "spend-based method" is applied to the services, based on the amount of the expenditure for the purchase of these services[80][81].

The group's purchased goods also include packaging used for packing and shipping products (the impact in terms of its emissions is included in this category).

Category 2: Capital goods

In 2024, emissions from the purchase of capital goods amounted to 4,818.08 tCO_2eq, in line with the previous year.

[78] The following categories were not calculated, as they did not apply to the group: 8 - Upstream leased assets, 10 - Processing of sold products, 13 - Downstream leased assets, 14 - Franchises, 15 - Investments. The emission factors used do not allow a distinction to be made between biogenic CO2 emissions from the combustion or biodegradation of biomass.

79 Emission factors from the Ecoinvent database (IPCC 2021). It is noted that the emission factor attributed to a product category has been updated compared to 2023.

80 The emission factors used have been updated from 2023. The emission factors used were those published by DEFRA.

81 The 2023 value for category 1 emissions (with reference to services) has been adjusted compared to that published in the 2023 NFS; specifically, in line with SBTi requirements, emissions from purchased warehouse services have been removed and included in category 4 (Upstream transportation and distribution).

These emissions were calculated using the “spend-based method”, considering the expenditure incurred to purchase these goods[82].

Category 3: Fuels and energy-related activities

In order to complete the reporting of the impact from energy use (purchased fuels and electricity), already included in Scope 1 and Scope 2 with respect to emissions from combustion, the group calculated the related emissions from:

the extraction, refining and transport of fuels to the group company, before combustion;

the extraction, refining and transportation of fuels prior to their use in the generation of electricity purchased by the group company (both with respect to the electricity used and the electricity lost in the electricity transmission and distribution systems from the power plant to the group companies that purchase it [distribution losses]).

Overall, upstream emissions from purchased fuels and electricity are equal to 597.13 tCO_2eq (down 11% on 2023).

Emissions were calculated using the average-data method[83].

Categories 4 - 9: Transportation and logistics (upstream and downstream)

Overall, in 2024, emissions from transportation totalled 9,103.46 [84]tCO_2eq as follows:

- 3,201.72 tCO_2eq from upstream transportation (category 4): 57.66% emissions from air transport and 37.50% and 4.84% from road and marine transport, respectively;
- 5,901.75 tCO_2eq from downstream transportation (category 9): 87.57% emissions from air transport and 7.15% and 5.28% from road and marine transport, respectively;

Emissions were calculated using the distance-based method. In accordance with the GHG Protocol, not only does the transportation of purchased goods (“inbound”) qualify as upstream transportation (category 4), but also intragroup logistics and outbound logistics transported by the group using means not owned or operated by the reporting company. Outbound logistics by the customer qualifies as downstream transportation; therefore, it falls under Category 9. Transportation emissions are calculated by applying the distance-based method. In line with the GHG Protocol guidelines, Well To Tank (WTT) emissions of the fuel used, i.e., the emissions from the extraction, refining and transportation of fuels before they are used to fuel transport vehicles, were also calculated.

As noted in previous years, the analysis highlighted that air transport accounts for the majority of total emissions from logistics. The group is gradually (and where possible) replacing air transportation for Carel Industries with sea transportation.

Table 10: Scope 3 emissions, categories 4 and 9 (Upstream and downstream transportation and distribution) (tCO_2eq)[85]

Modes of transport	2024	2023
Road	1,622.89	1,624
Air	466.40	8,856
Sea	7,014.18	939
Total	9,103.46	11,419

82 The emission factors used have been updated from 2023. The emission factors used were those published by DEFRA.

83 The calculation factors were published by DEFRA in 2024.

84 The calculation factors were published by DEFRA in 2024. The data on goods shipped is extracted from the enterprise information system (Oracle). For shipments not included in the company’s information system, the means of transport was estimated. Specifically, the following was assumed with respect to the different modes of transport:

- land transport: it is assumed that 100% is transported in heavy goods vehicles. Source of emission factors: DEFRA - Freighting Goods - HGV ALL DIESEL - ALL HGVs tonne.km 100% land);

- air transport: distances were calculated as a straight line. Source of emission factors: DEFRA - Freighting goods - Freight flights - International, to/from non-UK;

- marine transport: distances are calculated based on https://sea-distances.org/. Source of emission factors: DEFRA - Freighting goods - Freight cargo - container ship 8000+ TEU.

Shipments to customers, as well as purchases of goods used in production, generally take place by road transport for the domestic market and by sea transport for other continents. Air transport, which most contributes to the emissions produced (77%), is rarely a default option (only 5% of the goods are transported by air) and it is affected by geopolitical situations or material shortages, as was the case in the past few years.

Category 5: Waste generated in operations

The analysis of waste in 2024 showed that the emission impact from the treatment of waste generated is 14.18 tCO_2eq, a decrease of 71.88% on the previous year, mainly attributable to significant changes in the DEFRA 2024 emission factors from those published in 2023. For this reason, the emissions associated with 2023 and 2024 are not comparable. Chapter E5 - Resource use and circular economy provides more information about the actions introduced for waste management.

Emissions were calculated using the waste type-specific method.[86]

Table 11: Scope 3 emissions, Category 5 (Waste) (tCO2eq)

Treatment	2024	2023
Open loop recycling	4.82	32.47
Closed loop recycling[87]	5.13	11.74
Incineration with energy recovery	0.66	3.90
Landfill	3.57	2.32
Total	14.18	50.43

Category 6: Business travelling

In 2024, emissions generated by business travelling made by the employees of the entire group[88] using air and/or rail travel amounted to 1,843.48 tCO_2eq, down 30.27% on the previous year. Specifically, air travel accounted for 6,960,000 km, generating emissions close to 1,805.12 tCO_2eq, while rail travel accounted for 940,000 km, generating emissions of approximately 38.36 tCO_2eq. The difference in the air and rail shares between 2023 and 2024 is due to a reshaping of business travel.

For the companies that provided data, emissions were calculated using the distance-based method. For companies for which no data on business travel were available, average values were considered, in terms of number of business trips made and kilometres travelled. These figures were calculated based on the data provided by other group companies. In line with the GHG Protocol guidelines, Well To Tank (WTT) emissions of the fuel used were also calculated.

Category 7: Employee commuting

In 2024, a new survey was conducted for all group employees, which made it possible to update the amount of emissions generated while commuting[89]. Emissions from employee commuting amount to 2,741.31 tCO_2eq.

The emissions from employee commuting who filled out the questionnaire were calculated using the distance-based method. Commuting habits in terms of means of transportation and average kilometres were identified based on the sample that responded to the survey and used to estimate the emissions for those who did not reply. Well To Tank (WTT) emissions of the fuel used were also calculated for this category.

According to the survey, remote work promotes the reduction of emissions. Indeed, emissions were 19.12% lower than they would have been without remote work days. The savings generated by the hybrid work mode is an important step in reducing environmental impact, as well as promoting work/life balance.

86The calculation factors used are those published by DEFRA in 2024 and 2023.

87 Emissions from wastewater treatment are included in this category.

88The calculation factors are those published by DEFRA in 2024.

89 The calculation factors are those published by DEFRA in 2024.

Categories 11 and 12: Use of sold products and end-of-life treatment of sold products

Category 11 accounts for 97.46% of the group's total Scope 3 emissions, in line with figures reported by industry peers. This stems from the fact that CAREL products consume energy and tend to have a very long service life. In addition, some products contain refrigerant gases, which, if dispersed in the environment, have a major impact on climate change due to their high levels of GWP (global warming potential). As already noted, energy efficiency and the use of natural refrigerant gases is the basis of the group's strategy, which is constantly working to further improve the performance of its products.

The analysis showed that the approximately 19,300,000 products placed on the market in 2024 will generate emissions of 6,140,554.26 tCO_2eq[90] over their entire useful life (estimated to be about five to ten years depending on the type of product). The category shows a reduction of about 5% compared to the 2023 value (6,452,265.09 tCO_2eq[91]), due to a market contraction that led to a reshaping of the product mix sold.

In line with 2023, again in 2024, the impact of all the CAREL products sold that consume energy was assessed in terms of consumption and emissions, considering the primary and secondary energy source used (electricity and/or gas), the average power of use (kW), and the number of hours per year the product was in use.

In 2024, total emissions from end-of-life treatment of sold products, including packaging materials, amount to 93.06 tCO_2eq.

Emissions were calculated using the waste type-specific method[92]. Given the diversity of the products placed on the market and the end-of-life treatment methods used in the various geographical regions where the products are used, the calculation was made assuming average recycling value for electronic products of 20%[93].

Scope 3 emissions cover the upstream and downstream value chain and are estimates based on direct and/or indirect sources. A table showing the degree of accuracy of each Scope 3 category calculated is provided below.

TABLE 22: DEGREE OF ACCURACY OF SCOPE CATEGORIES

Category	Degree of accuracy	% of emissions calculated from primary data[94]
Category 1 (Purchased goods)	High	0%
Category 1 (Purchased services)	Low	0%
Category 2 (Capital goods)	Low	0%
Category 3 (Fuel and energy-related activities)	High	0%
Category 4 (Upstream transportation and distribution)	Average	100%
Category 5 (Waste generated in operations)	Average	100%
Category 6 (Business travelling)	Average	80%
Category 7 (Employee commuting)	Average	51%
Category 9 (Downstream transportation)	Average	100%
Category 11 (Use of sold products)	High	100%
Category 12 (End-of-life treatment of sold products)	Low	0%

Definition of degree of accuracy:

90 The emission calculation factors were published in 2023 by IEA (with respect to electricity, most recent data available refer to 2021) and by DEFRA 2024 (with respect to natural gas).

91 The emissions reported differs from those published in the 2023 NFS as they have been adjusted; specifically, in line with SBTi requirements, the WTT emission impact has been removed.

92 The calculation factors used were those published by DEFRA in 2024.

93 Since nearly 80% of the weight*quantity of products sold falls into the "Electrical items" category, in order to identify the % of the total weight to which the emission factor should be applied, the worldwide WEEE recycling rate of 20% was used (source: "A New Circular Vision for Electronics: Time for a Global Reboot" World Economic Forum in support of the United Nation E-waste Coalition).

94 For the definition of primary data, please refer to the GHG Protocol guidelines (Corporate Value Chain (Scope 3) Accounting and Reporting Standard, pages 71, 72).

- High: The input data derive from actors in the value chain. The emission factors used are reliable and up-to-date.
- Average: The input data are partially derived from the actors in the value chain and are extended to 100% of the category. The factors used are, on average, reliable and up-to-date.
- Low: The input data are based on expenditure and/or emission factors have a higher level of uncertainty.

The group is committed to improving the accuracy of its calculations over time.

EMISSIONS INTENSITY

Like with energy intensity, in 2024, CAREL also monitored its emissions intensity calculated as the ratio between total GHG emissions recorded in 2024 and net revenue from its operations (€578,536 thousand[95]): this value is 10,845.50 tCO_2eq/million€ and 10,836.36 tCO_2eq/million€ considering the location-based and market-based method respectively. Unlike in the methodology used for energy intensity, the indicator based on net revenue includes both high and low impact sectors.

In line with previous years, CAREL also monitors its emissions intensity by analysing the Scope 1 and Scope 2 (market-based) tCO_2eq emitted per employee and per surface area unit, which are 1.15 tCO_2eq/employee[96] (-25.52% compared to 2023) and 0.0248 tCO_2e/m2 (-17.26% compared to 2023), respectively.

DECARBONISATION LEVERS

The actions that have enabled and will enable the group to mitigate its impact on climate change through the reduction of GHG emissions both in its own operations (Scope 1 and 2) and in the value chain (Scope 3), contributing to the achievement of its SBTi targets, are shown below, broken down by decarbonisation lever. As in previous years, the effectiveness of these initiatives will be monitored through the calculation and analysis of the group's carbon footprint, in accordance with the GHG Protocol guidelines and SBTi's Assessment Criteria.

SCOPE 1

Electrification of heating systems - heat pumps

In order to reduce natural gas consumption at the group's buildings, CAREL has planned large investments to replace gas heating systems with high-efficiency heat pumps wherever possible. This project, which started in 2023 at the parent's buildings - where it has led to emission savings of 128.35 tCO_2eq in 2024 - will be extended to other buildings of the parent and other production sites (Enginia, Recuperator, HygroMatik and Carel USA) between 2025 and 2028.

The new heating systems will significantly reduce the group's consumption of natural gas, replacing it with the use of electricity from renewable sources, thus decarbonising an important share of emissions from the group's sites.

In 2024, continuation of this project has required CapEx of approximately €500 thousand[97], while investments for the next four years have been estimated, based on current scenarios, at approximately €4,000 thousand, which will be factored into the budgeting process for each year of the plan.

Company car fleet

In order to reduce the consumption of fuel used by the company fleet (which includes both vehicles for exclusive company use and vehicles for mixed use), CAREL has planned a mapping of the car fleet for 2025, with the aim of drawing up a policy for the entire group in 2026 that includes specific requirements for the selection of vehicles to promote the transition to low-emission vehicles. The parent has already set a challenging diesel car transition target (more information is provided in the "Future targets" section).

95 This expenditure is included in the balances shown in note 22 to the income statement in the consolidated financial statements.

96 Both employees and non-employees, whose work is controlled by organisation, were considered.

97 This expenditure is included in the balances shown in note 1 to the balance sheet statement in the consolidated financial statements.

It will estimate the expected emissions reduction due to the implementation of the policy for the company fleet once the mapping is completed.

In 2026, the diesel-powered van currently used for transport between the parent's warehouses and other short trips will be replaced by an electric van.

SCOPE 2

Purchase of renewable energy

For several years, the group has steadily increased its supply of renewable electricity through the purchase of Energy Allocation Certificates (GO, i-REC and RECs). In 2024, the group reached an important milestone of 86.41% of energy from renewable sources in relation to total electricity consumption for the year (the increase in the percentage of purchased renewable electricity was 52% between 2021 and 2024). The following sites currently use electricity that is 100% from renewable sources: Carel Industries, Recuperator, Enginia, Carel Adriatic, HygroMatik, Carel USA, Carel Electronic Suzhou, Klingenburg Germany, C.R.C. and, in part, Kiona (47.77% of the company's consumption is certified as deriving from renewable sources).

In 2024, the CO2 emissions avoided thanks to the use of green electricity amount to 7,529.81[98] tCO_2eq (up from 6,289.48 tCO_2eq in 2023), greater than the group's total Scope 1 and 2 emissions.

For the next four-year period (2025-2028), the group plans to increase the purchase of energy allocation certificates by Arion, Sauber, Klingenburg International, Senva, Carel Sud America and some commercial offices. Accordingly, the sustainability plan includes OpEx of about €24 thousand, which will be included in the budgeting process for each year of the plan, and which will also depend on the availability of reliable energy allocation certificates.

The planned action will save approximately 30,000 tCO_2qe over the next four years.

Energy efficiency of buildings and processes

In line with previous years, the group is implementing a series of measures to improve the energy efficiency of buildings and production processes, in order to optimise the use of energy resources.

ISO 5001-certified management system

As previously noted, Carel Industries obtained ISO 50001:2018 certification in 2023. In order to strengthen its commitment to energy management, as part of its new sustainability plan, CAREL plans to extend the environmental management system and obtain ISO 50001 certification for the Carel USA, Carel Sud America, Carel Adriatic, Enginia, Recuperator and HygroMatik production sites by 2028. For this activity, the group estimated OpEx of about €88 thousand, which will be included in the budgeting process for each year of the plan.

Relamping

Between 2021 and 2023, replacement of lighting systems with new LED technology at the Croatian, HygroMatik and Klingenburg (Germany) sites generated energy savings of approximately 409,863.53 kWh. The initiative continued in 2024, with a further saving of 38,380 kWh. Overall, the group has avoided the emission of 210.42 tCO_2eq by relamping activities since 2021. For the coming years, the group intends to complete the mapping of the group's lighting systems in order to continue to replace the traditional lamps with LED lamps between 2025 and 2028. No significant OpEx has been planned to complete the initiative.

Rationalising the energy use of equipment and plants: a major project to rationalise the use of production lines has been carried out at the Chinese site in recent years. Over the past three years, the initiative has reduced energy consumption by a total of 344,570 kWh, with an estimated saving of approximately 210 tCO_2eq. It did not require the allocation of any financial resources, as it was completed solely thanks to internal management and optimisation processes. The process continued in 2024, resulting in additional savings of 81,000 kWh. The same initiative was implemented at the Carel Industries

47 Calculated using Market-based methodology - European residual mix 2023 (AIB 2024) / TERNA 2019.

site, where the switch-on and switch-off times of production machines were analysed in order to introduce good equipment management practices. In 2024, the initiative resulted in savings of 13,158 kWh. In addition, the Parent replaced a number of obsolete heat pumps with high-efficiency models, saving 31,725 kWh or 16 tCO_2eq. CapEx of approximately €100 thousand[99] has been earmarked for this initiative.

Thermal monitoring and insulation: CAREL plans to install continuous electricity monitoring systems over the next two years, in order to identify any consumption anomalies in real time, and to perform a study to assess the thermal insulation of buildings, which will make it possible to determine whether and what investments should be planned to further improve their efficiency. To complete the project, which is planned between 2025 and 2026 and will involve the Parent Company's buildings, a total of approximately €208 thousand has been allocated in advance between CapEx and OpEx, which will be included in the budgeting process for each year of the Plan.

Self-generation of electricity - installation of photovoltaic panels

Since 2022, the group has started to authorise investments for the installation of photovoltaic systems in order to self-generate clean electricity, thus reducing the share purchased from the grid. In 2023, the first systems were rolled out at Carel Suzhou and Carel Adriatic, and subsequently also at HygroMatik and Carel Industries, which generated a total of 905,482 kWh when fully operational in 2024**,** which translates into approximately 546.59 tCO_2eq[100] avoided per year. Specifically, the parent installed an additional system that reached a peak power output of 420 kWp in 2024. This system will achieve a theoretical self-production of about 480,000 kWh per year and required CapEx of €330 thousand[101].

The 2025-2028 sustainability plan includes the installation of additional photovoltaic panels. Specifically, after a feasibility study to be conducted between 2025 and 2027, the group plans to upgrade existing photovoltaic systems at the parent and Carel Suzhou and to install new photovoltaic systems at Arion, Klingenburg International and Carel Industries. The group has estimated OpEx of around €930 thousand for this project, which will be included in the budgeting process for each year of the plan. Furthermore, the project will depend on the outcome of the above-mentioned feasibility studies.

SCOPE 3

Product efficiency

The increased efficiency of CAREL's conditioning and refrigeration systems is one of its cornerstones. In addition to its move towards less energy intensive systems, CAREL also pays close attention to their power supply. The transition from traditional gas or fossil fuel heating systems to electric pump solutions allows for the better use of renewable sources.

The main new designs and innovations of recent years in HVAC/R technologies have led to:

- optimisation of refrigeration systems and circuits with new control algorithms and redesign of the refrigeration circuit;
- consolidation of variable speed compressors using direct current (DC) technology, facilitating greater efficiency in applications like heat pumps;
- consolidation of the use of electronic expansion valves, which have enabled energy optimisation and increased reliability in many applications, including heat pumps.

CAREL not only optimises systems but also designs solutions that allow system optimisation, including by completely adjusting the technological architecture, like the HEOS (High Efficiency Showcase) system, where supermarket refrigeration is radically transformed from a centralised refrigerated liquid production system to a distributed system in which each cabinet can be optimised to minimise the system's consumption and refrigerant charge, together with the related direct emissions into the atmosphere.

[99] This expenditure is included in the balances shown in note 1 to the balance sheet statement in the consolidated financial statements.

100 Calculated using Market-based methodology - European residual mix 2023 (AIB 2024) / TERNA 2019.

[101] This expenditure is included in the balances shown in note 1 to the balance sheet statement in the consolidated financial statements.

In the HVAC sector, the group focuses on energy efficiency, both through plate and rotary heat exchangers and through adiabatic humidification, which allows the production of humidity using less energy compared to isothermal humidification. One related application is evaporative cooling, with more efficient temperature controls especially in air treatment applications, including as a combination with plate heat exchangers.

With respect to energy efficiency, the group has analysed the annual electricity consumption of a refrigeration unit housing a CAREL component, selecting a range of solutions. It calculated consumption using standard design criteria (e.g., refrigerant, working hours, efficiency, average work load, component oversizing). It then applied the energy savings to this electrical component, obtained as the average of internal case studies for that CAREL component and for a specific application in the cold chain and air-conditioning sectors.

The efficiency of CAREL solutions is also the result of the IoT division and Kiona (a recent acquisition) which has allowed the group to concentrate on solutions that allow more evolved system optimisation solutions alongside the traditional monitoring of systems and alarm management. The system functioning data provide the energy managers with additional information about the system's output. It also allows for the assessment of any drops in performance which is essential to activate scheduled maintenance systems. The group also has system monitoring and optimisation services, where data from other similar systems are compared to align the performances of the less efficient systems with those of the best-performing systems. System optimisation can also be coordinated using devices making up the system depending on its use, the environmental conditions or use of the system. Introduction of an advanced control system in even the most simple cases allows significant savings in the machines' and systems' energy requirements thanks to functions like, for example, optimisation of switching on and off rather than using it only when strictly necessary.

The group has planned a feasibility study for 2025 to identify specific targets for reducing the intrinsic consumption of electronic and other electromechanical products. This study, to take place at the parent, will require OpEx of about €50 thousand, which will be included in the budgeting process for each year of the plan.

During the year, CAREL's customers saved 7,108 GWh. The same calculation method was used for all the products considered, selected from CAREL's entire product portfolio for their excellent energy efficiency. The group modelled the reference working conditions for each selected product to calculate the average energy performance obtainable with equivalent traditional technologies and the energy saving achievable. In 2024, about 69% of energy savings were achieved by electronic expansion valves (ExVs), including electronic modulating ejectors.

There was an average decrease of 0.7% due to a market contraction (and not from products being less efficient) offset by the inclusion of Klingenburg heat exchangers, which were not included in the 2023 values. Specifically, the heat pump market contracted, which led to a drop in the value associated with DC Drivers of around 50%, and, to a lesser extent, ExVs, as they are also used in refrigeration products. Heat exchangers, on the other hand, have increased both because they are related to the energy efficiency of buildings and industrial processes in general, and because Klingenburg heat exchangers are now included in the sustainability reporting.

The table below summarises the energy savings over the 2022-2024 three-year period.

TABLE 13: REDUCTION OF ELECTRICITY CONSUMPTION BY PRODUCT FAMILY

		2024		2023
PRODUCT	**Application**	**Saving (%)**	**Total savings (GWh/yr)**	**Total savings (GWh/yr)**
Electronic expansion valve (ExVs)	HVAC/REF	68.7	4,882	5,221
DC Drive and Heez	REF	7.3	521	1,043
Adiabatic system	HVAC	0.4	31	42
Heat exchangers	HVAC	23.6	1,674	856
Total		**100**	**7,108**	**7,162**

Natural refrigerants

The effects of traditional refrigerants (produced by chemical synthesis) on the environment and their banning in some geographical areas has made it fundamental for CAREL to use low environmental impact natural refrigerants like propane (R-290), carbon dioxide (R-744:CO2) and ammonia (R-717), sometimes in tandem with variable speed compressor technologies.

In general, CAREL's effort in recent years has been to develop, in partnership with the main compressor manufacturers, industrial and commercial refrigeration systems capable of using natural refrigerants in every application niche served.

Another R&D unit deals with comprehensive solutions based on the use of carbon dioxide as a refrigerant in commercial refrigeration systems. These innovative solutions can manage the system's complexity due to pressure involved, climatic conditions, the required cooling capacity and this refrigerant's characteristics. CO2 is an economical widely-available refrigerant that is easily obtained from hydrocarbon combustion. It is completely environmentally-friendly: it has an ozone depleting potential (ODP) of zero and a global warming potential (GWP) of 1 and is used as a factor in assessments of GHG effects. Its use is crucial because it is replacing synthetic refrigerants with GWP values of up to 4,000. This means that up to 4 tonnes of CO2 can be used before hitting the negative impact of 1kg of synthetic refrigerant. In sustainability terms and considering the same system solution, the use of CO2 is the most environmentally-friendly choice compared to any other HFC/HFO refrigerant. Compared to other natural refrigerants, it is non-flammable, unlike hydrocarbons (e.g., R-290), nor is it toxic (unlike NH3) but it is potentially less efficient in certain conditions such as refrigeration in warm climates. Thanks to the Kigali Agreement and the consequent steady elimination of HFC/HFO gases, CO2 will gradually become the standard refrigerant in certain sectors. Experience, know-how and innovation are the linchpins of CAREL's solutions. Its control technology is characterised by reliability and efficiency for this type of system, especially in warmer climates where energy savings are affected by the low critical temperature of CO2 (31°C) and operating pressures, 4 or 5 times higher than other natural refrigerants.

CAREL's commitment is shown by the progress made on its projects for refrigeration systems in the retail food sector which are steadily transitioning towards CO2 solutions and, especially, from the traditional technologies to the more efficient variable speed solutions. Installations with natural refrigerants continue to gain in popularity throughout the world, mainly led by the trends in Europe, but with strong drivers in Japan, New Zealand, Australia and South Africa too. In recent years, CAREL has considerably increased the number of its CO2 projects using the DC inverter technology which guarantees high efficiency with the use of natural refrigerants.

The Hecu system is CAREL's high efficiency solution for condensing units in commercial refrigeration systems with a move towards natural refrigerants, integrating the management of DC inverter compressors for CO2 refrigerants. This system uses DC inverter compressors to provide effective modulation of the cooling capacity, thus allowing low energy consumption, especially in the case of partial loads. The excellent performances that can be achieved with CO2 comply with the Ecodesign for Sustainable Products Regulation for energy performances and exceed the limits set by the F-Gas Regulation on the use of fluorinated synthetic refrigerants.

The HVAC market is experiencing a growing adoption of heat pump units using propane (R-290) as refrigerant, especially in the residential segment in Europe. Propane is a highly efficient refrigerant but has the problem of being flammable. It is completely environmentally-friendly: it has an ozone depleting potential (ODP) of zero and a global warming potential (GWP) of 0.02. Again, CAREL is strongly committed to enabling this transition as it provides its customers with solutions that are compatible with the use of flammable refrigerants under all international safety regulations.

The financial resources that have enabled and will continue to enable the decarbonisation levers of energy-efficient products and the use of natural refrigerant gases take the form of the OpEx that the group invests each year in R&D activities. In 2024, CAREL allocated 5.6% of its turnover to R&D activities. Specifically, €32,652 thousand was earmarked for R&D activities aimed at designing solutions that reduce the environmental impact of machines and systems and generate energy savings through more efficient customer systems.

Purchase of lower-impact materials

For CAREL, the second Scope 3 category with the greatest impact in terms of GHG is category 1, specifically the purchase of goods. The group is working on several fronts to reduce the environmental impact of the products it purchases.

On the one hand, the group is engaging with class A suppliers[102] in order to obtain more primary data (such as the results of LCA studies, preferably accompanied by EPD certificates) useful to fine-tune the calculation of category 1 with reference to the purchase of goods, and consequently identify the most impactful types of materials for which it will develop purchasing strategies that can lead to an effective reduction in emissions.

This initiative is of great importance in order to not only reduce the impact of GHG emissions but also other environmental impacts, such as pollution, the use of hazardous substances and, above all, the consumption of natural resources, as well. It is supported by the suppliers' code of conduct, which explicitly states the need to collaborate in calculating the environmental impact of the entire production chain in order to ensure proper reporting and minimise its negative effects, and requires the active participation of suppliers in the training, communication and development initiatives on opportunities to its improve environmental performance implemented by CAREL. The initiative, which is planned for the 2026-2028 period, with an estimated OpEx of about €20 thousand per year (to be included in the budgeting process for each year of the plan), will be integrated into the various activities involving the supply chain in the coming years (more information is available in chapter G1 - Business conduct).

This initiative is closely related to the Life Cycle Assessments (LCA), already conducted and planned for the coming years, on the group's most important product families. The planned assessments will be used to perform a feasibility study to assess the use of recycled material in products and packaging (more information about LCA and the group's actions and targets related to the circular economy is available in chapter E5 - Resource use and circular economy).

Transition from air to sea transportation

Emissions from upstream and downstream transportation of products (categories 4 and 9) together represent the third largest category. Most of the emissions come from the transport of goods by air, which is why the group is gradually (and where possible) replacing air transportation with sea transportation. Transporting one tonne for 1,000 km by air emits more than 98% more than the same route by sea[103].

The feasibility of the initiative, which only involves the work of dedicated internal resources and no additional financial resources, will depend on the actual possibility of changing routes and the specific needs of customers.

FUTURE TARGETS RELATED TO CLIMATE CHANGE MITIGATION[104]

The objectives set by the group in the sustainability plan are shown below. Their achievement will, in the short -term, make it possible to monitor the degree of completion of the planned decarbonisation initiatives and, in the long-term, to contribute to the pursuit of the SBTi targets.

TABLE 34: FUTURE TARGETS RELATED TO CLIMATE CHANGE MITIGATION

#	Target 105	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes

[102] Class A suppliers are defined as suppliers covering 80% of total purchases, following a Pareto principle approach.

[103] Obtained by comparing the emission factors provided by DEFRA (2024) for "Freight flights, international, with RF" for air travel and "Cargo ship, Container ship, 8000+ TEU" for sea travel.

104 Given the nature of the reported targets, which are indirectly related to emission reductions, it is considered not applicable to indicate whether they are based on robust scientific data. Conversely, the direct emission reduction targets previously reported are based on robust scientific data. Following the analysis of physical risks (see chapter ESRS 2), it was not deemed necessary to identify targets related to climate change adaptation.

105 Given the nature of the reported targets, it is considered not applicable to indicate whether they are based on robust scientific data.

1	Reduce natural gas consumption at Carel Industries, Enginia, Recuperator, HygroMatik and Carel USA sites by 80% by 2028.	Scm of natural gas consumed	2023 | 325,000[106]	The reduction of natural gas consumption, and the move towards the use of certified renewable electricity, will reduce the group's Scope 1 emissions, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target.
2	Replace 70% of the diesel cars in the parent's fleet (6 pooled, 5 assigned) with low-emission vehicles[107] by 2027.	% of cars replaced out of total diesel cars in the company fleet	2024 | 0%	Replacing the diesel cars in the fleet with models with a reduced environmental impact will reduce the group's Scope 1 emissions, in line with the commitments expressed in the environmental policy, contributing to the achievement of the SBTi target.
3	Achieve 100% of electricity purchased by production sites as certified renewable (through the purchase of energy allocation certificates) by 2028.	% of electricity purchased by production sites that is certified as renewable	2024 | 91%	Increasing the percentage of certified renewable electricity will reduce the group's Scope 2 emissions, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target.
4	Have 57% of the group's production sites covered by an ISO 14001-certified environmental management system by 2028.	% of sites covered by a certified environmental management system	2024 | 29%	Extending the coverage of the ISO 14001-certified environmental management system will allow the environmental impacts of each stage of the production process to be monitored and managed, so as to minimise emissions of GHG and pollutants, optimise the use of natural resources and improve waste management, in line with the commitments expressed in the environmental policy.
5	Have 43% of the group's production sites covered by an ISO 50001-certified energy management system by 2028.	% of sites covered by a certified energy management system	2024 | 14%	Extending the coverage of the ISO 50001-certified energy management system will facilitate greater energy efficiency of buildings and all production process phases, so as to minimise consumption and reduce Scope 2 emissions, in line with the commitments expressed in the environmental policy, contributing to the achievement of the SBTi target.
6	Achieve contribution of 10% of electricity used from photovoltaic panels installed at Carel Industries, Klingenburg International, Arion, Carel USA and Carel Suzhou by 2027.	% of self-generated kWh from photovoltaic panels out of total kWh of electricity used	2023 | 3%[108]	Increasing the percentage of self-generated renewable electricity will reduce the group's Scope 2 emissions, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target. A greater share of self-generated electricity also leads to a reduction in the risk of increased energy purchase costs, including the cost of purchasing renewable energy certificates.
6	Involve 80% (in terms of expenditure) of Class A suppliers in order to obtain useful information to fine-tune the Scope 3 calculation by 2026.	% (in terms of expenditure) of Class A suppliers involved	2024 | 0%	Involving suppliers in the Scope 3 calculation will engage them in the group's journey towards climate transition, specifically through the identification of opportunities for improvement in terms of the emissions impact of purchased products, which will lead to a reduction in indirect Scope 3 emissions, in line with the

106 In 2024, the indicated sites consumed a total of 258,971.59 Scm of natural gas, a reduction of 20.32% compared to 2023.

107 Low-emission vehicles are defined as vehicles with maximum emission levels of 160 gCO_2eq/km.

108 In 2024, the sites indicated self generated a total of 659.45 MWh of electricity from photovoltaic panels (6.29% of their consumption).

				commitments expressed in the environmental policy, contributing to the achievement of the SBTi target.
7	Gradually convert 5% a year of Carel Industries' inward and outbound transport (categories 4 and 9) from air to sea by 2028.	% of transport by air converted to by sea	2023 | 0[109]	Converting transport by air to by sea allows a reduction in indirect Scope 3 emissions deriving from transportation, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target.

CAREL AND THE EUROPEAN TAXONOMY

CHECKING ELIGIBILITY AND ALIGNMENT OF ACTIVITIES AGAINST REGULATIONS

The European Taxonomy, defined by Regulation (EU) 2020/852 and its Delegated Acts, establishes a system for determining whether an economic activity can be considered environmentally sustainable by defining specific criteria for the identification of such activities.

An economic activity is considered environmentally sustainable if it contributes substantially to achieving at least one of the six environmental objectives defined by the taxonomy:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- the transition to a circular economy;
- pollution prevention and control;
- the protection and restoration of biodiversity and ecosystems.

The regulation provides for the calculation and reporting of the following indicators (KPIs): the proportion of turnover derived from products or services, the proportion of capital expenditure (capex) and the proportion of operating expenditure (OpEx) associated with economic activities that potentially contribute to the achievement of the environmental objectives; so-called "Taxonomy-eligible" activities, i.e. taxonomy-eligible; and the proportion of the same that contribute substantially to the achievement of the environmental objectives of climate change mitigation and/or climate change adaptation; so-called "Taxonomy-aligned" activities, i.e. taxonomy-aligned as they meet the technical screening criteria.

CAREL updated the analysis of the group's KPIs related to the Taxonomy to include 2024, the fourth year of application of the Regulation. The scope of analysis for 2024 is the total group scope, i.e., including the companies acquired in 2023 - Eurotec and the Kiona subgroup, which were not included in the reporting boundary for 2023. The analysis was conducted by verifying alignment with at least one of the six environmental objectives and compliance with the other requirements (DNSH and Minimum Safeguards). CAREL carries out its activities by adopting specific policies of conduct (code of ethics, human rights policy, suppliers' code of conduct); specifically, the human rights policy defines principles in accordance with the United Nations International Charter of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the European Convention on Human Rights.

Specifically, it analysed the group's economic activities with reference to climate change mitigation, paragraph "3.5 Manufacture of energy efficiency equipment for buildings" and the goal of the transition to a circular economy, paragraph "1.2. Manufacture of electrical and electronic equipment".

The analysis was conducted in three stages, each referring to the three KPIs being reported on, in line with that carried out in 2023 in relation to the "climate change mitigation" objective, as the group's products are designed to reduce direct and indirect emissions related to their use through energy efficiency and by using environmentally friendly refrigerants and therefore meet the substantial criteria of

[109] In 2024, the total weight of goods transported to and from Carel Industries by air decreased by 81.89%.

the climate change mitigation objective. The analysis was also extended to the "circular economy" objective for products falling under paragraph 1.2 Manufacture of electrical and electronic equipment.

DISCLOSURE OF THE METHODOLOGY, RESULTS AND ASSUMPTIONS MADE FOR THE CALCULATION OF KPIS

Turnover

Total turnover for 2024, net of intragroup transactions, was considered.

The group's turnover was broken down by platform (or product family) and further divided into product sub-families and product codes.

The main product platforms to which turnover relates are listed below: programmable controls, interface terminals (HMI), parametric controls, heat exchangers, isothermal humidifiers, adiabatic humidifiers, power solutions, sensors, electronic expansion valves, inverters and speed controls, compressors, remote control systems and services.

The analysis did not cover the turnover generated by purchased and resold products, including compressors, gas detectors and some sensors, which was excluded in accordance with the relevant regulation.

After defining the scope of the analysis, each product sub-family was analysed to check its eligibility and in some cases the analysis was extended to the product codes. The characteristics of each eligible sub-family were compared with the technical screening criteria set out in the Delegated Act also in order to identify the subset of taxonomy-aligned revenue per sub-family. Most of the families and sub-families fall under more than one chapter of the Delegated Act covering climate change mitigation; indeed, CAREL products are designed and manufactured for different types of applications. The analysis focused on paragraph "3.5 Manufacture of energy efficiency equipment for buildings" as "key components". In line with previous years, aligned turnover includes programmable controls, sensors and valves, electronic controls and heat exchangers, while eligible but not aligned turnover comprises parametric controls and part of the services. Turnover from non-eligible economic activities is mostly related to isothermal humidifiers.

The analysis was conducted considering the economic activities included in all six taxonomy objectives, taking care to avoid the risk of double counting. Turnover from non-eligible economic activities for the purposes of climate change mitigation, paragraph "1.2. Manufacture of electrical and electronic equipment" and paragraph "3.5 Manufacture of energy efficiency equipment for buildings" was then analysed with reference to the circular economy objective. Of the total turnover of €578.5 million, €478.2 million, or 82.6% of the total, is included in the taxonomy analysis. Indeed, as noted earlier, part of the group turnover (17.4%) derives from products purchased and resold.

With respect to paragraph "3.5 Manufacture of energy efficiency equipment for buildings" associated with climate change mitigation, 66.5% of turnover is from eligible economic activities (69.5% in 2023), of which 44.0% is from eligible and aligned economic activities (51.1% in 2023), and the remaining 16.1% is from non-eligible economic activities.

With respect to the proportion of turnover from non-eligible economic activities for climate change mitigation (16.1%), CAREL analysed fulfilment of the criteria for the circular economy with reference to paragraph "1.2 Manufacture of electrical and electronic equipment": 14.1% of the turnover is from eligible and non-aligned economic activities while the other 1.9% is from non-eligible economic activities.

OpEx

With respect to the second indicator required by the Taxonomy, OpEx (i.e., the costs incurred during the year), CAREL analysed the consolidated costs, net of intragroup costs, incurred during the year by each production site of the group[110] and the Kiona subgroup. This is because only the production sites and

[110] The following group companies are considered as production sites: Carel Industries, Carel Adriatic, Carel Electronic Suzhou, Carel USA, Carel Sud America, Hygromatic, Recuperator, Enginia, Klingenburg Deutschland, Klingenburg International, Senva and Arion.

Kiona incur eligible costs as they relate to production and R&D activities carried out in accordance with the EU regulation.

According to Commission Delegated Regulation (EU) 2021/2178, operating expenditure includes direct non-capitalised costs that relate to building renovation, research and development, short-term leases, maintenance and repairs. In order to identify the operating expenditure, CAREL analysed and checked all costs in the management accounting system by identifying all items pertaining to the above-mentioned categories.

Total identified costs amount to approximately €32.4 million (€21.5 million in 2023). Their eligibility was checked by applying turnover proxies considering the weight of the product platforms developed specifically at each production site and by Kiona. These platforms are also the database used to analyse turnover. This analysis made it possible to estimate and determine the proportion of eligible and possibly aligned operating expenditure.

With respect to paragraph “3.5 Manufacture of energy efficiency equipment for buildings” associated with climate change mitigation, 78.7% of OpEx incurred and analysed is eligible (77.3% in 2023) and 41.9% is also aligned (56.9% in 2023). The remainder of 21.3% is non-eligible.

With respect to the proportion of OpEx not eligible for climate change mitigation (21.3%), CAREL analysed fulfilment of the criteria for the circular economy with reference to paragraph “1.2 Manufacture of electrical and electronic equipment”: 16.2% of the total identified OpEx is eligible and non-aligned while the other 5.1% is non-eligible.

CapEx

Finally, with respect to the third KPI, i.e., investments, the group’s consolidated investments, amounting to €37.2 million, including lease costs recognised in accordance with IFRS 16), were analysed. Of this amount, investments in the production process and capitalised research and development costs (not included in the sectond KPI, i.e., OpEx) were analysed, for a total of approximately €28.9 million. The analysis did not consider the investments in the commercial subsidiaries. Like for the second KPI, in order to check whether the investments are eligible, the revenue for each product family produced at each production site was used as a proxy to allocate the investments.

With respect to paragraph “3.5 Manufacture of energy efficiency equipment for buildings” associated with climate change mitigation, of the total CapEx, 66.6% is eligible, of which 44.8% is both eligible and aligned; 11.1% is non-eligible and the remainder, as described above, was not analysed.

With respect to the proportion of CapEx not eligible for climate change mitigation (11.1%), CAREL analysed fulfilment of the criteria for the circular economy with reference to paragraph “1.2 Manufacture of electrical and electronic equipment”: 10.1% of the CapEx is eligible and non-aligned while the other 1% is non-eligible.

TEMPLATE: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING 2024

	2024			Substantial contribution criteria						DNSH ("Do No Significant Harm") criteria									
Economic activities	**Code**	**Turnover**	**Proportion of turnover 2024**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Taxonomy-aligned (A.1) or eligible (A.2) proportion of turnover (2023)**	**Category (enabling activity)**	**Category (transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1 - Manufacture of energy efficiency devices for buildings	3.5	254,522	43.99 %	Yes	No	N/AM	N/AM	N/AM	N/AM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	51.14%	A	
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		254,522	43.99 %	43.99%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	51.14%		
Of which enabling			43.99 %	43.99%						Yes	Yes	Yes	Yes	Yes	Yes	Yes		A	
Of which transitional			0%																T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 2 - Manufacture of energy efficiency devices for buildings	3.5	130,333	22.53 %	AM	N/AM	N/AM	N/AM	N/AM	N/AM								18.33%		
Activity 3 - Manufacture of electrical and electronic equipment	1.2	81,824	14.14 %	N/AM	N/AM	N/AM	N/AM	AM	N/AM								12.20%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**212,157**	**36.67 %**	**22.53%**				**14.14%**									**30.53%**		
A. Total (A.1 + A.2)		**466,679**	**80.67 %**	**66.52%**				14.14%											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			

Turnover of Taxonomy-non-eligible activities		**111,857**	**19.33 %**
TOTAL		**578,536**	**100%**

TEMPLATE: PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2024

	2024			Substantial contribution criteria						DNSH ("Do No Significant Harm") criteria									
Economic activities	**Code**	**CapEx**	**Proportion of CapEx, 2024**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Taxonomy-aligned (A.1) or eligible (A.2) proportion of CapEx (2023)**	**Category (enabling activity)**	**Category (transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1 - Manufacture of energy efficiency devices for buildings	3.5	16,697	44.83%	Yes	No	N/AM	N/AM	N/AM	N/AM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	41.63%	A	
CapEx of environmentally sustainable activities (Taxonomy-aligned)		**16,697**	**44.83%**	**44.83%**						**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**41.63%**		
Of which enabling			44.83%	44.83%						Yes	Yes	Yes	Yes	Yes	Yes	Yes		A	
Of which transitional			0%																T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 2 - Manufacture of energy efficiency devices for buildings	3.5	8,097	21.74%	AM	N/AM	N/AM	N/AM	N/AM	N/AM								12.56%		
Activity 3 - Manufacture of electrical and electronic equipment	1.2	3,759	10.09%	N/AM	N/AM	N/AM	N/AM	AM	N/AM								6.22%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**11,856**	**31.84%**	**21.74%**				**10.09%**									**18.78%**		
A. Total (A.1 + A.2)		**28,553**	**76.67%**	**66.58%**				**10.09%**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**8,688**	**23.36%**																
TOTAL		**37,241**	**100%**																

TEMPLATE: PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2024

	2024			Substantial contribution criteria						DNSH ("Do No Significant Harm") criteria									
	Code	OpEx	Proportion of OpEx, 2024	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1) or eligible (A.2) proportion of OpEx (2023)	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1 - Manufacture of energy efficiency devices for buildings	3.5	13,592	41.91 %	Yes	No	N/AM	N/AM	N/AM	N/AM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	56.90%	A	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		13,592	41.91%	41.91%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	56.90%		
Of which enabling			41.91%	41.91%						Yes	Yes	Yes	Yes	Yes	Yes	Yes		A	
Of which transitional			0%																T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 2 - Manufacture of energy efficiency devices for buildings	3.5	11,920	36.75%	AM	N/AM	N/AM	N/AM	N/AM	N/AM								20.36%		
Activity 3 - Manufacture of electrical and electronic equipment	1.2	5,261	16.22%	N/AM	N/AM	N/AM	N/AM	AM	N/AM								16.96%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**17,181**	**52.98%**	**36.75%**				**16.22 %**									**37.32%**		
A. Total (A.1 + A.2)		**30,772**	**94.89%**	**78.66%**				**16.22 %**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**1,658**	**5.11%**																
TOTAL		**32,430**	**100%**																

	ACTIVITIES RELATED TO NUCLEAR AND FOSSIL GAS	
Line	**Activities related to nuclear energy**	**YES/NO**
1	The enterprise carries out, finances, or has exposures toward research, development, demonstration, and implementation of innovative power generation facilities that produce power from nuclear processes with a minimum amount of fuel cycle waste.	NO
2	The enterprise carries out, finances or has exposures toward the construction and safe operation of new nuclear power plants for the generation of electricity or process heat, including for district heating purposes or for industrial processes such as hydrogen production, and improvements in their safety, using the best available technologies.	NO
3	The enterprise carries out, finances or has exposures toward the safe operation of existing nuclear power plants that generate electricity or process heat, including for district heating or industrial processes such as hydrogen production from nuclear energy, and improvements in their safety.	NO
	Fossil gas related activities	
4	The company carries out, finances, or has exposures to the construction or operation of power generation facilities using fossil gaseous fuels.	NO
5	The company carries out, finances, or has exposures toward the construction, redevelopment, and operation of combined heat/cool and power generation facilities using gaseous fossil fuels.	NO
6	The enterprise carries out, finances, or has exposures toward the construction, upgrading, and operation of heat generation facilities that produce heat/cool using gaseous fossil fuels	NO

E2: POLLUTION

POLLUTION MANAGEMENT IN OWN OPERATIONS AND SUPPLY CHAIN

The group's environmental policy formalises its commitment to reducing its impact on the environment and to continuously improving its processes to reduce their impact on the environment and the surrounding area. One of the key principles adopted by the group to minimise the negative impacts associated with pollution of the air, water and soil is to guarantee the quality of its work by promptly identifying potential risks using a system to prevent pollution, environmental incidents and environmental emergencies. Moreover, aware of the environmental impacts of air, water and soil pollution caused by its supply chain activities, Carel has also dedicated a section of its suppliers' code of conduct to the issue of pollution. The suppliers' code of conduct requires all suppliers to act in accordance with applicable laws and regulations in the performance of their activities and to do their utmost to protect the environment. This includes, first and foremost, obtaining and maintaining all environmental authorisations and approvals to carry out regulated activities.

In 2024, there were no accidents with environmental consequences, nor pollution incidents that led to penalties or compensation with subsequent mitigation and/or remediation actions.

With respect to atmospheric pollution, in line with the commitments declared in the environmental policy, Carel focuses its efforts on improving the management of pollutants and preventing the risk of hazardous agents and substances entering the environment. These substances can arise directly from production processes, for example, through the release into the atmosphere of substances harmful to human health, the ozone layer and climate change (the hazardous air pollutants, e.g., PM, NOx and refrigerant gases) or from the incorrect use and handling of chemicals and waste (both during production and transport) which may lead to the contamination of liquid or solid environmental matrices. In 2024, all the group production sites with significant emissions or subject to environmental authorisation implemented a specific procedure to periodically carry out analyses of extraction chimneys to verify compliance with the regulatory limits set for them. This procedure enables the continuous improvement of the management of air pollutants and to fully comply with the limitations imposed by current regulations. In addition, these sites carry out periodic emergency simulations, which include a test for handling environmental emergencies (e.g., acid or chemical spills).

With respect to water pollution, the parent has implemented an additional procedure for carrying out the chemical analysis and sampling of wastewater from the laboratory where the humidifier tests are carried out, in order to check compliance with the regulatory limits for discharge into the sewerage system. This procedure makes it possible to prevent potential negative impacts and related risks related to the release of agents and substances into the environment through discharges, while fully complying with the limits imposed by current regulations.

All of the analyses described above are conducted annually, and the related annual OpEx for analyses performed by accredited third-party laboratories is not significant.

Another initiative activated a few years ago at the Carel Industries and Carel Adriatic sites to further reduce the impact on the environment concerns packaging and, specifically, the decision to use coloured packaging with water-based paints, free of acrylic substances, made using starch glues instead of vinyl glues. Specifically, the red and white colours of the CAREL packaging are guaranteed by the GREENGUARD Certification Program which certifies that the products inside the packaging comply with the established chemical emission thresholds. In this way, CAREL contributes to creating a healthier environment for its employees and customers.

TABLE 15: AIR POLLUTANTS (KG)

Air pollutants in atmosphere (kg)	2024	2023
Nitrogen oxides (NOx)	537.28	562.81
Sulphur oxides (SOx)	265.59	273.80
Persistent organic pollutants (POP)	0.32	0.34

Volatile organic compounds (VOC)	564.89	285.77
Hazardous air pollutants (HAP)	25.12	42.91
Particulate matter (PM)	318.77	429.77

Similarly to previous years, no significant emissions of fluorinated gases from normal usage of air-conditioning systems were recorded. Regular maintenance is carried out at all sites in line with an annual plan to ensure the highest efficiency levels and to reduce the consumption of ozone depleting gases. The VOCs value increased in 2024 as some production sites which, individually, have low levels of emissions or are not subject to analysis in accordance with legislative requirements (Enginia and Recuperator), were included in the reporting boundary. Significant improvements were achieved with emissions related to particulate matter (-25.83%) and hazardous air pollutants (-41.46%). The other values are in line with those of the previous two years. The following aspects must also be considered in reading the results:

- as sampling is at specific points in time and not continuous, the results could reflect a specific production phase that is not constant throughout the year;
- for some pollutants, some values were below the detection threshold. In this case, the worst-case scenario is assumed in order to still ensure compliance with the regulatory limit. This is particularly important as it means that, in some cases, the reported emissions are higher than the actual ones.

Atmospheric emissions are monitored in the manner and timing prescribed by the environmental authorisations issued by the competent local authorities, which require point sampling one or more times a year. The same methodology was adopted for companies that report their emissions without being required to have specific authorisation. Moreover, since the production processes of the various companies are characterised by identical and repetitive activities over time, the associated atmospheric emissions are characterised by regularity in extent and type of pollutants throughout the year. On the basis of these considerations, the calculation methodology adopted, i.e. calculation of annual emissions based on point sampling and hours worked at the individual site, is sufficiently representative of annual atmospheric emissions.

Carel Suzhou and the parent regularly replace filters in order to reduce the emission impact and by regularly maintaining extraction systems, as required, for example in Italy, by the authorisations for chimney stack emissions. In 2024, the parent incurred insignificant OpEx on filter replacement and periodic chemical analysis of pollutants emitted into the atmosphere.

In 2023, as a result of the process to fine-tune the relevant assessments, a handbook was developed and applied to the group's production sites in order to provide guidance about how to manage and collect data to facilitate the collection of information and compare the different results, which will also reflect local regulatory constraints.

Furthermore, the following should be noted:

- in Carel Industries, the analyses of emissions from the production units' chimney stacks show levels well below the limits established by the related authorisations which were renewed in 2021;
- in Croatia, the burners are subject to regular maintenance and emissions are analysed periodically to comply with the legal requirements for environmental protection;
- in China, a third-party expert was engaged to carry out sample tests;
- Enginia and Reuperator introduced a voluntary two-year sampling programme for their sites although not obliged to do this by law.

MANAGEMENT OF HAZARDOUS SUBSTANCES CONTAINED IN PRODUCTS

CAREL products use materials and components, especially electronics, which can sometimes contain hazardous substances with different levels of risk (carcinogenicity, mutagenicity, bioaccumulability, etc.). One example is lead, an element that was formerly commonly used in solder alloys used in the production of electronic boards, the use of which has now been severely restricted.

In order to minimise the risk of the presence of these hazardous substances in products placed on the market, legislation banning or restricting the use of certain hazardous substances has been enacted by various countries. In order to meet these and other legislative obligations in the field of product safety, CAREL issued the product and service compliance policy (also “policy” in this section) in 2023.

The policy’s ultimate objective is to ensure that the group companies’ product or service development processes include criteria and procedures that guarantee the highest quality and compliance with laws and international standards, taking into account the different phases of the product life cycle (transport, installation, use, maintenance, disposal) and the service conditions agreed with customers.

The policy explicitly lists a long series of national and international legislative instruments, including the ROHS (Restriction of Hazardous Substances) Directive, the REACH (Registration, Evaluation and Authorisation of Chemical substances) and POP (Persistent Organic Pollutant) Regulation, the “Proposition 65” or Safe Drinking Water and Toxic Enforcement Act of 1986 (issued by the State of California), and the Regulation on Persistent, Bioaccumulative, and Toxic (PBT) Chemicals under TSCA Section 6(h) issued by the EPA (US Environmental Protection Agency), as well as numerous other laws covering different areas such as electrical safety, electromagnetic compatibility, cybersecurity aspects, etc.

This policy also aims to strengthen the group’s actions in the phase-out of hazardous substances from its products.

It provides for specific monitoring activities, both with regard to any new binding legislation issued and with regard to the tools used for its implementation, which are carried out by the quality department.

This policy is binding for CAREL Group companies in all the geographical areas in which they operate and for all recipients and users, including key stakeholders, especially those in the supply chain. Responsibility for implementing this policy lies with the CEO.

The policy has been disseminated to all group companies, and dedicated training has recently been developed using the internal e-learning platform. This activity is ongoing, with the aim of involving all stakeholders using a top-down approach from senior management down to the more operational staff employed in the product development process, and in supply chain management.

REACH is an EU regulation (no. 1907/2006 and subsequent amendments) that covers the registration, evaluation, authorisation and restriction of chemicals depending on their potential impact on both human health and the environment. Its objective is to raise stakeholders’ awareness about the risks and potential dangers of using and being exposed to these chemical substances. The substances of very high concern (SVHC) are relevant to CAREL as its business sector partially depends on these substances and, therefore, it is subject to many REACH authorisation levels. Another objective of REACH authorisation is to guarantee that the SVHC will be gradually phased out by less hazardous substances or technologies, when this is possible in technical and financial terms.

In addition, CAREL is compliant with EU Directive 2011/65/EU (RoHS) and the Commission Delegated Directive (EU) 2015/863 of 31 March 2015 (and amendments) on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

The suppliers’ code of conduct requires suppliers to adequately manage, measure and control all activities that are potentially harmful to human health or the environment to prevent the release of any substance into the environment. Suppliers must equip themselves with tools to prevent and reduce accidental spills and leaks into the environment. Specifically, suppliers using hazardous substances are required to adopt safety programmes to manage and maintain all production processes and therefore appropriate measures for the handling, storage and transport of hazardous substances in compliance with applicable safety standards and legal requirements, as well as to address their potential impact during all stages of the production process. Suppliers are also required to make available, when requested, the safety data sheets of any hazardous substances used.

The group's dedicated chemicals compliance team regularly checks implementation of the procedures required by the regulation using the REACH compliance statements of its producers. The purpose of monitoring the compliance of the raw materials used in CAREL's business against the updated SVHC Candidate List of the REACH Regulation and the hazardous substances restricted by the RoHS Directive is to classify raw materials as purchasable and usable in products, based on information on compliance with the above legislation. Purchases of raw materials, whose manufacturers and/or suppliers did not provide the required information on time, are temporarily suspended until the updated documentation is provided. For raw materials whose obsolescence or non-compliance with the REACH Regulation and RoHS Directive is declared by the manufacturer and/or supplier, deapplication is necessary, thereby preventing these materials from entering the production cycle. As part of CAREL's internal chemical safety process, all suppliers must prove that they have implemented a process to manage hazardous substances in accordance with the above EU legislation. Furthermore, as part of the approval process for purchasing materials, CAREL regularly requests and assesses the documentation which certifies compliance and the possible presence of hazardous substances in materials, in order to use them within products as components or to resell them as such. Conformity information on materials, gathered from the regular verification process vis-à-vis the supply chain and the approval process for new raw materials, contributes to creating the database used to issue the statements requested by customers (as required by the REACH Regulation) on the CAREL Group's products.

In addition to European legislation, CAREL has addressed the compliance of its products with the Californian regulation, Proposition 65, which regulates the use of toxic or cancer-causing substances. To this end, an internal standard was developed, which identifies activities to ensure products' compliance with this regulation. The products that Carel Industries supplies to customers do not contain chemical substances listed in Proposition 65 at a concentration liable to cause exposure levels exceeding the "safe harbor levels" or other safety levels. Therefore, it is not required to include a warning label on its products. In 2023 and 2024, CAREL continued to monitor Proposition 65 to identify the new chemicals added to the list published by the Office of Environmental Health Hazard Assessment (OEHHA).

Since 2021, CAREL has also adopted the regulation promulgated by the US EPA (Environmental Protection Agency) named "Toxic Substances Control Act (TSCA section 6(h))". This regulation covers the manufacture, import, use and disposal of specific chemicals. Section 6(h) of TSCA gives EPA the authority to prohibit or restrict, for a particular use or above a certain concentration, the manufacture, processing, commercial distribution, use or disposal of a chemical if it is defined as hazardous to human health or the environment. Specifically, under this section, the EPA shall take accelerated regulatory action on PBT chemicals, i.e., chemicals that meet the legal criteria for persistent, bioaccumulative and toxic (PBT) chemicals.

Finally, in 2024, a recordkeeping process, as required by TSCA section 8(a)(7), was started in order to collect information on any PFAS substances used in the components of CAREL's products, so that CAREL and its customers could report this data to the EPA via the Central Data Exchange (CDX).

POLLUTION-RELATED FUTURE INITIATIVES AND TARGETS

In order to strengthen its commitment to management of environmental impacts, as part of its new sustainability plan, Carel plans to extend the environmental management system and obtain ISO 14001 certification for the Carel USA, Carel Sud America, Carel Adriatic and Enginia production sites by 2028. Carel also set a specific target to monitor the proper implementation of this project.

The targets set by the group in its 2025-2028 sustainability plan for the management of pollution and substances of concern are summarised below:

TABLE 16: POLLUTION111 AND MANAGEMENT OF SUBSTANCES OF CONCERN TARGETS

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes
7	Have 57%112 of the group's production sites covered by an ISO 14001-certified environmental management system by 2028.[113]	% of sites covered by a certified environmental management system	2024 | 29%	Introduction of ISO 14001-certified environmental management systems will allow the environmental impacts of each stage of the production process to be monitored and managed, so as to minimise emissions of pollutants, optimise the use of natural resources and improve waste management.
8	Have 60% of the group's product categories assessed through Life Cycle Assessments (LCAs) by 2028.	% of product categories assessed through LCA	2023 | 8%	Conducting product-specific LCA makes it possible to obtain fundamental information on the various environmental impacts of products throughout their life cycle, including GHG emissions from the raw materials/semi-finished products used and the waste generated, in order to make informed strategic decisions to reduce these environmental impacts through eco-design and the use of alternative materials.

[111] The reported targets refer to optional targets and are not required by legislation.

112 Target percentage referring to the 2024 reporting boundary.

113 The SGA environmental management system requires compliance with legislation, so for production sites located in Europe, the target allows the following aspects to be monitored: air pollutants and respective specific loads; emissions to water and respective specific loads, pollution to soil and their respective loads (with reference to specific loads, it should be noted that quantification only takes place for air pollutants and any emissions into water, where potentially contaminated by production processes or laboratory activities); substances of concern and substances of very high concern. Local regulatory requirements for Carel USA and Carel Sud America will be integrated where necessary in order to align their management systems with Carel standards.

E3: WATER

Water use is not a major issue in CAREL's production processes. However, as explained in the "Water management in the value chain" section, it has a material impact in both its upstream and downstream value chain activities. The group is committed on both fronts: on the one hand, it has defined policies to promote efficient water management at its premises and has implemented monitoring processes to constantly measure internal water withdrawals. On the other hand, it disseminates good environmental practices along its supply chain and endeavours to improve its products' water efficiency, considering their impact throughout the entire life cycle.

WATER RESOURCE MANAGEMENT IN INTERNAL OPERATIONS

The group's water withdrawals, carried out under licence from public authorities, are mainly related to sanitation use rather than industrial processes. The parent also has a research laboratory dedicated to humidification, which uses water to perform product tests.

Despite its limited consumption, the group deemed it appropriate to include the matter of water in its environmental and occupational health and safety policy. As defined in the policy, the group pays particular attention to rationalising the use of water, especially in areas where it is scarce, with the aim of eliminating waste and preventing the risk of hazardous agents and substances entering the environment.

In line with its policy, the group's managerial approach aims to monitor water withdrawals to prevent unusual leaks and protect water resources. The production team checks water meters monthly and checks the consistency of the withdrawals against the related invoices, communicating the data to the headquarters.

Starting from 2020, consumption of all the group companies has been monitored, including with reference to any water-stressed areas where they are located using the WRI Acqueduct tool.

TABLE 17: WATER WITHDRAWAL AND CONSUMPTION (M^3)[114] [115]

	2024	2023116
Total water withdrawn (m3)	26,750	23,514
Including from water-stress areas (m3)	5,663	5,221
Total water consumed (m3)	2,623.49	2,539.67
Including from water-stress areas (m3)	535.78	522.79
Total water recycled or reused (m3)	150	-
Water intensity (m3/€m)	4.53	3.91
Water intensity (m3/number of people117)	0.95	0.94

In 2024, 85% of water withdrawals is attributable to the production sites and is directly related to the number of people and hours worked. The withdrawals attributable to water-stressed areas amounted to 5,663 m^3, representing approximately 21% of total withdrawals. Consequently, particular attention is paid to analysing any deviations during the year in order to identify possible leaks in the system.

[114] Water-stress areas are defined as those areas with an extremely high water stress percentage (greater than 80%). Source: WRI Acqueduct. For most of the group's sites, data on water withdrawals are collected by reading bills. In some cases, when direct measurement is not possible, the figure was estimated by considering the average withdrawals of sites with similar activities (estimated withdrawals represent about 5% of the total). The data on water consumption, relevant only for production sites, were estimated starting from the water withdrawals, based on checks of the meter.

115 In 2024, the CAREL Group did not store water.

116 As the 2024 figures include the date of companies acquired in 2023, the reporting boundary is different to 2023. However, given the nature of the activities carried out by these companies (non-production companies), a recalculation of the 2023 figures was deemed unnecessary, as the acquirees' water withdrawals and consumption are not deemed significant compared to the total.

117 The number of people includes employees and non-employee workers.

Although CAREL's policy does not explicitly state its commitment to water treatment as a step towards a more sustainable water supply, an innovative rainwater collection and reuse project was implemented at the parent's headquarters in 2023. Specifically, a new building was constructed with a tank to collect rainwater, which is then used for all non-drinking water services. A similar initiative was implemented at the Chinese production site, which is located in a high water-stress area, where a rainwater harvesting tank was set up for irrigation purposes. Thanks to the two projects, about 150 m^3 of water was collected and reused in 2024. By reusing water resources in a circular way, these projects help to reduce the withdrawal of drinking water for services that do not need it. In order to ensure the proper functioning of the system at the parent's headquarters, a verification phase has been scheduled, which includes commissioning and checking the system's operating effectiveness.

WATER RESOURCE MANAGEMENT IN THE VALUE CHAIN

In contrast to the group's own activities, water consumption is a significant issue along CAREL's value chain: there is significant water consumption upstream for the production of some essential components for the group's operations, such as microprocessors and other electronic components; while downstream, water consumption is related to the use of some of the group's products, such as humidifiers, which require water to operate.

UPSTREAM VALUE CHAIN

In order to reduce the negative impacts of water use in the value chain, CAREL has decided to involve its supply chain by promoting the efficient use of water resources in its suppliers' code of conduct. In fact, the code requires suppliers to commit to using the resources necessary for their production cycle responsibly, through production processes that aim to reduce the waste of natural resources (with particular attention to the conservation of energy and water resources) and that promote their recycling and reuse. Suppliers are, therefore, required to implement initiatives to improve their environmental performance, such as water consumption reduction, reuse and recycling programmes.[118] With respect to effluents, the code requires suppliers to adequately manage, measure and control all activities that are potentially harmful to human health or the environment to prevent the release of any substance into the environment. Suppliers must equip themselves with tools to prevent and reduce accidental spills and leaks into the environment.

In addition, in the sustainability self-assessment, suppliers are asked to indicate whether they are engaged in programmes to reduce water consumption, giving a higher score to those that implement this initiative.

DOWNSTREAM VALUE CHAIN

Although the CAREL policy does not expressly state its commitment to designing products to address water-related issues, the group is working to improve the water efficiency of its products that consume water during operation, as well as other aspects of circularity. In line with its four-year sustainability plans, between 2024 and 2025, the parent has conducted a strategic LCA study on its isothermal humidifiers with the aim of obtaining EPD certification, in order to understand the environmental impacts, including water consumption, of these products and to be able to subsequently improve their circularity and efficiency (see chapter E5 - Resource use and circular economy for more information on the LCA studies performed and planned).

In addition, a technical and economic feasibility study into the group's humidifier water efficiency projects is planned for 2025, to be followed by a technical development phase between 2026 and 2028. The financial resources for the implementation of the project's technical development phase will be defined after the feasibility analysis scheduled for 2025.

[118] The suppliers' code of conduct does not cover the following topics: the design of products and services with a view to addressing water-related issues and the commitment to reduce significant water consumption in areas at water risk.

WATER-RELATED FUTURE TARGETS[119]

The following table summarises the voluntary water-related targets defined by the group in its 2025-2028 sustainability plan, the attainment of which will allow monitoring the effective implementation of the planned initiatives:

TABLE 18: WATER MANAGEMENT TARGETS

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes120
9	Have 60% of the group's product categories assessed through LCAs by 2028, including one or more assessments of the isothermal and adiabatic humidifier ranges.	% of product categories assessed through LCAs	2023 | 8%[121]	Conducting product-specific LCAs makes it possible to obtain fundamental information on the various environmental impacts of products throughout their life cycle, including the water consumption required for their operation, in order to make informed strategic decisions to reduce this environmental impact.
10	Have a water efficiency of isothermal humidifiers of over 90% by 2028.	water efficiency %	2024 | 85%[122]	Improving the efficiency of humidifiers aims to reduce the water consumption resulting from the use of CAREL products.

E5: RESOURCE USE AND CIRCULAR ECONOMY

COMMITMENT POLICIES

CAREL's environmental policy identifies protection of the environment and natural resources as priorities. and the group's environmental policy formalises its commitment to reducing its impact on the environment and to continuously improving its processes to reduce their impact on the environment and the surrounding area. The environmental policy promotes the optimised use of raw materials and reduction of waste, and encourages the use of recyclable materials. It also states the group's commitment to optimising the management of waste generated, and especially hazardous waste. CAREL is commited not only to minimising the impact of its production activities but intends to contribute, in its operations, to the promotion of sustainable scientific and technological development, for environmental protection and the safeguarding of natural resources. The group also considers environmental protection when designing and developing systems, products and processes, to assess the potential impact over their life cycle and, especially, during their use stage and end-of-life stages.

The group's policy commitments also extend to the supply chain. CAREL shares its suppliers' code of conduct, requiring all suppliers to put in place initiatives to improve their environmental performance, such as waste reuse, recycling and reduction programmes. Specifically, suppliers must commit to using the resources necessary for their production cycle responsibly, through production processes that aim to reduce the waste of natural resources and that promote their recycling and reuse, as well as procuring their supplies locally as far as possible. Suppliers are encouraged to cooperate by minimising waste production through practices such as the reuse and recycling of materials and the promotion of the

[119] Through the supplier sustainability self-assessment, Carel monitors the actions implemented by suppliers to manage and mitigate water-related impacts in the supply chain. The identification of further specific actions and targets related to effluents was deemed unnecessary.

[120] Given the nature of the reported targets, it is considered not applicable to indicate whether they are based on robust scientific data. Furthermore, the identified targets refer to Carel products that are used all over the world, thus including water-stressed areas.

[121] In 2024, the percentage of product categories assessed through LCAs is 15%, thanks to the completion of the assessment of isothermal humidifiers.

[122] The figure is estimated based on laboratory tests carried out during development and on-site.

circular economy, as well as to responsibly manage the waste they produce. In addition, suppliers are required to identify, label and manage chemicals, wastes and other materials hazardous to humans or the environment, ensuring their safe handling, transport, storage, use, recycling or reuse and disposal, in compliance with applicable regulations. Finally, the group invites its suppliers to actively participate in training, communication and development initiatives it organises about opportunities to improve their environmental performance.

In addition, suppliers are requested to indicate in the sustainability self-assessment whether they are engaged in programmes to reduce waste and packaging, giving a higher score to those that implement this initiative (more information about the supplier sustainability assessment is provided in chapter G1 - Business conduct).

RESOURCE INFLOWS AND CIRCULAR ECONOMY

The main purchasing categories are electronic components (e.g., microprocessers, which are critical components, resistors, capacitors, etc.) and electromechanical components (e.g. transformers, switches, circuit breakers, etc.), mechanical components (both plastic and metal) and finished products which are then resold (e.g. supervisors, displays, sensors, accessories, etc.). The group's purchased goods also include packaging used for packing and shipping products. Finally, plant and machinery used in the various stages of product manufacturing are a constant inflow throughout the year.

In 2024, CAREL purchased a total of about 14,976 tonnes of materials for its production activities. Of these, some 2,719 tonnes (18.16% is biological materials (e.g., paper and cardboard, wood, cotton)[123][124]. There is no overlap between the categories of reused and recycled materials in the inflow of materials. In addition, in order to analyse the impact of CAREL product packaging and identify the areas for improvement to guarantee certified low-impact products, the characteristics of the parent's packaging were again assessed in 2024. According to the analysis, 55% of the total packaging purchased is made up of cardboard which, in addition to its certified origin, is on average 68% comprised of recycled material. All paper and wood used are also of certified origin, with paper accounting for 50% of recycled material. Finally, plastic, which is a residual element as it accounts for less than 2% by weight of the total, has an average 8% recycled component. Overall, the analysis confirmed the minimal proportion of plastic compared to other packaging and the group intends to further reduce it from 2025. An analysis of the Carel Adriatic, Carel Sud America, Carel USA and Carel Electronic Suzhou production sites shows similar trends to the parent, with 100% of paper, cardboard and wood purchased being FSC- or PEFC-certified. Purchased cardboard always contains a proportion of recycled material (between 50% and 68%) as does paper (50% on average). The proportion of plastic packaging varies from less than 1% at Carel Sud America and Carel Adriatic to around 3% at Carel USA and Carel Suzhou. In line with the policy's objective to include environmental protection aspects in product design and development, assessing the potential impact throughout the entire life cycle, the Group has started to perform LCAs (Life Cycle Assessments) to gain an understanding of the different impacts generated by products throughout their life cycle, including those arising from the consumption of raw materials, in order to then make informed decisions aimed at reducing these impacts. LCAs are an important tool, as they allow the environmental footprint of a product to be analysed and quantified, from the phase of extraction of raw materials to its disposal or recycling, considering all intermediate stages, such as production, distribution and use. This type of assessment is essential to guide the group's actions aimed at reducing the environmental impact of products, including decisions aligned with circular economy principles.

[123] Data on purchased materials have been extracted from a company management system. Data for the Alfaco, Arion, Enginia, HygroMatik, Klingenburg, Recuperator and Senva sites were estimated. For the purposes of this assessment, it was assumed that 100% of the products belonging to the paper and cardboard, wood and textiles categories are of biological origin.

[124] The data in the paragraph refer to packaging. With respect to total materials inflows, considering all materials for which no data are available to be non-biological and non-recycled, it is estimated that at group level the percentage of biological materials from the sustainable supply chain is about 7%, while the percentage of secondary reused or recycled components is less than 2% (about 203 tonnes).

In 2022, an LCA was conducted on an inverter - one of CAREL's main products - in order to assess, in particular, the potential environmental benefits and impacts of this inverter using a cradle to grave approach. The LCA covered aspects relating to the extraction of raw materials, the production of the various electrical components, the production phase of the inverter and the use and end-of-life phases. In 2024, the group commenced two new LCAs to be completed in 2025, covering two ranges of isothermal humidifiers and a heat recovery unit. The new sustainability plan also provides for additional LCAs to be performed between 2025 and 2026 on valves and controls, adiabatic humidifiers, electrical panels and dampers. These assessments will identify critical areas in the entire life cycle of products, not only in relation to GHG emissions generated, but also impacts on pollution, water consumption and waste generation and management. The objective of such assessments is to obtain a baseline value for ecodesign and comparison with subsequent ranges. In order to complete the LCAs, in addition to the internal resources dedicated to the project, Carel has already earmarked OpEx of €45 thousand[125] in 2024, and plans to spend additional OpEx of around €120 thousand in the next two years. The annual CapEx and OpEx will be included in the budgeting process for each year of the plan.

Although CAREL's policy does not explicitly state its commitment to phasing out the use of virgin resources, it has implemented and planned several initiatives to achieve this. The sustainability plan includes a feasibility study to assess the use of recycled material in products and packaging. The analysis, which will be conducted between 2025 and 2026 by the parent, aims to obtain baseline values in order to then be able to identify specific targets for increasing the amount of recycled material used in the plastics, aluminium and packaging macro-categories. This initiative, combined with the LCAs carried out and planned at Carel Industries, Enginia and Recuperator, forms the basis of ecodesign, i.e., an approach to product design and development that takes into account various elements such as the environmental impact of the materials used, recycling and repairability of products in order to extend their useful life. The analysis will also make it possible to develop internal rates of the disassembly, repairability and remanufacturability of products, to be used as a basis for the continuous improvement of their environmental impact, measurable through the definition of specific targets. The parent has estimated OpEx of €50 thousand for the feasibility study for 2026, which will be included in the budgeting process for each year of the plan.

With respect to packaging, CAREL's objective is to decrease its environmental impact, maintain the level of FSC- or PEFC-certified material, increase the volume of recycled material used in packaging and steadily decrease the use of both non-recyclable and recycled plastic. Green packaging is just one of the measures designed to make CAREL's solutions 100% efficient, with a continuum between content and container. Much of the plastic packaging has been replaced by FSC- or PEFC-certified cardboard and wooden boxes at the parent's and Carel Adriatic's sites. CAREL and its suppliers have devised a solution for safe and resilient packaging which respects the environment. The purchase of FSC- or PEFC-certified material demonstrates CAREL's concrete commitment to the sustainable sourcing of renewable resources, even if this is not formalised in the policy. Starting from 2025, in line with the guidelines and procedures adopted, the parent and Carel Adriatic sites will be required to avoid the use of plastic in packaging, except when this is not feasible for technical reasons. In addition, the group intends to reduce the amount of air transported and encourage the design of new, optimised packaging. These activities will further reduce the upstream procurement of plastic materials and the downstream disposal of waste, thus reducing the related environmental impact. Minimising transported air will also lead to a reduction in packaging space, thus allowing for transportation optimisation.

[125] This expenditure is included in the balances shown in note 25 to the income statement in the consolidated financial statements.

Future targets related to resource inflows

TABLE 191: CIRCULAR ECONOMY-RELATED TARGETS[126]

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes
11	Have 60% of the group's product categories assessed through LCAs by 2028.[127]	% of product categories subjected to an LCA	2023 | 8%	Conducting product-specific LCAs makes it possible to obtain fundamental information on the various environmental impacts of products throughout their life cycle, including GHG emissions from the raw materials/semi-finished products used and the waste generated, in order to make informed strategic decisions to reduce these environmental impacts through ecodesign and the use of alternative materials.

WASTE MANAGEMENT

Carel Industries promotes proper waste management as part of its policy and the implementation of an environmental management system, from waste generated at the production departments or offices to storage at the sites' temporary storage facilities and disposal at external storage and treatment facilities. Although the policy does not expressly state the priority to avoid or minimise waste to be treated, the group is committed to reducing its total waste output generated by production activities and to achieving maximum efficiency in waste management and disposal to increase the volume of recycled waste, as shown by the initiatives introduced over the years.

Once a year, the parent collects and analyses data on waste produced by the group's production sites and warehouses[128] in order to calculate the impact of waste management. It does this by contacting each site to obtain data on:

- the types of waste generated, i.e., the materials composing it (e.g., paper, plastic, WEEE, etc.) and any hazardous characteristics, which are determined by the production process generating the waste;
- the quantities produced of each type of waste;
- end-of-life destination and recycling rates.

For the entire boundary considered, information on the types and quantities of waste generated is collected directly from company management systems or data storage systems, while data on end-of-life destination and treatment are requested directly from the waste management companies to which the waste is consigned[129].

In 2024, CAREL generated a total of about 2,235 tonnes of waste. Of this, 2,086 tonnes of waste was sent for recycling, while 148 tonnes (less than 7% of the total) was directed to other recovery or disposal operations.

[126] The targets are optional and not mandatory by law.

[127] Given the nature of the reported targets, it is considered not applicable to indicate whether they are based on robust scientific data.

[128] The Vescovana logistics hub is excluded from the analysis, since - unlike the other warehouses included in the reporting boundary - it is not owned by Carel, but by third parties that offer pre-shipment storage and sorting services. Therefore, the hub is not included in the reporting boundary and any waste produced on site is not the responsibility of Carel or attributable to its activities.

[129] Where the waste management companies did not provide information about waste managed in 2024, the 2023 recovery/recycling/disposal rates were used.

TABLE 202: WASTE GENERATED AND TYPE OF DISPOSAL (TONNE)

	2024					2023[130]				
Type	Open loop	Closed loop	Combustion	Landfill	Total	Open loop	Closed loop	Combustion	Landfill	Total
Paper/Cardboard	301.43	78.36	2.04	0.00	381.83	387.17	100.16	13.52	0.00	500.85
Plastic	141.91	182.06	30.93	0.00	354.90	196.91	131.20	46.97	0.00	375.09
Metal	589.22	388.32	176.6	34.61	1,012.33	694.33	132.15	18.91	2.68	848.08
Wood	106.82	147.85	0.00	0.00	254.67	153.87	185.30	6.46	0.00	345.63
Other (including liquids)	47.01	77.92	62.55	7.83	195.30	47.87	69.72	80.69	4.42	202.69
Electr. equipment/batteries	21.39	4.12	7.97	1.96	35.44	45.53	0.00	16.80	0.05	62.38
Total	1,207.79	878.63	103.67	44.40	2,234.48	1,525.67	618.54	183.35	7.15	2,334.72

The composition of waste is directly related to the types of products produced in the various sites. The main categories are metals (ferrous and non-ferrous, 45% of the total); paper and cardboard (17%), plastics (16%) and wood (11%), the latter being mostly related to packaging waste from incoming materials. These categories account for almost 90% of the total waste. They are followed (in smaller percentages) by special waste related to specific activities (e.g., construction materials, oils, etc.); mixed waste (such as mixed or multi-layered packaging); washing or process water; batteries and WEEE of various sizes (from small components and cables to complete machinery).

The analysis also showed that just over 4% (about 89 tonnes) of the total waste generated was hazardous waste, much of which is nevertheless directed to recycling[131].

TABLE 213: WASTE GENERATED (TONNES)

	2024	2023
Waste diverted from disposal		
Total waste	2,086.41	2,144.22
Hazardous waste	40.60	39.3
Preparation for reuse	0.00	0.00
Recycling	40.60	14.28
Other recovery operations	0.00	25.02
Non-hazardous waste	2,045.81	2,104.92
Preparation for reuse	0.00	0.00
Recycling	2,045.81	2,068.93
Other recovery operations	0.00	35.99
Waste directed to disposal		
Total waste	148.07	190.5
Hazardous waste	58.61	17.24
Incineration	55.71	17.01
Landfill	2.90	0.23
Other disposal operations	0.00	0.00
Non-hazardous waste	89.46	173.26
Incineration	47.96	166.34
Landfill	41.50	6.92
Other disposal operations	0.00	0.00

[130] As the 2024 figures include the figures of companies acquired in 2023, the reporting boundary is different to 2023. However, given the nature of the activities carried out by these companies (non-production companies), a recalculation of the 2023 figures was deemed unnecessary, as the acquirees' waste generation is considered insignificant compared to the total.

[131] No radioactive waste was generated in 2024.

Thanks in part to the figures provided by the waste analysis, in 2023, the waste delivery service was revised in collaboration with the relevant providers, asking them to improve separation and sending for recycling and incineration rather than to the landfill.

In 2024, the group consolidated the project launched in 2022 aimed at improving the separation of plastic waste coming from the production activities. Thanks to the separation of plastic waste into three separate streams, it was possible to improve the process for some particular plastics (such as reels and sticks) and reduce the proportion of mixed packaging at the parent. In 2024, the group improved the sorting process again leading to an increase in the plastic component and a decrease of the mixed component (respectively, 38% and 62% of the total packaging waste) and a further valorisation of the reels and sticks component (11% of the packaging waste produced). The process introduced by the parent for the sorting of plastics has made it possible to improve its management with specific areas (collection points, temporary storage areas and separate waste bins), and to avoid potential environmental contamination.

The new sustainability plan also includes a zero paper project. This project aims to significantly reduce printing paper waste through various initiatives that will be implemented between 2025 and 2027 and will act on multiple fronts:

- reducing the weight of paper used at the parent;
- completely eliminating non-mandatory transport documents for transport from the parent to the Vescovana hub;
- implementing a digital system at the parent (and conducting a pilot at the Chinese and Croatian sites) to eliminate paper work orders.

The reduction of paper waste resulting from the above actions will be monitored by checking purchases of printing paper and the volumes of paper and cardboard waste.

The parent also plans to concurrently run a feasibility study to be performed by 2026 to investigate the possibility of digitising paper product information included in product packaging, subject to verification of current regulations. The digitisation of this information would make it possible to reduce the amount of paper contained in the product packaging and, consequently, also the procurement of raw material (printing paper) and the downstream waste stream. The outcome of the feasibility study will determine the timing and how the subsequent actions will be managed.

The weight reduction initiatives and the feasibility study for the digitisation of product information do not require any specific investment and only require employees' involvement. With respect to the other planned initiatives, CAREL has earmarked OpEx of about €20 thousand for the adaptation of the courier fleet and the pilot test for the application of digitised work orders at the parent, which will be included in the budgeting process for each year of the plan.

Future targets related to waste management

TABLE 224: WASTE MANAGEMENT TARGETS[132]

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes[133]
12	Save at least 1,000 kg of paper per year at the parent between 2026 and 2027[134].	Kg of paper saved	2024 | 0	Reducing the use of paper achieves a twofold objective: on the one hand, the reduction of waste generated, and therefore energy consumption and related atmospheric emissions resulting from its management, and on the other hand, avoiding the consumption of natural resources, land use and energy consumption required for paper production.

[132] The targets are optional and not mandatory by law.

[133]: No other targets related to waste management have been identified.

[134] The target refers to the "prevention" level of the waste hierarchy. The target is not based on robust scientific data.

S1: OWN WORKFORCE

In 2024, the group employed a total of 2,592[135] employees, an increase of more than 5% compared to the previous year; this increase is mainly due to the inclusion of all group companies, including the companies acquired during 2023. The workforce consists of managers, white-collar and blue-collar workers, with 34% being female. The group also avails of non-employees, specifically temporary ones numbering approximately 164[136] in 2024. They are mainly employed in production and logistics and warehouse activities. The variation in their number is tied to changes in the work load, as a direct consequence of the group's business development.

A geographical breakdown shows that, in line with the previous years, just under half of the employees are employed in Western Europe (55%), approximately 16% in Eastern Europe, Middle East and Africa, roughly 15% in APAC and the remaining 13% in North and South America.

TABLE 23: EMPLOYEE HEAD COUNT BY GENDER

	2024				
	Female	Male	Other	Not reported	Total
Total employees	872	1,720	0	0	2,592[137]

TABLE 24: EMPLOYEE HEAD COUNT BY AGE BRACKET

	2024			
	< 30	30 – 50	> 50	Total
Number of employees	334	1,524	734	2,592

TABLE 25: EMPLOYEE HEADCOUNT BY COUNTRY138

	2024
	Total employees
Italy	958
China	285
Croatia	266
United States	258
Germany	221
Poland	92

In 2024, 331 employees left the group for a turnover rate of 13%.

COMMITMENT POLICIES

To formalise its commitment to disseminating a culture based on respect for rights and valuing diversity, while also managing the impacts, risks and opportunities associated with its workforce as a whole, the

[135] Employee figures refer to the number of people at the end of the reporting period.

[136] The figures on non-employees refer to the average number of people during the reporting period.

[137] The total number of employees at 31 December 2024 matches the number in note 27 to the income statement in the consolidated financial statements.

[138] Figures are provided for countries with 50 or more employees, accounting for at least 10% of the total employees.

group has adopted the following policies: Human rights policy, diversity policy, gender equality policy and environmental, occupational health and safety policy to ensure that its practices do not cause or contribute to significant negative impacts on its own workforce. The board of directors is responsible for supervising the implementation of these policies, while the day-to-day responsibility for implementing each of the commitments envisaged by said policies lies with the Human Resources and the HSE Departments. Finally, the legal department and the supervisory body (the "SB") are responsible for checking compliance with these commitments.

During the onboarding process, all group companies' employees who use a digitised personnel management solution[139] receive specific e-learning training about these policies, which are also available on the company website[140]. Furthermore, business partners and other third parties are informed and asked to comply with these policies through clauses in the general terms and conditions of purchase and sale agreements and in contracts.

HUMAN RIGHTS POLICY

The policy defines the principles and commitments adopted by the Parent and its subsidiaries, directly or indirectly, to respect fundamental human rights and basic working conditions in order to contribute to creating sustainable value through professionalism, legality, morality, dignity and equality. This policy is not only binding for CAREL Group companies in all the geographical areas in which they operate, but also for its business partners and suppliers and all main stakeholders. The main stakeholders include, but are not limited to, all those persons acting in the name and on behalf of associates, subsidiaries and investees in all geographical areas in which CAREL operates. The main commitments set out in the document are as follows:

- rejection of any form of child labour, forced labour, harassment or discrimination[141];
- promotion and protection of work-related health and safety;
- encouraging the professional development and growth of each employee, through the promotion of principles of equity and inclusion;
- recognition of proper working conditions (including adequate wages and decent working hours) and freedom of association;
- respect for the privacy of personal information.

In adopting this Policy, Carel defines its principles in accordance with:

- the United Nations International Bill of Human Rights, including the UN Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO) and related conventions;
- the European Convention on Human Rights;
- Legislative decree no. 231/2001.

[139] The group companies that do not use a digitised personnel management solution are: Klingenburg Germany, Kiona Group, Arion, Sauber, Klingenburg International, Carel Ukraine, CFM, Eurotec and Senva.

[140] Training on the Gender Equality Policy is planned for 2025.

[141] As of 2022, in accordance with the UK Modern Slavery Act, Carel UK prepared a Statement in which it describes the measures taken to prevent slavery and human trafficking in its business activities and supply chain.

DIVERSITY POLICY

The policy defines the principles and commitments adopted by the Parent and its directly and indirectly controlled subsidiaries to respect diversity, inclusion and equal opportunity commitments, helping to create sustainable value through professionalism, legality, morality, dignity and equality. This policy is binding for all employees, managers, collaborators (e.g., consultants, agents), company representatives and representatives, employees and collaborators of companies belonging to the CAREL Group, as well as the main stakeholders, as defined above, including significant suppliers.

In adopting this Policy, the CAREL Group is guided by the same regulatory references and international principles on human rights and labour as those stated above with reference to the Human Rights Policy.

The principles adopted by the Group to promote diversity are as follows:

- non-discrimination: the group does not tolerate harassment or insults or any type of discrimination due to racial and ethnic origin, colour, sex, sexual orientation, gender identity, disability, age, religion and political opinion;
- equal opportunities: the group promotes the professional development of each employee, inspired by the principles of fairness and equal opportunities in the face of any kind of diversity, it guarantees non-discrimination in all work environments and acts in accordance with the principles of meritocracy;
- inclusion: the group encourages inclusion and integration of individuals, focusing on their personal capabilities, avoiding any form of discrimination based on mental or physical limitations. It does not tolerate any form of implicit or explicit exclusion based on diversity and individual needs[142];
- work-life balance: the group promotes a working environment based on trust, dialogue, mutual respect and well-being, recognising the different needs related to its employees' life stages and agreeing personalised solutions to reconcile work and home life.

GENDER EQUALITY POLICY

In 2024, as part of the broader project to implement a gender equality management system that complies with the UNI/Pdr 125:2022 reference practice, Carel Industries also adopted a gender equality policy, which formalises the Parent's focus on issues of diversity, gender equality, female empowerment and equal opportunities. The policy serves as a guide for the continuous improvement of the implemented management system' performance and provides the framework for the definition and review of the related objectives.

Through the policy, management, supported by the steering committee on equal opportunities, formalises the cultural and organisational changes that involve each person working in the organisation and the company as a whole.

Through its adoption of the gender equality policy, CAREL formalises the strategic and operational approach adopted with respect to the following processes:

- recruitment and selection: recruitment policies and plans are adopted to ensure fairness and meritocracy, promoting diversity and providing training on gender equality, bias and stereotypes;
- training and professional development (career management): development and career opportunities are based on responsibility, skills and results, promoting inclusive leadership styles;
- remuneration: the remuneration policy respects the principles of equal opportunities, enhancement of people's skills and professionalism, fairness and non-discrimination;

[142] CAREL has not formalised any further specific commitments for the inclusion of people belonging to groups at particular risk of vulnerability in its policies; however, in compliance with Italian law, the parent is planning pathways for the inclusion of individuals at particular risk of vulnerability in the workforce and staff with disabilities, which, as reported in the section on 'Equal treatment and opportunities for all', will be strengthened in the coming years, through the inclusion of four people in vulnerable situations in the operations areas.

- parenting: Carel Industries is committed to protecting, supporting and valuing parenthood, with solutions such as reversible part-time, solidarity leave bank and contributions towards childcare and education;
- inclusiveness and work-life balance: CAREL is committed to developing an inclusive working environment that fosters diversity, gender equality, women's empowerment and protects the psychological and physical well-being of those who work with the group. It also promotes measures to ensure work-life balance with a diversified corporate well-being plan;
- communication and marketing: the parent's language and the entire communication style are constantly focused on respecting and promoting gender equality, valuing diversity and women's empowerment.

Responsibility for the implementation of this policy is entrusted to the Gender Equality Steering Committee, which defines its implementation characteristics by drafting the strategic plan.

Carel Industries undertakes to ensure the widest dissemination of this policy by including it both on the company intranet and on its website to make all stakeholders aware of its commitment to equal opportunities, with particular reference to gender.

HSE POLICY

CAREL acknowledges the importance of guaranteeing safety at work and, with this in mind, undertakes to continuously improve its processes, to comply with legal and subscribed requirements and to adopt a system for the prevention of work-related accidents and work-related ill health. The creation and maintenance of a safe and healthy working environment is ensured by structural investments and the commitment of key organisational units, both at central level and at the level of individual subsidiaries and operating sites, with the full involvement of senior management and the entire organisational structure. At the central level, the HSE Department guides and coordinates the group's various production units.

In adopting the policy, the CAREL Group made reference to:

- the international standard ISO 45001:2018 on Occupational Health and Safety Management Systems;
- the laws, regulations and guidelines of each country in which CAREL operates;
- Legislative decree no. 231/2001 on companies' administrative liability.

This policy is not only binding for CAREL Group companies in all the geographical areas in which they operate, but also for its employees, collaborators and main stakeholders, including contractors and key suppliers in its value value. The principles enshrined in the policy cover:

- the continuous and effective implementation of the health and safety management system where applied, in order to ensure safe workplaces and workstations;
- the periodic definition of safety objectives through company plans for their achievement;
- ongoing improvement of its processes to reduce their impact on health and safety in the workplace;
- the adoption of a prevention system based on the involvement of all workers in the reporting of near-misses and unsafe conditions and in the discussion and proposal of improvement actions;
- continuous vigilance in workplaces and of equipment and processes aimed at implementing improvements that strive towards the highest level of compliance with current regulations;
- the development of specific studies on the ergonomics of workstations, the intrinsic safety of work equipment and work areas to determine the best combination of safety and efficiency.

CAREL recognises that the training and information of employees are fundamental tools for the implementation of the policy and undertakes to disseminate it to all recipients by publishing it on the company website, in order to ensure that everyone is properly informed. Specific and periodic training programmes are carried out for all employees in compliance with current legislation with the aim of widespread dissemination of up-to-date knowledge on the subject.

INVOLVEMENT OF OWN WORKFORCE

The group is committed to maintaining ongoing dialogue with its workers through multiple internal communication channels, activated both at group and individual site level. The HR Department is responsible for ensuring the appropriate involvement of employees. In addition, the Parent has also set up a specific team, consisting of members of the HR team and the Communication & Industrial Design team, to manage internal communication.

Worker involvement is first and foremost ensured through the instrument of collective bargaining in Sweden, Croatia, Spain, France, Brazil and Italy, where the group companies adhere to national or company contracts. In Italy, in addition to national contracts, second-level agreements with local trade union representatives have been stipulated at Carel Industries and Recuperator. A company agreement was signed with the representatives in Croatia. Collective bargaining, which aims to arrive at mutual agreements that are in the best interests of both employees and the company, ensuring a balanced approach to employee well-being and organisational objectives, also facilitates an understanding of the views, needs and conditions of the workforce[143].

The group meets frequently with workers' representatives either in person or remotely, with timing that may differ from site to site, during the negotiation of agreements, and periodically, at least quarterly, to update them on company developments and updates.

The group's intranet and the Italian group companies' intranet are another direct and accessible communication tool for all employees as they contain content to offer employees greater information sharing and transparency. Worker participation is also facilitated by the internal magazine, *Display,* edited by employees to share stories, ideas and profiles of people from the CAREL world.

The various types of engagement between CAREL and the workforce also represent a tool that allows the group to take into account the interests of its workforce, identifying actions to be implemented in order to prevent any negative impacts and promote positive impacts. CAREL is committed to improving employee participation, which to date is considered to be constructive given the positive industrial relations within the group, also confirmed by the low level of conflict in trade union relations.

WHISTLEBLOWER REPORTING CHANNELS

The group has an important tool to allow all group employees and non-employee workers to raise concerns or report suspected situations or episodes of non-compliance with laws, rules and regulations, the code of ethics, the human rights, diversity and gender equality policies and the group's internal procedures, including discriminatory behaviour based on gender, age and socio-demographic characteristics. More information about the whistleblower reporting channel, the whistleblowing procedure and the related training activities is provided in the Whistleblowing procedure section of Chapter G1 - Business conduct.

[143] The group does not have global framework agreements or agreements with specific workers' representatives about the respect for human rights. However, collective bargaining covers aspects such as working hours, pay, flexibility, benefits and other aspects of working conditions.

WORKING CONDITIONS AND WORKER WELL-BEING

WORKERS' RIGHTS

In order to pursue its commitment to promoting a culture of respect for workers' rights, CAREL acts in accordance with the code of ethics and the group policies governing the respect for human rights, diversity and gender equality which are based on international regulations and principles.

The sustainability plan's key actions regarding human rights are summarised below:

- **Adaptation of the human rights due diligence process according to the CSDDD:** this directive requires companies to carry out a sustainability due diligence process on the entire value chain to address negative impacts on human rights and the environment with regard to own operations and the value chain. The planned initiative, to be carried out by 2028 on the companies included in the group's reporting boundary, will entail the adaptation of the due diligence process on the human rights of the own workforce to comply with the new directive. The ultimate goal is to ensure that all business practices meet the highest standards of human rights, contributing to an ethical and responsible working environment.
- **Update of the human rights policy:** CAREL intends to update its human rights policy in order to formalise its commitment to combating human trafficking, describe its position on the employment of migrant workers and describe measures to remedy possible violations. The update will make it possible to adapt the policy to the various requests made by stakeholders by taking an explicit stance on certain issues, as well as to further ensure the alignment of CAREL's principles with the highest standards of respect for human rights, helping to strengthen the group's stance against unfair labour practices and engender an ethical and responsible working environment. CAREL plans to perform this update by 2025.
- **Development of a training and awareness-raising plan on diversity, inclusion and human rights**: the group is committed to increasing the percentage of employees involved in training activities on diversity, inclusion and human rights, by developing a specific training plan. This plan will be monitored annually until 2028, with the aim of ensuring continued growth and awareness in these key areas. The action is part of the group's intention to promote initiatives to raise awareness on issues of diversity, inclusion and human rights, with the aim of strengthening the group's commitment to preventing discrimination and promoting fair treatment for all employees.

In 2024, one incident of suspected discrimination was reported, which was duly verified and found not to be the case. No further complaints were filed through the established channels and/or at the National Contact Points for OECD Multinational Enterprises. As there were no established cases of human rights violations, no penalties were recorded in 2024

No serious human rights incidents occurred within the group's workforce in 2024.

EMPLOYMENT STABILITY AND WELL-BEING

CAREL prioritises the establishment of stable, long-term working relationships, thus fostering a secure professional environment, as confirmed by the high percentage of employees with permanent contracts (86%), which has been steadily increasing over the three-year period. In addition, in order to compete in an increasingly dynamic labour market and to enhance the best talents, the group is working on initiatives aimed at further improving the offer provided to its employees in terms of remuneration, reward, work-life balance and well-being.

TABLE 26: TOTAL NUMBER OF EMPLOYEES BY CONTRACT TYPE, BROKEN DOWN BY GENDER

	2024				
	Female	Male	Other	Not reported	Total
Number of employees	872	1,720	0	0	2,592

Number of permanent employees	723	1,505	0	0	2,228
Number of temporary employees	149	215	0	0	364
Number of non-guaranteed hours employees	0	0	0	0	0

TABLE 27: TOTAL NUMBER OF EMPLOYEES BY CONTRACT TYPE, BROKEN DOWN BY REGION

	2024			
	Number of employees	Number of permanent employees	Number of temporary employees	Number of non-guaranteed hours employees
Western Europe	1,421	1,361	60	0
Rest of Europe	425	354	71	0
North America	285	285	0	0
South America	63	63	0	0
Asia North Pacific	313	80	233	0
South Pacific Asia	85	85	0	0

The Parent has a supplementary contract that provides more favourable conditions to all its employees compared to the national employment contract, covering issues such as daily and weekly flexible work hours, part-time work and parental leave when children are born.

The group guarantees work hours in line with the maximum number established by the applicable regulations and ensures that its workers' needs are met throughout the employment relationship (e.g., maternity leave, paternity leave, sick leave or carers' leave, etc.).

In order to provide greater flexibility, in 2024, CAREL agreed part-time contracts for 3% of the total workforce, the majority of whom were women.

In 2022, CAREL adopted guidelines aimed at defining group-wide guidelines on flexible working. Indeed, it is aware of the importance of promoting the retention and attraction of talent, including through schemes that promote the well-being of employees and improve work-life balance. In 2023, the Parent offered more remote work options to facilitate a better work-life balance for employees who live far from the office. CAREL analyses the use of remote work to monitor and assess the effectiveness of this initiative in generating concrete results for its workforce.

COLLECTIVE BARGAINING AND FREEDOM OF ASSOCIATION

In March 2022, the Parent renewed the supplementary company agreement (second-level bargaining) for the three-year period 2022-2024. The agreement continues to focus on the eligibility criteria for parental leave, advances on post-employment benefits, contributions to the cost of crèches and pre-schools and to school costs and a supplement to allowances for optional maternity leave. It also guarantees full tax exemption on the entire performance bonus paid to employees, which is an additional economic benefit for workers in accordance with current regulations. After negotiations that took place during the second part of 2023, a company agreement geared toward offering greater flexibility and improved treatment compared to the collective bargaining agreement was renewed in early 2024, including at Recuperator, an Italian group company acquired in 2018. The collective incentives, benefits and well-being initiatives included in this agreement apply to both the permanent and temporary employees. Monitoring the actual use of the available measures makes it possible to assess their actual impact on the workforce and thus the initiative's ability to generate tangible benefits.

In 2024, 57% of the group's employees were covered by collective bargaining agreements, while the remainder are hired with company or individual contracts in line with the local regulations and market practices, the group's code of ethics and its human rights, diversity and HSE policies.

TABLE 28: COVERAGE RATE OF COLLECTIVE BARGAINING AND SOCIAL DIALOGUE

	Collective bargaining agreements	Social dialogue144
Coverage rate	Employees - EEA (for countries with >50 employees representing >10% total employees)	Workplace representation - EEA (for countries with >50 employees representing >10% total employees)
0-19%		Croatia
20-39%		
40-59%	Germany	
60-79%		
80-100%	Italy, Croatia	Italy

Free association in trade unions has always been guaranteed at all the group's sites, in order to safeguard the right of the individual as per the main international conventions and various national regulations. In order to ensure that industrial relations in the group are carried out in a transparent and positive way, the group provides that relations and negotiations with the trade unions are handled directly by each group company.

The actions and targets identified by the group in the 2025-2028 sustainability plan, aimed at enhancing employee well-being, are set out below:

- **Implementation of initiatives for employee well-being:** the group intends to define and subsequently implement, between 2025 and 2028, a series of initiatives to improve working conditions and employee well-being. The initiatives will be designed to meet the specific needs that will be identified from year to year;
- between 2025 and 2028, Carel Industries will conduct a feasibility study to **redesign the main car park**, with the aim of transforming it into a multifunctional area integrating green spaces and parking spaces. The project aims to improve well-being and inclusiveness by providing areas dedicated to the specific needs of all, including places reserved for persons with disabilities and pregnant women. Plans are also in place to introduce green zones and breakout areas at the Parent's buildings in order to further improve the well-being of all employees. The Parent has budgeted CapEx of €730 thousand for these initiatives, which will be included in the budgeting process for each year of the plan.

ADEQUATE AND COMPETITIVE WAGES

The group is committed to providing adequate wages by guaranteeing the current national minimum wage at least, as described in the group's human rights policy.

All group employees receive a wage above or in line with the national minimum wage and, therefore, are paid an adequate wage, in line with applicable benchmarks. Specifically, less than 2% of the employees are paid a salary equal to the national minimum wage in their country, the remainder receives a salary above it.

The remuneration package offered to employees includes a wide range of benefits, which vary based on the roles, usually without distinguishing between full-time employees with permanent contracts and part-

144 At present, CAREL does not have any agreements with its employees for representation by a European Works Council (EWC), a Societas Europaea (SE) Works Council, or a Societas Cooperativa Europaea (SCE) Works Council.

time employees and/or employees with temporary contracts. Specifically, the group sites offer a range of benefits aimed at improving the well-being of employees in their working and private lives. The main benefits include supplementary policies, healthcare, disability coverage, extra parental leave in addition to that provided for by the law, company cars and other well-being systems. Monitoring the actual use of the available measures makes it possible to assess their actual impact on the workforce and thus the initiative's ability to generate tangible benefits.

In order to develop competitive remuneration policies, CAREL carries out structured checks on its own remuneration practices against the reference market, especially for its key resources, assisted by consulting companies that specialise in remuneration analysis and benchmarking and in actuarial and pension services. Pursuing the twofold goal of linking the remuneration of key resources to the group's performance and offering employees a rewarding remuneration package, the group's remuneration policy relies on the following principles: Equality, diversity and inclusion, sustainability, competitiveness and transparency.

The remuneration policy for the positions with the most responsibility includes pegging part of their remuneration to achievement of performance goals that are set beforehand using an annual incentive or management by objectives (MBO) system and a long-term incentive plan (LTI). The group uses short-term incentive plans (individual and collective) not only to align employee performance with the achievement of strategic goals, but also to increase employee motivation and involvement. In order to share the group's commitment set out in the Driven by the Future project and motivate engagement in the path to sustainable development, the remuneration packages of senior management and key resources are pegged both to performance targets linked to operational management and to sustainable development targets, in both the short-term (MBO) and long-term (LTI) incentive systems.

The group monitors the adoption of incentive tools and the consistency with the remuneration market to verify the effectiveness of its actions in this respect.

As far as total remuneration is concerned, the ratio of the annual total remuneration of the highest paid individual to the median annual total remuneration for all group employees, (excluding the highest paid individual), is 26:1. The calculation includes the target fixed and variable salary items (LTI and MBO) of the employees in force at 31 December 2024, while for the individual with the highest remuneration the variables were considered at the actual value.

TRAINING AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

Given the technical nature of CAREL's business, in 2015, the company set up the Knowledge centre, an organisational unit to specifically monitor and increase the technical and application skills of its employees, with a particular focus on sales and technical support employees. The Knowledge centre coordinates skills mapping at group level and assists with the delivery of training both at the Parent's office in Italy and at the Chinese and US subsidiaries. As mentioned in the previous paragraph, CAREL is working to expand digitisation and standardisation of HR processes, including the provision of e-learning.

The group confirmed its commitment to training its employees (who can access the online Learning management system) on anti-corruption issues through a specific course which is delivered to all new hires (white collars and executives). Reference should be made to chapter G1 - Business conduct for further information.

HARD AND SOFT SKILLS TRAINING

The initial onboarding process for the Parent's new recruits called "CAREL Compass" continued in 2024. This course consists of four half-days and is intended to facilitate the onboarding of new resources at the Parent, accelerating their understanding of its context, its culture and main processes, as well as encouraging networking and getting to know key personnel. The various topics covered include CAREL's history, business, product portfolio and strategy. Furthermore, special attention is also given to the Driven by the Future sustainability plan. Launched in 2023, around 100 white collar workers participated in the course and another 35 in 2024.

2024 also saw the continuation of the “Boost Camp” project. The three-year project is aimed at young (under 30) white collar new hires at the Parent. It was rolled out in 2023 and is aimed at developing soft skills useful for improving performance, such as time & priority management, public speaking, cross-cultural management, project management and problem solving. The aim of this project is to consolidate CAREL’s image as a particularly attractive company for the younger population and enhance the skills of under-30s already working at the group. It also increases the retention rate of young talents in the company. Between 2023 and 2024, 58 new recruits were involved. Participation and satisfaction with the project are monitored through feedback questionnaires, which allow for continuous improvement of the activities offered over the three-year period. The project will continue in 2025 with further training activities, contributing positively to the professional development and job placement of young employees. For this activity, the group estimated OpEx of about €20 thousand a year to purchase the training services, which will be included in the budgeting process for each year of the plan;

The Lean Academy is another distinctive feature of training at CAREL: this is an online training path available to all those with access to the Parent’s Learning Management System (LMS), which promotes Lean principles and a “lean” philosophy, which have always been considered a strategic asset for the growth of the group and the business. The Lean Academy is based on four levels called belts based on the classic structure of Lean Six Sigma courses. The goal is to create a training programme to share a reference framework for aspects related to the ongoing improvement and adaptability of the business from an employee development standpoint. To date, the “White Belt” and “Yellow Belt” paths have been activated.

Finally, the pilot project of the launch of the LinkedIn Learning platform took place in 2024, involving 300 users in several group companies[145] for a duration of nine months, offering both technical training content and content to strengthen soft skills. The initiative, involving several geographical regions, provided around 4,000 additional training hours, further promoting the skills development of the employees involved around the world. The initiative will continue in the coming years, with continuous monitoring of the training hours provided per user. The group estimated OpEx of about €55 thousand in 2026 and 2027 to purchase the LinkedIn Learning platform, which will be included in the budgeting process for each year of the plan;

PROFESSIONAL DEVELOPMENT OF EMPLOYEES

Besides investing in personnel training, as stated in its commitment policies, CAREL fosters the development and professional growth of its resources, offering development paths that enhance their skills and ambitions. This approach is designed not only to encourage the growth of talents, but also to promote their long-term retention.

In 2024, CAREL also launched Project ‘i’. The project aims to raise employees’ awareness of the group’s various departments and, by organising events, to showcase vacant positions, sponsoring internal mobility and offering employees opportunities for growth in roles outside their departments. In 2024, the Parent organised three PATH Finder events open to all its white collar employees. Furthermore, employees can always view the current job openings on the group’s intranet page. This project will continue in 2025, with further events planned to maintain high engagement and offer new possibilities for professional development.

FUTURE TARGETS FOR THE TRAINING AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

The following table summarises the training and skills development targets defined by the group in the 2025-2028 sustainability plan:

TABLE 29: TRAINING AND SKILLS DEVELOPMENT TARGETS

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes

[145] Carel Industries, Carel USA, Carel Electronic, Carel APAC, Carel Sud America and Carel Adriatic.

13	Expand the number of group employees involved in the performance review process by 30% by 2028.	Number of employees covered by the performance review process	2024 | 785	Extending the performance review process to a larger number of employees makes it possible to enhance internal resources, offering opportunities for professional development and recognition, in line with the commitment stated in the policy to encourage the development and professional growth of the group's resources. This helps reduce the risk of the group losing talent due to a perceived lack of professional development, thereby improving retention levels.
14	Increase the total number of training hours provided at group companies by 2% a year by 2028.	Number of hours of training provided	2024 | 42,112	Increasing the number of training hours allows the positive impact of resources' skills development programmes to be broadened, improving their hard and soft skills, and thus creating more opportunities for professional growth. This investment also represents the group's commitment to enhancing the value of its resources, fostering a more stimulating working environment, and consequently also reducing the risk of losing talent due to a perceived lack of skills development prospects.

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

As stated in the policies, and confirmed by the implementation of dedicated processes, CAREL places great importance on equal treatment and enhancing diversity.

GENDER EQUITY MANAGEMENT SYSTEM

In 2024, the Parent introduced a gender equality management system certified in accordance with UNI/PdR 125:2022, which required not only the definition of a specific policy, but also the creation of a gender equality steering committee.

The process involved demonstrating compliance with specific performance indicators (31 qualitative and quantitative KPIs) in relation to six assessment areas that should characterise an inclusive and gender-equal company:

- Culture and Strategy
- Governance
- HR processes
- Opportunities for growth and inclusion of women in business
- Pay equity between genders
- Parental protection and work-life balance

The indicators have a score to be weighted according to the weighting of each assessment area; to obtain the gender equality management system certification, the company must reach the minimum score of 60%.

The Parent set up a gender equality steering committee, composed of professionals from across the organisation boasting the skills needed to support the certification-related initiatives.

It also carried out a gender violence and gender equality risk assessment, with the aim of gathering workers' perceptions on the issue and assessing their exposure to the risk of violence and inequality. The results of this assessment will help guide company policies and improve working conditions, promoting a more inclusive and respectful environment.

Two policies were also defined: Gender equality policy and parenting policy The gender equality policy guided the revision of some HR processes and some corporate initiatives in order to support the path towards certification. The parenting policy summarises the Parent's existing initiatives for its employees, aware that it will evolve over the years by integrating and expanding to a concept of parenting and care.

The certification is valid for three years from the date of issue and is subject to annual monitoring by a certification body, through maintenance audits to check the continuous and correct application of gender equality policies over time.

In 2024, the group also scheduled a specific training course for management of diversity issues delivered to all group companies equipped with the learning management system. The three-hour course was completed by about 390 people in 2024 and is also planned for the coming years. The aim is to raise employee awareness of the value of diversity, not only in terms of gender, but also cultural and generational diversity, in order to create an inclusive working environment and thus avoid incidents of discrimination. Topics include age diversity, digital natives, reverse mentoring and developing gender diversity. Employees' active participation in these events and training courses and their constant monitoring allows the group to assess their effectiveness.

At group level, women account for 33.6% of the workforce in 2024. Specifically, women make up 8% of senior management (6 women, 74 men), compared to 92% of men. In Italy, the definition of senior management (or executive) applies to workers employed under management contracts, in addition to individuals serving as managing directors or chief executive officers of a group company and members of the board of directors of a group company. The data confirm the difficulty of employing women in managerial and executive positions and consequently the need to continue with the long-term commitment to a gender balance in managerial positions.

EQUAL PAY

CAREL's remuneration policy respects the principles of equal opportunities, enhancement of people's skills and professionalism, equity and non-discrimination. Remuneration interventions, incentive processes and short-term and long-term incentive systems are pegged to the employees' recognition of responsibilities, results achieved and quality of their professional contribution, taking into account the context and applicable market references.

The focus on fairness is also demonstrated by CAREL's commitment to reducing the gender pay-gap: in 2024, the gender pay gap was 41%[146].

CAREL also analysed this gap by focusing on countries where more than 10% of the group's workforce and at least 50 employees are located, noting that in European countries, where attention to these issues has long been more present, the disparity is less pronounced.

TABLE 30: GENDER PAY GAP BY COUNTRY

Country	Gender pay gap
China	45.6%
Croatia	14.0%
Germany	13.3%
Italy	26.1%
United States	41.7%

CAREL performed another analysis on GPG by employee category which shows that the gap is more pronounced for the management category, where female employees are less represented in terms of numbers.

[146] The gender pay gap figures, calculated in accordance with DR S1-16, are not comparable in terms of the reporting scope and calculation method with those published in the 2023 non-financial statement.

The figure is calculated on the total group reporting boundary taking into account fixed and variable remuneration (MBO and LTI) at target and hourly averages of employees.

TABLE 31: GENDER PAY GAP PERCENTAGE BY EMPLOYEE CATEGORY

Employee category	Gender pay gap
Managers	41.1%
White collars	26.1%
Blue collars	27.3%

This disparity is mainly due to the low rate of women in CAREL's sector. This is reflected in the percentage of women, in particular white collar workers, in the group and, more generally, the considerable difficulty in finding engineers or candidates with STEM qualifications and the limited number of female candidates to fill managerial and executive positions. In order to reduce this gap, CAREL is committed to increasing the percentage of female hires and is developing specific conditions to increase the presence of women in managerial and executive positions (e.g., via attraction policies including significant flexibility options, initiatives supporting parenthood, etc.) and is implementing workforce development projects for current employees, as described in other sections of this statement.

FUTURE INITIATIVES AND TARGETS FOR EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

The sustainability plan's key actions regarding equal treatment and opportunities for all are summarised below:

- **Adaptation to the EU Pay Transparency Directive.** This directive aims to prevent wage discrimination based on gender, ethnic origin, sexual orientation, disability, age, religion and political opinions. CAREL plans to introduce specific initiatives to ensure compliance with the requirements of the directive by 2026, when the directive will be trasposed. Implementation of the initiatives and the related financial resources will depend on when and how the directive is transposed in the various European countries where the group operates;
- **Drafting of a group wage policy:** in order to strengthen its commitment to preventing wage discrimination practices and to create a fair working environment, CAREL plans to draft a group wage policy by 2028;
- **Inclusion of persons in vulnerable situations in the workforce:** The group plans to include four people in vulnerable situations in the operating areas over the next few years. This initiative aims to promote labour inclusion, enriching business dynamics with greater diversity and contributing to the strengthening of the social fabric of local communities.

TABLE 32: TARGETS TO INCREASE EQUAL TREATMENT

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes
15	Increase the number of group employees covered by the basic digitised HCM system for HR management[147] by 20% by 2028.	No. of employees covered by the basic digitised HCM system.	2024 | 1,379	Adoption of a digitised system optimises the administration of personnel management processes, facilitating the expansion and improvement of training and development activities for employees and helping to prevent discrimination in access to such opportunities.
16	Double the number of group employees covered by the	No. of employees covered by the advanced digitised HCM system.	2024| 520	

[147] Basic management means the digitised management of personnel records, data collection for reporting purposes and e-learning.

	advanced[148] digitised HCM system for HR management by 2028.			

OCCUPATIONAL HEALTH AND SAFETY

The group deems that occupational health and safety is fundamental in ethical-social terms as well as a fundamental element for the organic development of its business in the various countries in which it operates. Therefore, as stated in the policy described briefly above, the group protects and promotes the health and safety of workers in work areas, by adopting preventive measures and promoting a culture of respect for the applicable legal requirements along with the highest safety standards of reference and the best techniques applicable in order to reduce risks. The dissemination of a corporate culture passes first and foremost through awareness, and also and above all by ensuring everyone's proactivity in acting as a safety leader. The group's international vocation means that different laws are applicable at local level, in addition to the policy that summarises the principles and rules designed to reduce and eliminate the probability of accidents and incidents, the group has also defined common guidelines for safety data collection and analysis, aimed at strengthening prevention, which enables it to identify potential risks and, consequently, adopt the most appropriate mitigation measures.

Aware of the importance of a structured approach as per the management systems, some of the group's production sites have been certified in accordance with ISO 45001:2018. Overall, production sites that have implemented a certified management system make up about 30% of the total (including new acquisitions), covering 50% and 58%, respectively, of the surface area and number of employees of these sites. The table below shows the percentage of total group employees covered by management systems.

In order to step up its commitment to the implementation of measures aimed at ensuring the health and safety of workers, CAREL's new sustainability plan includes extending the coverage of the certified occupational health and safety management systems, as described in the "Future initiatives and targets" section.

TABLE 33: WORKERS COVERED BY THE OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFIED IN ACCORDANCE WITH ISO 45001:2018 - ASSESSMENT IN RELATION TO THE TOTAL NUMBER OF GROUP EMPLOYEES[149]

	2024		2023	
	Employees	**Non-employee workers**	**Employees**	**Non-employee workers**
Workers covered by an occupational health and safety management system certified in accordance with ISO 45001:2018 audited by a third party.	45%	55%	36%	50%

RISK ASSESSMENT AND INVOLVEMENT OF WORKFORCE

The risk assessment also covered all work phases which are assessed and periodically updated. In addition to the detailed analysis of all the existing risks and the mitigation measures adopted for the operating areas, specific assessments were carried out at the Parent, including: ergonomic risk,

[148] Advanced management refers to the digitisation of all processes related to human resources management (including on-boarding and off-boarding).

[149] The percentages were calculated considering the 2024 reporting boundary, thus they are affected by M&As. The change in workers covered from 2022 to 2024 was 24%.

explosion, electromagnetic fields, dangerous substances, artificial optical radiation, mechanical vibration and noise.

As part of the continuous drive to promote health and safety, proactive reporting, as noted above, is the most effective approach to avoid accidents and continuously improve the working environment while making each person an active part of this process.

This virtuous process is also fuelled by ongoing dialogue between the operating departments and the HSE function and, when present, the stakeholders (for example, workers' safety representatives and the involvement of workers) in order to identify improvement actions in a timely manner and avoid potential incidents. The group HSE manager, who has overall responsibility at group level, is supported by other employees in charge of managing specific risk areas, so as to guarantee management in compliance with health and safety standards and cross-group monitoring in the various areas. The proactive reporting process is extended to all work areas of Carel Industries, Carel Sud America, Carel USA, Carel Electronic Suzhou, C.R.C., Klingenburg Germany and Klingenburg Poland, with particular reference to the production sites, and provides for engagement and discussion. Reports can be discussed on a daily basis as part of the plan-do-check-act cycle of the lean management approach. Weekly meetings take place between the site HSE department and the operating departments to take stock of any issues and to establish priority actions to be implemented. Workers' safety representatives (if any) also attend these meetings. The Parent organises monthly meetings with the workers' representatives to discuss safety reporting and to monitor progress on key KPIs relevant to health, safety, the environment and risk assessment.

In addition, a safety tour is performed at the Parent on a periodic basis (monthly for operational areas and quarterly for lower-risk areas) attended by the safety officers of the specific area in order to assess conditions, compliance with procedures and the progress of improvement plans.

In addition to this, the Parent's HSE function periodically reports to the corporate bodies (including the supervisory board and the audit, risk and sustainability committee), including an assessment of all group entities. Sites that are ISO 45001 certified will undergo additional third-party audits and certification audits. The individual sites organise specific improvement activities that they share with the Parent, which collates, analyses and directs the various actions.

Progress is monitored through supervisory activities in work areas and the analysis of safety reports (near-miss and unsafe conditions) received. Each individual production site must prepare a minimum number of safety reports as well as have a resolution rate of 80%. Targets are monitored and reported on a monthly basis by the various production sites.

In 2024, the total number of reported near-misses and unsafe conditions was 1,280, up sharply from 2023 (+60%), with a resolution rate of almost 90%, up from 86% in the previous year. The HSE department at the production site analyses:

reports of unsafe conditions and near misses to identify specific areas for improvement;

the incidents that occurred by identifying the root causes and the improvement actions promptly implemented, sharing the event and the results with the Parent ("lessons learned").

HEALTH AND SAFETY TRAINING

Training is the basis for widespread knowledge, especially in relation to health and safety issues. Accordingly, and also owing to the fact that part of the training is required by law, a specific training plan is in place and it is periodically checked. In 2024, specifically with respect to the Parent, the training plan covered both employees and non-employee workers, as required by law. Regular short training sessions (training breaks) are also planned in order to keep workers updated on area-specific health and safety issues. For example, the Parent provided some 3,000 hours on health and safety during the year, involving almost 270 people.

The various activities described above promoted by the HSE department have highlighted the benefits of adopting structured safety systems not only for health and safety purposes but also in the area of environmental impact aspects, thus promoting an overall improvement in working areas. In addition, CAREL held specific orientation training initiatives for employees providing training on the actions that the group is taking in terms of decarbonisation and reduction of specific impacts of its products and processes and making them aware of achievements, ongoing actions and medium-term targets.

COMPANY DOCTOR

In 2024, in compliance with the ruling legislation, the Italian group companies maintained an employee healthcare protocol with the company doctor. The protocol regards all workers (employees and non-employees), with specific medical check-ups based on the activities they perform and the related risk level.

Again in 2024, as required by the ruling Italian legislation, at the Italian group companies:

- the company doctor carried out a general inspection, accompanied by the prevention and protection service manager, the trade union representatives and the main heads of operations;
- the designated prevention system officers (the employer, delegated managers, safety representatives, the company doctor and the prevention and protection service manager) participated in the periodic meeting required by Legislative decree no. 81/2008.

During these inspections and meetings, with the aim of promoting worker good health, the doctor gives workers general advice about healthy eating (getting enough fruit and vegetables) and physical exercise to improve their health, benefiting their personal and work life. With respect to surveillance activities, the area's supervisors must be particularly aware of medical prescriptions. The safety representative updates the supervisors after the medical check-ups and examines any limitations in order to identify a suitable work position. Thanks to these activities, which are carried out respecting privacy and using the "safety representative's diary", the safety representative ensures compliance with the applicable requirements. The provision of the company doctor service requires annual OpEx of €50 thousand of the Parent[150].

Finally, with the aim of promoting the psychological and physical well-being of group employees also outside the work context, the company doctor advises workers on the need to do regular physical exercise and have a healthy diet based on the medical data at his disposal.

ACCIDENTS

There were 18 minor work-related accidents in 2024: 15 involving employees and 3 involving non-employee workers. These injuries led to time off work or a temporary reduction in the work hours. They are mostly due to procedural shortcomings (lack of procedure and/or procedure not followed by the worker) as they are mainly of a physical type (e.g. tripping, bumping, bending, moving, etc.) or with

[150] This expenditure is included in the balances shown in note 25 to the income statement in the consolidated financial statements.

damage caused by the workers themselves. In 2024, the severity ratio[151] was 0.43, which is indicative of very minor events resulting in a limited average time off work.

TABLE 34: WORK-RELATED ACCIDENTS AND RATE OF RECORDABLE WORK-RELATED ACCIDENTS

	2024		2023	
	Employees	Non-employees	Employees	Non-employees
Number of fatalities as a result of work-related injuries and ill health	0	0	0	0
Number of recordable work-related accidents	15[152]	3	9	3
Rate of recordable work-related accidents[153]	3.28	9.16	2.13	5.74

TABLE 35: WORK-RELATED ILL HEALTH

	2024	
	Employees	Non-employees
Number of cases of recordable work-related ill health	0	0
Number of cases of work-related ill health recorded during the reporting period involving former employees	1	0

TABLE 36: DAYS LOST DUE TO WORK-RELATED ACCIDENTS AND ILL HEALTH

	2024	
	Employees	Non-employees
Number of days lost due to work-related accidents and fatalities from work-related accidents, work-related ill health and fatalities from ill health	178	33

FUTURE INITIATIVES AND TARGETS FOR OCCUPATIONAL HEALTH AND SAFETY

In order to step up its commitment to the implementation of measures aimed at ensuring the health and safety of workers, CAREL's new sustainability plan includes extending the coverage of the certified cccupational health and safety management systems and obtaining the ISO 45001 for the production sites of Carel USA, Carel Sud America, Carel Adriatic and Enginia by 2028. The group has estimated

[151] The injury severity rate is calculated as follows: (number of days lost due to work-related injuries/total number of hours worked) x 10,000.

[152] In 2024, no non-employee worker were injured at the group's sites.

[153] The rate of recordable work-related accidents is calculated as follows: (number of recordable work-related accidents/total number of hours worked) x 1,000,000.

OpEx of about €60 thousand for these initiatives, which will be included in the budgeting process for each year of the plan. In order to monitor the proper implementation of the initiatives, CAREL has also set the following targets:

TABLE 37: OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT TARGETS

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes
17	Have 57% of the group's production sites covered by an ISO 45001-certified occupational health and safety management system by 2028.	% of sites covered by a certified occupational health and safety management system	2024 | 29%	Extending the ISO 45001-certified management systems is part of the continuous improvement of processes in order to reduce their impact on occupational health and safety, including accidents, near misses and work-related ill health, which is one of the principles adopted by the group and stated in the policy.

S2: WORKERS IN THE VALUE CHAIN

CAREL is aware that the values it believes in can only be fully respected if they are shared with all its business partners and pursued in all day-to-day activities. Therefore, the group is committed to developing a supply chain in which every actor protects workers' rights and social conditions. This not only applies to the workers of the business partners with a direct contractual relationship with CAREL, but also to the workforce of its sub-suppliers and suppliers' sub-contractors. CAREL's commitment to promoting respect for human rights and social conditions of workers in the value chain is realised by:

- defining and sharing its social commitments through the formalisation of documents, such as the human rights policy, the suppliers' code of conduct and the conflict minerals policy (see the "Commitment policies" section);
- assessing supplier sustainability through the requirement to complete a questionnaire during phase-in, which also includes questions about the respect of workers' rights. If a potential supplier is not aligned with CAREL's requirements and principles, it is not approved and may not become part of the supplier base (see chapter G1 - Business conduct for more details on the assessment of supplier sustainability);
- the implementation of a due diligence process for the procurement of components containing 3TG (see the "Due diligence on conflict minerals" section).

COMMITMENT POLICIES

THE HUMAN RIGHTS POLICY

The group's human rights policy requires that business partners act in accordance with principles of fairness, integrity and respect for the human rights of all workers. The group encourages its business partners and their suppliers throughout the supply chain to adopt the principles described in this policy. Moreover, CAREL reserves the right to terminate any relationship with those business partners/suppliers that violate the principles set out in the policy. See chapter S1 - Own workforce for the details of the human rights policy.

SUPPLIERS' CODE OF CONDUCT

By sharing its suppliers' code of conduct, CAREL requires that all suppliers and their collaborators, subcontractors and other parties working on their behalf adhere to the principles and provisions contained therein. CAREL considers it essential to always act in ways that ensure the protection and promotion of human rights, including in its partnerships, viewing its counterparts as professionals and, first and foremost, as human beings. Therefore, a section of the code is dedicated to the protection of all workers in the supply chain and their human rights. The code also requires suppliers to use only conflict-free minerals when working with CAREL and to apply reasonable due diligence to ensure compliance throughout the supply chain, if they are suppliers of components that may contain one or more of the 3TGs. See chapter G1 - Business conduct for more details on the suppliers' code of conduct.

THE CONFLICT MINERALS POLICY

CAREL's business requires the manufacture of certain products, the components of which contain minerals and metals, including gold, tin, tantalum and tungsten (3TG), that may originate from conflict-affected and high-risk areas, as the extraction and/or processing of these minerals could have negative social and/or environmental impacts in geographical areas where the revenue from such activities may be used to finance or support armed groups, violations of international law and human rights abuses ("conflict minerals"). This is why Carel Industries has adopted a specific commitment policy that implements its socially responsible supply strategy that respects human rights and avoids contributing to conflict through minerals procurement decisions and practices within its supply chain. Through this policy, Carel Industries and the Italian group companies expressly undertake not to knowingly purchase components that contain minerals from conflict zones and from plants located in the conflict regions that are not conflict-free certified. It also requires all its suppliers of components containing 3TGs to apply reasonable due diligence to ensure the same compliance throughout the supply chain. Accordingly, CAREL has required and will continue to require statements from its suppliers, in order to ensure transparency in its supply chain. All suppliers of components containing 3TGs shall escalate this requirement up the supply chain in order to determine the origin of the specified minerals. The person responsible for the implementation of the policy is Group Head of Purchasing and Logistics.

Furthermore, the group voluntarily complies with the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas OECD framework, which confirms its compliance with the US Dodd-Frank Wall Street Reform Act, which regulates the use of minerals from countries affected by conflict or extensive human rights violations.

DUE DILIGENCE ON CONFLICT MINERALS

CAREL oversees its supply chain on a continuous basis to minimise adverse impacts related to the purchase of components that include conflict minerals or mining activities involved in the violation of human rights.

In order to concretely pursue the commitments stated in the policy, CAREL[154] has implemented an annual due diligence process on the procurement of components containing 3TGs, to ensure that its supply chain respects the principles of social responsibility and does not contribute to financing armed groups that exploit people in critical working conditions in geographical areas at risk. CAREL considers this activity fundamental to moving towards sustainable and conflict-free procurement. Since the purchase of 3TG electronic components is essential for product manufacturing, the parent (which manages the purchases of the subsidiaries Carel Adriatic, Carel Suzhou, Carel USA, Recuperator and Hygromatik) has set up an internal committee - the controversial sourcing committee - made up of members from different business areas, which decides on the actions to be taken on negligent suppliers that do not provide support in mapping the supply chain.

In 2020, the group joined the Responsible Minerals Initiative (RMI, a project managed by RBA - Responsible Business Alliance), one of the resources most widely used and followed by companies which are involved in the responsible procurement of minerals in their own supply chains. By joining this initiative, CAREL continuously monitors the compliance of smelters and refiners in its supply chain, a central part of the due diligence process.

The process starts by identifying the product categories that may be affected by 3TGs (basically all components containing metals) and continues by mapping suppliers of materials potentially containing 3TG minerals, which will be subject to a request for specific documentation. Once the suppliers to be involved have been identified, they are asked to fill in the Conflict Minerals Reporting Template (CMRT), which collects information on the smelters of origin of the minerals concerned. Training sessions are also organised with the relevant suppliers to explain conflict mineral issues and actions to be taken. Should a supplier fail to provide the requested documentation, the controversial sourcing committee may consider whether to apply the phase-out plan for that supplier.

After obtaining the CMRTs, CAREL performs a risk assessment of the smelters and refiners listed in the templates, identifying, through RBA, those classified at high risk based on geographical location and degree of compliance with the programme required by the RMI. The RBA platform (https://www.responsiblemineralsinitiative.org/) provides useful tables/databases where smelters and

[154] The scope of due diligence on conflict minerals includes the parent, Carel Industries (Italy), Carel Electronic Suzhou (China), Carel Adriatic (Croatia), Carel USA (USA) and Carel Sud America (Brazil).

refiners are mapped and classified by risk level. In addition, more general tables of country risk level classifications are also provided by RBA.

A list follows of the countries considered to be at higher risk under the RMI programme.

TABLE 38: COUNTRIES AT RISK BY LEVEL OF RISK

LEVEL OF RISK	COUNTRIES
High	Algeria, Bolivia (Plurinational State of), Brazil, China, Colombia, Congo, Democratic Republic of the, Ethiopia, Indonesia, Iran (Islamic Republic of), Kazakhstan, Kenya, Korea, Democratic People's Republic of, Kyrgyzstan, Mauritania, Mexico, Myanmar, Netherlands, North Macedonia (Republic of), Papua New Guinea, Peru, Philippines, Russian Federation, Rwanda, Saudi Arabia, South Africa, Sudan, Thailand, Turkey, Uganda, Venezuela (Bolivarian Republic of), Zambia and Zimbabwe
Extreme	Burundi, Cameroon, Ireland, Malaysia, Morocco, New Zealand and Vietnam

These countries are considered at risk due to:

- armed conflicts: presence of civil wars, insurrections or other forms of armed violence;
- human rights violations: systematic abuses such as forced labour, child exploitation, discrimination and other forms of oppression;
- weak governance: widespread corruption, lack of rule of law and ineffective government institutions;
- environmental risks: significant environmental degradation that may affect the health and safety of local communities.

Upon completion of the due diligence, component manufacturers which, based on the CMRTs, work with critical smelters and/or refiners are contacted, to formally request the implementation of remedies aimed at discontinuing or suspending material procurement from these smelters. The controversial sourcing committee may consider organising specific training sessions for the manufacturers in question and/or temporarily suspending the procurement of components from these suppliers. Moreover, suppliers and manufacturers at risk are continuously monitored through specific email reminders and each situation is discussed during the regular meetings of the controversial sourcing committee.

Again in 2024, CAREL carried out an annual campaign to obtain the CMRTs from the supply chain for the purchases of the last three years in order to have as complete a database as possible. The figures below have been adjusted with respect to 2023 by aligning CAREL's data with those issued by its subsidiaries.

Specifically, 447 manufacturers were contacted, for an equivalent of approximately €57 million of materials purchased in 2022-2024 for production and resale.

CAREL opted to measure the progress of its supply chain in 2024, using two KPIs: the Euro equivalent of purchases of items/materials containing 3TGs and the number of manufacturers of items containing 3TGs. It considered both indicators using four criteria, based using the responses received:

Euro equivalent of purchases of items/materials containing 3TGs

Compliant Value	Value of products purchased from a compliant manufacturer that has received an updated CMRT
Not Completed	Value of products purchased from a manufacturer that has not supplied complete feedback
Not satisfying	Value of products purchased from a manufacturer that has not provided the relevant documentation
No reply	Value of products purchased from a manufacturer that has not provided feedback

Number of manufacturers of articles containing 3TGs

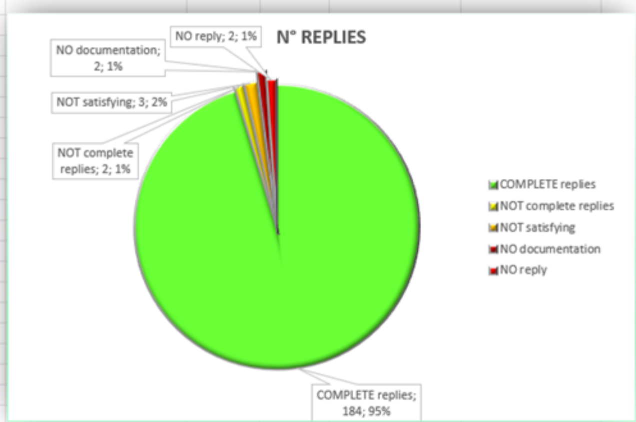
COMPLETE responses	The manufacturer has supplied the CMRT
Incomplete responses	The manufacturer has not supplied complete feedback
Not satisfactory	Irrelevant documentation received from manufacturer
No response	The manufacturer has not provided feedback

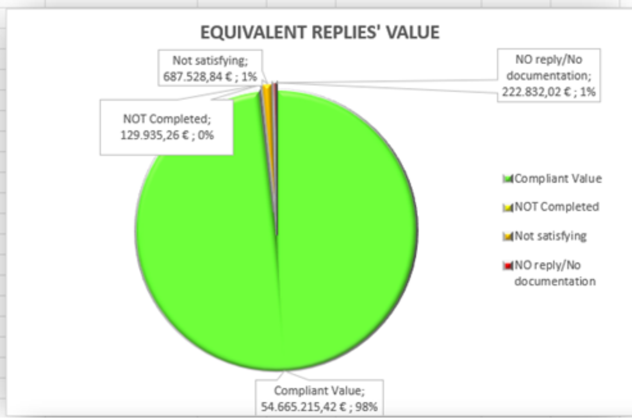
As shown below, in 2024, almost all purchased components pertain to suppliers that indicated the smelters involved in their production.

Furthermore, almost 99% of the manufacturers of components provided the correctly completed CMRT, which allows for the mapping of smelters present on their supply chains, as set out in steps 1 and 2 of the OECD's Due Diligence Guidance for Minerals, which the group uses as a reference.

	N° REPLIES
Sent requests	264
COMPLETE replies	184
NOT complete replies	2
NOT satisfying	3
NO documentation	2
NO reply	2
NOT required	71

EQUIVALENT REPLIES' VALUE	
Compliant Value	54.665.215,42 €
NOT Completed	129.935,26 €
Not satisfying	687.528,84 €
NO reply/No docume	222.832,02 €
Valore TOT.	55.705.511,54 €





The annual investment in chemical compliance relates to the membership of RMI and advisory services provided by specialist companies (immaterial costs), in addition to the efforts of the Chemical compliance team.

WHISTLEBLOWER REPORTING CHANNEL FOR WORKERS IN THE VALUE CHAIN

The whistleblowing management process adopted by CAREL is dedicated to handling all relevant reports received, including those made by workers in the value chain. Any affected worker is invited to report crimes or irregularities, whether proven or even suspected, including violations of the code of ethics and the human rights, diversity and gender equality policies. Reports that are made in good faith and in the interest of the common good may enable CAREL to identify in good time and remedy conduct that violates the principles of the above documents, to the detriment of, among others, workers in the value chain. The adoption of multiple whistleblower reporting channels (i.e., platform accessible from CAREL's website, postal service and verbally) ensures wide access to the tool, making it effective and inclusive. CAREL undertakes to notify the whistleblower within seven days of receipt of the report and to provide them with feedback within three months of the date of the notice of acknowledgement of receipt or, in the absence of such notice, within three months after the seven days of receipt of the report. See chapter G1 - Business conduct for more details on the whistleblowing process.

CAREL has not adopted a process for involving workers in the value chain other than the whistleblowing system.

In 2024, no severe human rights issues and incidents connected to CAREL's upstream and downstream value chain or instances of non-compliance with UN and ILO core principles or OECD guidelines were reported.

FUTURE TARGETS FOR WORKERS IN THE VALUE CHAIN

CAREL's targets to remediate negative impacts on workers in the supply chain are part of the broader targets set for the supplier management area; accordingly, reference should be made to section G1 - Business conduct. In setting these targets, CAREL has also considered how to suitably monitor the future actions planned for the 2025-2028 period, which were identified based on the best practices defined by EcoVadis that reflect stakeholders' interests, including workers in the supply chain[155].

G1: BUSINESS CONDUCT

CORPORATE CULTURE

CAREL is particularly focused on creating and strengthening a robust corporate culture embodying the values of accountability, transparency and sustainability. The administrative, management and supervisory bodies regularly discuss and evaluate issues relevant to corporate culture, examining developments and the integration of corporate values into their policies and strategic decisions, focusing on issues such as inclusiveness, social and environmental responsibility, innovation and professional ethics.

In order to promote its corporate culture and ensure ethics and integrity in all group companies, CAREL has implemented four tools inspired by the main guidelines and international standards on responsible business management: the Organisational, management and control model (the "231 model"), the code of ethics, the anti-corruption procedure and the whistleblowing policy.

The 231 model adopted by the parent and Recuperator S.p.A. pursuant to Legislative decree no. 231/01, the reference Italian legislation regarding corporate criminal liability, consists of a general part and several special parts. It is designed using an analysis of the areas where predicate crimes could be committed. Specifically, CAREL carried out a risk self-assessment of its organisation and assessed its internal processes. An update of the 231 model and some of its special parts was carried out in accordance with the board of directors' resolution of 12 May 2023.

The board of directors is responsible for supervising the implementation of these policies, while the supervisory body (the "SB") is responsible for checking compliance with these commitments.

All the above documents are available on the parent's website: https://www.CAREL.it/legal-notice. Furthermore, business partners and other third parties are informed of and asked to comply with the code of ethics, the 231 model and anti-corruption policy through clauses in the general terms and conditions of purchase and sale agreements and in contracts.

[155] Workers in the supply chain were not involved in target setting.

CODE OF ETHICS

The parent approved a code of ethics designed to regulate the ethics of its activities and those of all the parties that operate for and on behalf of the group through established norms of behaviour.

The code of ethics is binding on all group companies and all their corporate officers, employees and collaborators. CAREL also requires all its main stakeholders (such as, for example, associates, investees, key suppliers, etc.) to abide by the general principles of this code when acting independently and, in particular, in their relations with CAREL, without prejudice to their religious, cultural and social differences. The code of ethics, which is an integral part of the parent's 231 model, sets CAREL's values and conveys the general principles - the violation of which may constitute a breach of contract and/or disciplinary rules - underpinning all the group's operations and relationships with its various stakeholders, including business partners, public bodies and trade unions:

- **Legality**: compliance with the law and by-laws is a core principle for CAREL. Whoever is bound by the code, including employees, managers, collaborators and corporate officers, is required to operate in compliance with national and international laws and to familiarise themselves with the laws applicable to their role. They shall also comply with the principles of diligence and good faith provided for by the Italian Civil Code and contracts.
- **Morality**: the group's reputation and efficiency depend on the behaviour of each individual involved, who must act with moral integrity. Honesty, probity, transparency and accountability are required, ensuring clear and complete communications.
- **Dignity and equality**: respecting the dignity and rights of every individual is essential, without discrimination based on gender, age, culture, religion or any other factor. Harassment or any form of offence is not tolerated in the workplace, for an inclusive and respectful environment;
- **Professionalism:** all individual involved shall carry out their duties with the professionalism required by the nature of their tasks and duties with the utmost commitment to achieving their assigned targets and diligently participating in all necessary training and continuing education activities.

Finally, the code sets out CAREL's policy commitments that guide the operations of the parent and its subsidiaries: the protection of the environment, health and safety in the workplace and intellectual property and social responsibility.

In 2024, the code of ethics was revised to ensure language that respects the principle of gender equality.

ANTI-CORRUPTION PROCEDURE

The SB has also approved and disseminated, at group level, an anti-corruption procedure, which is inspired by the principles and rules of conduct set out in the parent's code of ethics and incorporates the principles, provisions and requirements applicable to anti-corruption of the regulations on the administrative liability of entities (Legislative decree no. 231/01). In addition, the procedure is in line with the principles of the Italian Criminal Code and the most stringent international regulations, such as the Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention against Corruption.

The procedure applies to the parent and all its subsidiaries. It is also communicated to the other investees to promote a culture of compliance and optimise information flows, ensuring they are at least in line with those of the other CAREL group companies.

Specifically, via the anti-corruption procedure, CAREL aims to preserve integrity and correctness in the performance of its activities and to ensure compliance with laws, regulations, guidelines and best practices in the sector, applicable in the various countries in which it operates. This procedure provides all its recipients with a comprehensive reference framework of the provisions and procedures in force governing the prevention of the risk of unlawful practices and combating corruption, both in the public and private sectors.

The functions most at risk of corruption and bribery are those dealing with suppliers (i.e., the supply chain function), agents, customers, distributors, the public administration (sales & marketing function) and the finance function.

The effective application of the group's anti-corruption procedure is monitored by the internal audit functions and, in Italy, also by the SB, each according to their respective powers and responsibilities. They also manage any violation thereof. Specifically, based on the action plan approved by the board of directors, the internal function conducts sample-based checks on business partners and internal functions operating in key risk areas, acting independently and evaluating the actual effectiveness of the safeguards in place. It reports the outcome of its checks to the corporate bodies, the legal affairs and compliance function and the SB. The legal affairs and compliance function monitors the actual adoption of this procedure and is responsible for launching and coordinating training activities. On a six-monthly basis and in the most appropriate form, the SB reports to the corporate bodies, highlighting any weaknesses or critical concerns in internal controls, any violations identified and detailing any corrective measures adopted or recommended. Furthermore, as part of the coordination and management of the CAREL Group, the legal affairs and compliance function receives any reports from the subsidiaries' managing directors and/or contact points. It includes any such reports in a special register and, if necessary, brings them to the attention of the corporate bodies and the SB. The internal audit function is not in charge of any operating area as it reports to the board and has direct access to all information necessary to perform its duties. Finally, the SB performs its duties autonomously and independently from the corporate bodies and other internal control bodies and has autonomous spending powers. This structure ensures that investigations are conducted in an impartial manner.

In the 2022-2024 three-year period, there were no convictions for violations of anti-corruption and anti-bribery laws, nor were there any proven cases of corruption or bribery.

There were no legal actions for anti-competitive behaviour or antitrust or monopoly violations, either in or out of court in the three-year period.

WHISTLEBLOWING PROCEDURE

CAREL has adopted a whistleblowing procedure, which applies to the entire group, with which it aims to ensure full protection and confidentiality for those who report crimes or irregularities, whether proven or even suspected, including violations of the code of ethics and the human rights, diversity and gender equality policies, including any discriminatory behaviour based on gender, age and socio-demographic characteristics. Moreover, CAREL intends to remove any obstacle that may discourage the reporting of crimes or irregularities, such as doubts and uncertainties about the methods and channels to be used, or fears of retaliation or discrimination.

In 2023, the board of directors approved an updated version of the parent's whistleblowing procedure adopted in 2018, bringing it into line with the provisions of Legislative decree no. 24 of 10 March 2023. The previous version of the 231 model already allowed anyone working directly or indirectly for the group to report violations or irregularities concerning the model itself or the code of ethics through the whistleblower reporting system. The parent and the SB take all necessary measures to protect the confidentiality of the whistleblower, in accordance with the relevant Italian and European legislation (Law no. 179 of 2017, Law no, 53/2021, Legislative decree no. 24/2023 and Directive (EU) 2019/1937). The procedure provides that the identity of the whistleblower and any other information from which their identity might be inferred, either directly or indirectly, may not be disclosed, without their express consent, to persons other than those responsible for receiving or following up on the reports, who are expressly authorised to process such data. Reports can also be made anonymously, which must be treated as ordinary reports. Furthermore, CAREL guarantees that whistleblowers who choose to disclose their identity will receive adequate protection, free from retaliatory or discriminatory actions.

The control functions monitor the effectiveness, regulatory compliance, dissemination and implementation of the Whistleblowing procedure. In particular, the SB and the internal audit function conduct their checks according to an annually-agreed schedule.

Since CAREL's intention is to involve as many stakeholders as possible, the procedure is aimed at the following parties: group employees (permanent or temporary), self-employed workers, collaborators of external companies that supply goods or services, freelancers, consultants, volunteers, trainees, people with roles of administration, management, control or supervision, even if de facto.

Reports can be made using one of the following channels: by postal service, orally and via the electronic web platform called "Convercent", CAREL's specific whistleblower reporting channel (accessible via the following link: https://www.CAREL.it/whistleblowing)[156]. With reference to the latter, the procedure stipulates that the SB is responsible for maintaining the whistleblower reporting channel, ensuring adequate publicity, including through the parent's website. The members of the SB have specific expertise and have received adequate training on how the platform works.

Under the procedure, upon receipt of a report, the SB carries out an initial admissibility screening to determine whether the report is complete and verifiable, on the basis of the reported information. Based on the nature of the report, the SB may consider involving other relevant functions/corporate bodies in its initial screening (including, for example, the HR function for HR management aspects, the HSE function for aspects related to workers' health and safety or the legal function for reports requiring specific legal expertise). If the report proves to be unfounded or unverifiable, it is archived. If the report proves verifiable, an investigation is commenced to establish the grounds, seriousness and possible urgency of the events reported. Without prejudice to the penalties imposed by judicial and administrative authorities, as well as the Italian anti-corruption authorities (ANAC), and in compliance with the principles set out in the procedure, CAREL applies appropriate disciplinary measures to the individual responsible for the events reported by the whistleblower, as well as to any person who violates the measures designed to protect the whistleblower. In the event that the individual responsible is a third party, the parent reserves the right to apply penalties or even immediately terminate the contract, in accordance with the relevant contractual clauses. At the conclusion of the investigation, the SB prepares a report summarising the checks conducted and the conclusions reached, and files all relevant documentation to prevent third parties from accessing the gathered information. Upon completing its investigation into the grounds of the report in accordance with the procedure, the SB, at the earliest opportunity, verifies the actual adoption of appropriate remedies through an interview with the responsible function as part of its checks.

Internally, the effectiveness of the whistleblowing system is ensured not only through the provision of specific training (see the "*Training on corporate culture"* section), but also through the periodic emails sent to workers to remind them of the existence of the procedure, the platform and how to access it.

Externally, effectiveness is ensured by referencing the regulatory package that the stakeholders must comply with in the contractual clauses. The 231 model makes reference to the whistleblowing procedure, with instructions on how to access the platform. In addition, the whistleblowing procedure is expressly referred to in the legal notice section of the website and the "contact us" section contains the link to access the Convercent platform.

TRAINING ON CORPORATE CULTURE

In order to ensure that they understand and apply the provisions of the 231 model, the code of ethics, the anti-corruption policy and the whistleblowing procedure, all group companies' employees who use a digitalised personnel management solution receive specific e-learning training when they are hired. During this training, the main concepts and material information are explained in a clear and comprehensible manner, including practical examples. The training is repeated annually or when significant changes to the relevant documents are made. Upon completion of the training, a short test is administered to assess the knowledge of the content of the aforementioned documents, including the existence and operation of the whistleblower reporting channel. For senior and junior management personnel whose activities are relevant to the 231 model, more specific in-person training is provided in addition to the basic training, which also covers the content of these documents.

[156] CAREL currently lacks a system that ensures (i) the availability of a whistleblower reporting channel in the workplace for value chain workers and (ii) that these workers are aware of the channel's existence.

Following the changes made in 2023, specific e-learning training on the whistleblowing procedure was developed and provided in 2024, with the aim of increasing employee awareness.

100% of functions at corruption and bribery risk were involved in anti-corruption training programmes.

The members of the administrative, management and supervisory bodies participate in regular in-person training on anti-corruption topics as part of the training on the 231 model.

ORGANISATIONS AND ASSOCIATIONS[157]

The group participates in and supports activities organised by national and international organisations. It offers its point of view on innovation, sustainable development, climate change and energy transition. The key organisations with which it participates are:

- European Partnerships for Energy and the Environment - EPEE;
- European Heat Pump Association – EHPA;
- American Society of Heating, Refrigerating and Air-Conditioning System – ASHRAE;
- Eurovent;
- Associazione Italiana Condizionamento dell’Aria, Riscaldamento e Refrigerazione – AICARR;
- China Refrigeration and Air-conditioning Industry Association CRAA;
- The China Association of Refrigeration – CAR.

CAREL works with these international associations to promote the market’s proper understanding of refrigeration and air-conditioning and to promote long-term sustainability. CAREL continued to take part in work groups, specifically those related to the revision of the F-gas regulation[158]. This revision, a draft version of which was issued in April 2022 and published on 20 February 2024, has attracted the attention of all the associations that have created work groups in order to voice their position thereon. Thanks to the cross-cutting nature of its products and its participation in all the main associations, CAREL expressed its position and gained an understanding of that of the other members of the associations. Accordingly, it channelled some investments towards natural refrigerants, covered by the revision that envisages their more extensive use, consolidating its leadership built up in recent years and covered by marketing campaigns and dedicated product lines. Other topics of interest that were constantly monitored were LCA, as a business organisation and product design tool related to circular economy policies, and current and emerging legislation relevant to the sector, including: RepowerEU, Energy Performance of Buildings Directive (EPBD), Ecodesign Directive (in particular, Ecodesign of Sustainable Products Regulation (ESPR)), Code of Conduct on energy management related interoperability of Energy Smart Appliances and the Proposal for a Restriction of PFAS sent to the European Chemicals Agency (ECHA).

Finally, CAREL joined the Unione del Caldo e del Freddo Green, sponsored by Legambiente, a work group made up of 15 major Italian companies operating in the heating and cooling sector. Its aim is to promote the use of natural refrigerants by organising public meetings and providing training and information, also to institutions. It also participated in the “Progetto Referigerazione Sostenibile” work group aimed at reaching the widest possible audience, including those not strictly related to the sector (institutions, citizens, press, schools, etc.), on issues of sustainability, respect for the environment and the use of natural refrigerants in commercial refrigeration.

[157] There were no representatives responsible in the administrative, management and supervisory bodies for the oversight of the related lobbying activities. In 2024, the group did not make any financial or in-kind political contributions either directly or indirectly. There are no members of the administrative, management and supervisory bodies who held a comparable position in public administration in the two years preceding such appointment in the current reporting period.

[158] The issues discussed by members of the associations in which CAREL participates mainly relate to climate risks arising from legislative changes aimed at promoting the transition to a low-carbon economy. Additionally, they address business opportunities resulting from the development of products aligned with national and international decarbonisation policies, which enable end users to reduce their energy consumption and minimise or eliminate the use of highly impactful refrigerant gases.

Finally, CAREL has been a member of ASSOCOLD since 2024, an association which is part of Anima and boasts among its members all the most important Italian companies active in the sector of components and systems for commercial refrigeration.

CAREL is included in the EU's Transparency Register[159].

ACTIONS PLANNED AND FUTURE TARGETS RELATED TO BUSINESS CONDUCT

As mentioned earlier, in 2024, the group prepared a new sustainability plan covering the 2025-2028 four-year period, building on its previous sustainability plan. The sustainability plan's key actions regarding ethical business are summarised below:

- **anti-corruption management system**: in order to strengthen safeguards to combat corruption in conducting business activities, the parent is considering the implementation of an anti-corruption management system between 2026 and 2028. In order to monitor the adequate implementation of the management system, the new sustainability plan has set the achievement of the ISO 37001 certification by 2028 as a possible target. For this activity, the group provisionally estimated OpEx of about €60 thousand, which will be included in the budgeting process for each year of the plan;
- **updating the internal regulatory framework:** CAREL is considering updating and reinforcing its current policies and/or code of conduct by introducing the following into its internal regulatory framework: i) by 2025, anti-counterfeiting and anti-fraud measures and ii) by 2027, antitrust measures and stable business processes to prevent illegal boycotts. It is currently considering whether to engage internal resources or external consultants for this update.

The ethical business and anti-corruption target set by the group in its 2025-2028 sustainability plan is summarised below:

TABLE 39: ANTI-CORRUPTION TARGETS

#	Description	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes
18	Obtain ISO 37001 certification for the anti-corruption management system to be implemented by the parent by 2028.	Obtaining certification	2024 | N/A	The implementation of a certified management system helps reduce the occurrence of incidents relating to corruption by promoting ethical and transparent business.

SUPPLY CHAIN

SUPPLY CHAIN

The group's strategy involves the development of regional supply chains, whereby each production site prefers the use of suppliers with regional production or logistics bases. The goal is to guarantee a better service and supplier continuity, also as a means of overcoming geopolitical and logistical issues, natural events or lockdowns in foreign countries. Moreover, a direct positive consequence of this strategy is a lower environmental impact of transport. On the other hand, it also requires alternative and equivalent sources to be managed in different geographical areas. At the same time, the group has worked to make all production sites independent of each other from a sourcing point of view, thus reducing the risk of a remote disruption affecting the related destination market.

[159] Registration number: # 274714449276-70.

MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

The group's commitment to the development of a more sustainable supply chain is realised by sharing the suppliers' code of conduct to disseminate its social and environmental sustainability and business ethics principles and by assessing supplier sustainability in order to identify and mitigate any ESG risks related to potential suppliers at the qualification stage.

Suppliers' code of conduct

At the end of 2022, the board of directors approved the adoption of a suppliers' code of conduct which, together with the code of ethics, the 231 model and the anti-corruption procedure, forms an essential part of contractual relations. This code applies to all CAREL suppliers which, in turn, must ensure that their suppliers - i.e., CAREL's subcontractors - as well as any other third party working on their behalf, act in full compliance with the code when involved in activities related to goods or services to be supplied to the CAREL Group. The suppliers' code of conduct, the implementation of which is the responsibility of the supply chain department, was part of a communication and awareness-raising campaign that targeted the entire supplier base in 2022. When the code was shared, the suppliers were also asked to report to CAREL any inconsistencies with their current practices and their feedback was evaluated. The document was published on CAREL's website in order to be available also to candidate suppliers. Since 2022, compliance with and signing of the suppliers' code of conduct has been a mandatory step in the approval of new component and product suppliers for the group's five long-established production plants[160]. As of 2023, this obligation has also been extended to the [161]parent's service providers; by 2026, service providers and new approvals of all group sites will be required to sign the code. Since 2022, the suppliers' code of conduct (or an equivalent document) has been signed by 215 suppliers.

The ethical principles and standards of conduct outlined in this code are divided into three macro-areas: ethical and responsible business, protection of employees and human rights and care for the environment and communities.

Responsible and ethical business

An essential factor for the group's success, a tool to promote its reputation and an indispensable asset is the adoption of behaviour inspired by high ethical standards when carrying out business.

Through the suppliers' code of conduct, CAREL requires its suppliers to make the following commitments:

- compliance with legal requirements: comply with applicable local, national and international laws and regulations;
- safety and conformity of products and services: comply with quality and safety laws and regulations by adopting a quality management system that complies with international standards;
- Conflict of interest: avoid conflicts of interest and promptly report any conflicts to CAREL;
- confidentiality, integrity and privacy: treat confidential information with diligence, respect CAREL's intellectual property rights and act in accordance with applicable data protection laws;
- anti-corruption: operate in compliance with legality and ethical principles, avoiding inappropriate payments or benefits;
- economic responsibility: comply with the laws on accounting, tax and transparency, refraining from economic and financial malpractice.

[160] The group's long-established productions sites are Carel Industries, Carel Sud America, Carel USA, Carel Electronic Suzhou and Carel Adriatic.

[161] With the exception of the purchasing categories for which the issue of a purchase order is not required.

Protection of employees and human rights

CAREL considers it essential to always act in ways that ensure the protection and promotion of human rights, including in its partnerships, viewing its counterparts as professionals and, first and foremost, as human beings. For this reason, CAREL adheres to the Ten Principles of the United Nations Global Compact and is inspired by the values of the International Labour Standards enshrined in the core conventions of the International Labour Organisation (ILO).

Through the suppliers' code of conduct, CAREL requires its suppliers to make the following commitments to all workers in the value chain:

- regularity of contracts: ensure that the working conditions comply with applicable regulations and regularly pay social security contributions;
- health and safety: act in compliance with health and safety regulations, minimising accidents and work-related ill health;
- non-discrimination: ensure equal opportunities and treat workers with fairness, respect and dignity;
- prohibition of forced labour: no use of forced labour or human trafficking;
- prohibition of child labour: not engage individuals under the minimum age set by law;
- remuneration and working time: comply laws covering remuneration and working hours, ensuring that overtime is voluntary and paid;
- personal data security and protection: protect personal data in accordance with applicable law;
- collective bargaining and freedom of association: acknowledge the right of workers to take part in workers' organisations and collective bargaining;
- Conflict Minerals: use only conflict-free minerals, applying due diligence to ensure compliance in the supply chain (for more information on Conflict-Mineral management, see chapter S2 - Workers in the value chain).

Focus on the environment and communities

CAREL contributes, in the appropriate places and in the performance of its operations, to the promotion of scientific and technological development, aimed at environmental protection, the safeguarding of natural resources and the mitigation of impacts; CAREL shares this commitment with its suppliers and customers, both of which are essential to and an integral part of its development.

Through the suppliers' code of conduct, CAREL requires its suppliers to make the following commitments:

- compliance with environmental regulations: adhere to and respect current environmental regulations, improving environmental performance;
- environmental impact of hazardous substances: manage, measure and control all activities that are potentially harmful to prevent the release of any hazardous substances into the environment;
- waste management: reduce waste generation through reuse and recycling, by managing the waste produced responsibly;
- resource efficiency and climate protection: use resources responsibly, minimising GHG emissions and promoting recycling;
- biodiversity: contribute to the protection of ecosystems and biodiversity;
- respect for local communities: adequately monitor and address the impacts of its activities on the area in which it operates.

Assess supplier sustainability

At its five long-established production sites, CAREL has implemented a procedure[162] for the assessment of suppliers of materials during phase-in, which consists of three steps:

[162] For Carel Industries and Carel Adriatic, the procedure is certified by the ISO 9001:2015 Quality Management System.

- supplier risk assessment: in order to ensure the continuity of supplies, all suppliers of BOM (bill of materials) materials, except for occasional purchases, are subject to a preliminary risk assessment;
- assessment of the traceability process: all suppliers of BOM materials, which may be critical in terms of quality and/or safety, must have a traceability process, which CAREL assesses by asking the supplier to fill out a self-assessment questionnaire and by conducting a label check of the supplied product;
- assessment of supplier sustainability: in order to promote CAREL's business ethics and social and environmental sustainability principles along the supply chain, suppliers are asked to self-assess their environmental and social processes and initiatives.

Once the potential supplier has successfully passed the vetting phase, the approval phase continues with the collection of additional information on RoHS, REACH and Conflict Minerals (for manufacturer suppliers), material sampling (for new material suppliers), checking its processes and procedures to ensure they are consistent with CAREL's expectations and best practices and, possibly, physical audits at its facilities.

The vendor evaluation phase uses the Vendor Rating tool which consists of two main indicators that measure the quality and service. In addition, in previous years, a representative sample of suppliers also underwent a sustainability assessment by completing a self-assessment questionnaire, the same used during the vetting stage.

The sustainability self-assessment included in the phase-in procedure is divided into three macro-areas: health and safety, the environment and social responsibility. Specifically, the first area covers health and safety in the workplace and in procurement and the management of emergency situations. The second area - the environment - covers energy and water consumption, waste reduction and compliance with international regulations on chemical products, such as REACH and RoHS. Finally, the social responsibility area covers labour rights (child labour, wages, working hours, freedom of association), conflict minerals policy provisions, diversity and business ethics. The survey is qualitative and is made up of four sections: compliance with applicable legislation and regulations; existence of structured processes; initiatives to improve or reduce impact; involvement of their own supply chains. The score is on a scale of 0 to 100, with a threshold target of 60.

As of 2019, when the sustainability survey was launched, more than 148 active group suppliers, i.e., the most representative ones in terms of purchasing turnover, were involved, gradually extending coverage to the new companies that joined the group. Overall, the response to the survey was satisfactory, with over 98% responding; the average score was 79 out of 100. The responses indicated compliance with the requirements and a substantial awareness of sustainability issues. 49% of the group's purchases is now covered by the sustainability survey.

ACTIONS PLANNED AND FUTURE TARGETS RELATED TO SUPPLY CHAIN MANAGEMENT

The sustainability plan's key actions regarding the supply chain are summarised below:

- **implementation of a due diligence process**[163]: the group has made an important commitment to implement a structured due diligence process in the supply chain for social and environmental issues by 2028. The due diligence process will enable a more precise identification of impacts, dependencies and risks related to social and environmental issues in the supply chain, during the procurement of

[163] The planned due diligence process will supplement the due diligence currently carried out for conflict minerals.

direct and indirect materials[164] and, consequently, the implementation of specific actions to prevent, mitigate and, if necessary, remedy these impacts. The implementation of this structured process envisages the following activities, the degree of completion of which will be monitored through the achievement of specific targets defined by the group in the new sustainability plan: the mapping of suppliers (see target 20 in table 41), the definition of a sustainability rating - in the "light" and "in-depth" versions, depending on the type of supplier - (see targets 21 and 22 in table 41) and the performance of physical ESG audits at selected suppliers on the basis of the results obtained in the mapping and assessment phases (see target 23 in table 41);

- **specific training of purchasing function personnel on ESG issues**: in order to optimise the implementation of the due diligence process described above, the group plans to provide specific training on sustainable procurement to all purchasing personnel at Carel Industries between 2025 and 2026;
- **external supplier training on ESG issues**: the group plans to provide training on ESG issues to a number of suppliers (to be selected on the basis of evidence gathered in the due diligence process) between 2026 and 2027. By directly engaging suppliers, this activity aims to disseminate good environmental and social practices throughout the supply chain. The suppliers to be involved and the issues to be addressed will be decided on the basis of the supply chain risk mapping planned for the coming years.
To implement these three activities, the group has budgeted CapEx of approximately €80 thousand and OpEx of approximately €500 thousand for the implementation of supplier document management software, the subscription to services provided by EcoVadis and external on-site consulting and audit services. The annual CapEx and OpEx will be included in the budgeting process for each year of the plan;

- **introduction of a sustainable procurement MBO**: in order to promote more sustainable procurement, the group has decided to introduce a specific target within the MBO of the procurement personnel by 2026.

The following table summarises the targets defined by the group in the 2025-2028 sustainability plan, the attainment of which will enable the implementation and promotion of the commitments outlined in the suppliers' code of conduct with suppliers:

TABLE 40: SUPPLY CHAIN MANAGEMENT TARGETS

#	Description[165]	Monitoring KPIs	Base year and baseline value	IRO management and expected outcomes
19	Ensure that suppliers representing 95% of direct procurement sign the suppliers' code of conduct by 2026.	% of direct procurement from suppliers that have signed the suppliers' code of conduct	2024 | 9%	These activities will, on the one hand, facilitate the selection of suppliers that adopt social and environmental best practices, thereby reducing the risk of inadequate supplier management leading to possible penalties, reputational damage and adverse business impacts for the group. On the other hand, they will promote the dissemination of good social and environmental practices throughout the supply chain.
20	Mappingthe sustainability risk of all direct material suppliers, using the EcoVadis IQPlus tool, by 2025.	% of direct material suppliers subjected to sustainability risk mapping	2024 | 0% (this is a new project)	
21	Carry out a "light" ESG assessment of 95% of direct material supplies, using the EcoVadis tool, by 2026. This assessment will replace the sustainability self-assessment document currently used.	% of costs for direct material suppliers covered by the "light" ESG assessment	2024 | 49% (via the self-assessment document)	

[164] Direct materials are those used to manufacture the product, while indirect materials support the production process without becoming part of the final product.

[165] The boundary of all reported targets is limited to the group's five long-established production sites.

22	Carry out an "in-depth" ESG assessment of 100 critical suppliers, using the EcoVadis tool, by 2028.	No. of direct material suppliers subjected to "in-depth" ESG assessment	2026 | 0% (this is a new project)	
23	Perform at least 50 on-site ESG audits (through a third party expert) at critical suppliers (to be selected on the basis of evidence gathered in the due diligence process), by 2028.	No. of critical suppliers audited on site	2024 | 0% (this is a new project)	

EVENTS AFTER THE REPORTING DATE

No significant events have taken place after the reporting date.

OUTLOOK

The whole of 2024 was characterised by strong geopolitical instability, mainly due to the war between Russia and Ukraine and the Israeli-Palestinian conflict. The macroeconomic scenario was not uniform across the geographical areas where the group's presence is greatest, specifically, Europe, China and the United States.

In Europe, the inflation trajectory substantially stabilised at around 2%-2.5%, while four rate cuts were implemented between June and December for a total reduction of 100 bps. The signs from China were not particularly positive: while it achieved the GDP growth target of 5%, this was one of the lowest growth rates in decades. Finally, the US economy proved to be particularly resilient, achieving growth close to 3%.

The early months of 2025 present a year still characterised by great uncertainty, exacerbated by the prospects of trade wars with the imposition of significant reciprocal tariffs, particularly between the US and various countries.

Given this scenario, visibility about future results continues to be limited. Taking this into account and the fact that the positive trend in the order book, seen in the first few months of the year, needs some time to translate into results, the group expects revenue for the first quarter of 2025 to be close to that of the same period in 2024 and an acceleration in performance from the second quarter onwards.

However, the above expectations do not include the impact of recent and potential future developments on customs duties.

CAREL INDUSTRIES GROUP CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

31 DECEMBER 2024

STATEMENT OF FINANCIAL POSITION

(€'000)	Note	31.12.2024	31.12.2023
Property, plant and equipment	1	123,124	117,504
Intangible assets	2	379,745	383,266
Equity-accounted investments	3	3,999	2,216
Other non-current assets	4	4,468	6,868
Deferred tax assets	5	14,689	14,399
Non-current assets		**526,025**	**524,254**
Trade receivables	6	99,606	101,291
Inventories	7	94,206	111,722
Current tax assets	8	6,238	4,264
Other current assets	9	22,540	21,166
Current financial assets	10	3,290	3,697
Cash and cash equivalents	11	99,119	154,010
Current assets		**324,998**	**396,150**
TOTAL ASSETS		**851,023**	**920,404**
Equity attributable to the owners of the parent	12	434,944	376,422
Equity attributable to non-controlling interests	13	6,591	19,751
Total equity		**441,535**	**396,174**
Non-current financial liabilities	14	109,367	147,390
Provisions for risks	15	6,358	5,458
Defined benefit plans	16	7,390	8,479
Deferred tax liabilities	17	26,185	28,788
Other non-current liabilities	18	87,720	99,566
Non-current liabilities		**237,020**	**289,681**
Current financial liabilities	14	43,231	45,980
Trade payables	19	62,689	74,931
Current tax liabilities	20	6,250	5,184
Provisions for risks	15	5,435	6,191
Other current liabilities	21	54,863	102,263
Current liabilities		**172,468**	**234,549**
TOTAL LIABILITIES AND EQUITY		**851,023**	**920,404**

STATEMENT OF PROFIT OR LOSS

(€'000)	Note	2024	2023
Revenue	22	578,536	650,247
Other revenue	23	6,272	6,007
Costs of raw materials, consumables and goods and changes in inventories	24	(238,092)	(283,634)
Services	25	(82,104)	(83,705)
Capitalised development expenditure	26	5,628	2,286
Personnel expense	27	(162,205)	(149,896)
Other expense, net	28	(3,165)	(4,121)
Amortisation, depreciation and impairment losses	29	(38,345)	(32,783)
OPERATING PROFIT		**66,526**	**104,400**
Net financial expense	30	(7,073)	(9,705)
Net exchange gains (losses)	31	3,183	(3,763)
Fair value gains on call options	32	15,356	1,660
Share of profit of equity-accounted investees	33	1,737	613
PROFIT BEFORE TAX		**79,729**	**93,205**
Income taxes	34	(16,470)	(18,732)
PROFIT FOR THE YEAR		**63,259**	**74,473**
Non-controlling interests		617	3,531
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**62,642**	**70,942**

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	Note	2024	2023
Profit for the year		**63,259**	**74,473**
Items that may be subsequently reclassified to profit or loss:			
- Fair value losses on hedging derivatives net of the tax effect		(266)	(859)
- Exchange differences		3,805	(9,716)
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial losses on employee benefits net of the tax effect		(8)	(132)
Comprehensive income		**66,789**	**63,767**
attributable to:			
- Owners of the parent		66,021	61,089
- Non-controlling interests		769	2,678
Earnings per share			
Earnings per share (in Euros)	12	0.56	0.70

STATEMENT OF CASH FLOWS

(€'000)	Note	2024	2023
Profit for the year		63,259	74,473
Adjustments for:			
Amortisation, depreciation and impairment losses	29	38,345	32,723
Accruals to/utilisations of provisions		11,821	10,220
Other (income) expense, net		(14,344)	9,474
Income taxes	34	16,470	19,028
		-	
Changes in working capital:			
Change in trade receivables and other current assets	6-8-9	(1,449)	(3,875)
Change in inventories	7	8,475	(8,999)
Change in trade payables and other current liabilities	19-20-21	(12,185)	(2,225)
Change in non-current assets	4-5	(3)	(285)
Change in non-current liabilities	15-16-17-18	(2,074)	(462)
Cash flows from operating activities		**108,315**	**130,073**
Net interest paid		(4,219)	(8,133)
Income taxes paid		(18,712)	(19,912)
Net cash flows from operating activities		**85,384**	**102,028**
Investments in property, plant and equipment	1	(21,480)	(20,940)
Investments in intangible assets	2	(10,119)	(6,468)
Disinvestments of financial assets	10	134	8,048
Disinvestments of property, plant and equipment and intangible assets		402	537
Interest collected		3,415	2,604
Investments in equity-accounted investees	3	-	(21)
Business combinations net of cash acquired	2	-	(180,765)
Cash flows used in investing activities		**(27,647)**	**(197,005)**
Acquisitions of non-controlling interests		(44,294)	-
Capital increases	12	-	196,469
Repurchase of treasury shares		-	(1,042)
Dividend distributions	12	(21,374)	(17,999)
Dividends distributed to non-controlling investors	13	(54)	(3,247)
Increase in financial liabilities	14	10,500	245,880
Decrease in financial liabilities	14	(48,401)	(259,182)
Decrease in lease liabilities	14	(8,317)	(7,352)
Cash flows from (used in) financing activities		**(111,939)**	**153,527**
Change in cash and cash equivalents		**(54,202)**	**58,551**
Cash and cash equivalents - opening balance		**154,010**	**96,636**
Exchange differences		(689)	(1,177)
Cash and cash equivalents - closing balance		**99,119**	**154,010**

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Profit for the year	Equity	Equity att. to non-controlling interests	Total equity
Balance at 1.01.2023	**10,000**	**2,000**	**5,848**	**1,252**	**29,232**	**94,925**	**62,124**	**205,379**	**15,868**	**221,247**
Owner transactions										
Allocation of prior year profit	-	-	-	-	44,504	17,620	(62,124)	-	-	-
Capital increases	1,250	-	-	-	195,219	-	-	**196,469**	-	**196,469**
Repurchase of treasury shares	-	-	-	-	(1,042)	-	-	**(1,042)**	-	**(1,042)**
Dividend distributions	-	-	-	-	(17,999)	-	-	**(17,999)**	(3,247)	**(21,246)**
Call options for non-controlling interests	-	-	-	-	(67,475)	-	-	**(67,475)**	-	**(67,475)**
Change in consolidation scope	-	-	-	-	-	-	-	**-**	4,453	**4,453**
Total owner transactions	**11,250**	**2,000**	**5,848**	**1,252**	**182,439**	**112,544**	**-**	**315,333**	**17,074**	**332,407**
Profit for the year							70,942	**70,942**	3,531	**74,473**
Other comprehensive expense			(8,863)	(859)	(132)			**(9,854)**	(853)	**(10,707)**
Comprehensive income	-	-	(8,863)	(859)	(132)	-	70,942	**61,089**	2,678	**63,767**
Balance at 31.12.2023	**11,250**	**2,000**	**(3,015)**	**393**	**182,307**	**112,544**	**70,942**	**376,422**	**19,751**	**396,174**
Balance at 1.01.2024	**11,250**	**2,000**	**(3,015)**	**393**	**182,307**	**112,544**	**70,942**	**376,422**	**19,751**	**396,174**
Owner transactions										
Allocation of prior year profit	-	250	-	-	22,770	47,922	(70,942)	**-**	-	**-**
Capital increases	-	-	-	-	-	-	-	**-**	-	**-**
Repurchase of treasury shares	-	-	-	-	-	-	-	**-**	-	**-**
Dividend distributions	-	-	-	-	-	(21,374)	-	**(21,374)**	(54)	**(21,428)**
Call options for non-controlling interests										
Change in consolidation scope	-	-	-	-	-	13,875	-	**13,875**	(13,875)	**-**
Total owner transactions	**11,250**	**2,250**	**(3,015)**	**393**	**205,077**	**152,967**	**-**	**368,923**	**5,823**	**374,746**
Profit for the year							62,642	**62,642**	617	**63,259**
Other comprehensive income			3,653	(266)	(8)			**3,379**	152	**3,531**
Comprehensive income	**-**	**-**	**3,653**	**(266)**	**(8)**	**-**	**62,642**	**66,021**	**769**	**66,789**
Balance at 31.12.2024	**11,250**	**2,250**	**638**	**127**	**205,069**	**152,967**	**62,642**	**434,944**	**6,591**	**441,535**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Carel Industries S.p.A. (the "parent") heads the group of the same name and has its registered office in Via Dell'Industria 11, Brugine (PD). It is a company limited by shares and its tax code and VAT number is 04359090281. It is included in the Padua company register.

The group provides control instruments to the air-conditioning, commercial and industrial refrigeration markets and also produces air humidification systems. It has 47 commercial companies and 12 production sites (split in 15 productions area) which serve all the main markets.

As it is required to prepare consolidated financial statements, on 28 November 2016, the parent opted to draw up separate and consolidated financial statements starting from 31 December 2017 under the International Financial Reporting Standards (IFRS) endorsed by the European Union as per Regulation (EC) no. 1606/2002 of 19 July 2002, transposed into Italian law by Legislative decree no. 38/2005.

The parent's board of directors approved the consolidated financial statements at 31 December 2024 on 13 March 2025.

The consolidated financial statements include the results of the parent and its subsidiaries, based on their updated accounting records. They were prepared in accordance with the updated accounting records.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Carel Industries Group's consolidated financial statements at 31 December 2024 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission with the procedure set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The IFRS include all the standards as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union at the reporting date and included in the related EU regulations published at that date.

The consolidated financial statements include the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and these notes. They were prepared assuming the parent and its subsidiaries will continue as going concerns. The group assumed that it could adopt the going concern assumption pursuant to IAS 1.25/26 given its strong market position, very satisfactory profits and solid financial structure.

The consolidated financial statements were prepared in thousands of Euro, which is the group's functional and presentation currency as per IAS 21 The effects of changes in foreign exchange rates. There may be rounding differences when items are added together as the individual items are calculated in Euros.

FINANCIAL STATEMENTS SCHEDULES

Statement of financial position. Assets and liabilities are presented as current or non-current as required by paragraph 60 and following paragraphs of IAS 1.

An asset or liability is classified as current when it meets one of the following criteria:

the group expects to realise the asset or settle the liability, or intends to sell or consume it, in its normal operating cycle; or it holds the asset or liability primarily for the purpose of trading or expects to realise the asset or settle the liability within twelve months after the reporting date.

All other assets and liabilities are classified as non-current.

Statement of profit or loss. The group has opted to present the statement of profit or loss classifying items by their nature rather than their function, as this best represents the transactions undertaken during the year and its business structure. This approach is consistent with the group's internal management reporting system and international best practices for its sector. Following adoption of revised IAS 1, the group decided to present the statement of profit or loss and other comprehensive income in two separate statements.

Statement of comprehensive income. This statement, prepared in accordance with the IFRS issued by the IAS and endorsed by EU, presents other items of comprehensive income that are recognised directly in equity.

Statement of cash flows. The group prepares this statement using the indirect method. Cash and cash equivalents included herein comprise the statement of financial position balances at the reporting date. Interest expense and income taxes are included in the cash flows generated by operating activities and interest income are included in cash flow generated by investing activities. The group presents cash flows from operating activities and investing activities and changes in non-current financial position, current liabilities and current financial assets separately. If not specified, exchange rate gains and losses are classified in the operating activities as they refer to the translation of trade receivables and payables into Euros.

Statement of changes in equity. This statement shows changes in the equity captions related to:

- the allocation of the profit for the year of the parent and its subsidiaries to non-controlling interests;
- owner transactions (repurchase and sale of treasury shares);
- each profit or loss item, net of the related tax effects, that is recognised either directly in equity (gain or loss on the repurchase/sale of treasury shares) or in an equity reserve (share-based payments), pursuant to the IFRS;
- changes in the hedging reserve, net of the related tax effects;
- the effect of any changes in the IFRS.

CONSOLIDATION SCOPE

The consolidated financial statements include the separate financial statements and financial statements of the parent, Carel Industries S.p.A., and its Italian and foreign subsidiaries, respectively, at 31 December 2024.

Subsidiaries are those entities over which the parent has control, as defined in IFRS 10 Consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are consolidated starting from the date when control exists until when it ceases to exist.

Note [35] "Other information" lists the entities included in the consolidation scope at 31 December 2024.

BASIS OF CONSOLIDATION

The consolidated financial statements include the separate financial statements and financial statements of Carel Industries S.p.A. and the Italian and foreign companies over which it has direct or indirect control, respectively. Specifically, the consolidation scope includes:

- the subsidiaries, over which the parent has control as defined by IFRS 10 Consolidated financial statements; these companies are consolidated on a line-by-line basis;
- the associates, over which the parent has the power to exercise significant influence over their financial and operating policies despite not having control; investments in these companies are measured using the equity method;

The parent adopted the following consolidation criteria:

- assets, liabilities, revenue and expenses of the consolidated entities are consolidated using the line-by-line approach where the carrying amount of the parent's investments therein is eliminated against its share of the investee's equity. Any differences are treated in accordance with IFRS 10 Consolidated financial statements and IFRS 3 Business combinations. The portions attributable to non-controlling interests are recognised at the fair value of the assets acquired and liabilities assumed without recognising goodwill;
- the group companies are excluded from the consolidation scope when control thereover ceases to exist and any effects of exclusion are recognised as owner transactions in equity;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;
- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the year is recognised in the statement of profit or loss;
- the financial statements of the consolidated foreign companies using a functional currency other than the Euro are translated into Euros using the average annual exchange rate for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the year are recognised under equity.

The reporting date of all the consolidated companies is 31 December, except for Carel India, whose year end is 31 March. However, the Indian company prepares a reporting package at 31 December for consolidation purposes. The group monitors Carel India for any significant events between 31 December and 31 March, to identify possible adjustments.

Business combinations

Business combinations are treated using the acquisition method. The consideration is recognised at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities incurred by the acquirer and the equity interests issued in exchange for control of the acquiree. Transaction costs are usually recognised in profit or loss when they are incurred. Transaction costs are usually recognised in profit or loss when they are incurred.

The assets acquired and the liabilities assumed are recognised at their acquisition-date fair value, except for the following items which are measured in line with the relevant IFRS:

- deferred tax assets and liabilities;
- employee benefits;
- liabilities or equity instruments related to share-based payment awards of the acquiree or share-based payment awards of the acquirer issued to replace the acquiree's awards;
- assets held for sale and disposal groups.

Goodwill is calculated as the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree and the net of the acquisition-date fair value of the assets acquired and liabilities assumed. If this fair value is greater than the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the resulting gain is recognised immediately in profit or loss.

The amount of any non-controlling interest in the acquiree at the acquisition date is the pre-combination carrying amount of the acquiree's net assets.

Contingent consideration is measured at its acquisition-date fair value and included in the consideration exchanged for the acquiree to calculate goodwill. Any subsequent changes in fair value, which are measurement period adjustments, are included in goodwill retrospectively. Changes in fair value which are measurement period adjustments are those that arise due to additional information becoming available about facts and circumstances that existed at the acquisition date and was obtained during the measurement period (that cannot exceed one year from the acquisition date). Any subsequent change in contingent consideration is included in profit or loss.

MATERIAL INFORMATION ON THE GROUP'S ACCOUNTING POLICIES

The consolidated financial statements at 31 December 2024 were prepared in accordance with the IFRS issued by the IASB, endorsed by the European Commission and applicable at the reporting date. They are presented in Euros, which is the group's functional currency, i.e., the currency of the primary economic environment in which it mainly operates. Amounts are rounded to the nearest thousand.

The consolidated financial statements present the financial position and performance of the parent and its subsidiaries. The financial statements used for consolidation purposes are those prepared by the subsidiaries pursuant to the IFRS at 31 December 2024.

The consolidated financial statements include the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes, which are an integral part thereof.

They were prepared using the historical cost criterion, except for derivative financial instruments hedging currency and interest rate risks and available-for-sale financial assets, which were measured at fair value as required by IFRS 9 Financial instruments: recognition and measurement.

Preparation of consolidated financial statements under the IFRS requires management to make estimates and assumptions that affect the amounts in the financial statements and the notes. Actual results may differ from these estimates. Reference should be made to the "Use of estimates" section for details of the captions more likely to be affected by estimates.

Following its decision to adopt the IFRS starting from the consolidated financial statements at 31 December 2017, the group referred to the standards applicable from 1 January 2017 to prepare its consolidated financial statements at 31 December 2024, in accordance with the provisions of IFRS 1.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2024

The group applied the following standards, amendments and interpretations for the first time starting from 1 January 2024:

- On 23 January 2020, the IASB published Classification of liabilities as current or non-current (Amendments to IAS 1), while on 31 October 2022, it published Non-current liabilities with covenants (Amendments to IAS 1). The intention is to clarify how to classify debt and other financial liabilities as current or non-current. The amendments also improve the information that an entity must provide when its right to defer settlement of a liability for at least 12 months is subject to meeting certain parameters (i.e., covenants).
- On 22 September 2022, the IASB published Lease liability in a sale and leaseback (Amendments to IFRS 16). They require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.
- On 25 May 2023, the IASB published Supplier finance arrangements (Amendments to IAS 7 and IFRS 7) to add disclosure requirements for reverse factoring arrangements that enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk.

The group applied the amendments starting from 1 January 2024. The adoption of these standards and amendments did not affect the consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2024

The following IFRS accounting standards, amendments and interpretations have been endorsed by the European Union but are not yet mandatorily applicable and have not been adopted in advance by the group at the reporting date:

- On 15 August 2023, the IASB issued Lack of exchangeability (Amendments to IAS 21) to require an entity to apply a consistent methodology to determine whether a currency is exchangeable into another and, when this is not possible, how to determine the exchange rate to be used and the related disclosures. The amendments are effective for reporting periods beginning on or after 1 January 2025, but earlier application is permitted.
  The directors do not expect these amendments to significantly affect the consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

At the reporting date, the EU's relevant bodies had not yet completed the endorsement process for adoption of the following amendments and standards.

- On 9 April 2024, the IASB published a new standard, IFRS 18 Presentation and disclosure in financial statements, which will replace IAS 1 Presentation of financial statements. The objective of the new standard is to improve the presentation of the main financial statements schedules and introduces important changes with regard to the statement of profit or loss. Specifically, the standard requires an entity to:
  - classify income and expenses into three new categories (operating category, investing category and financing category), in addition to the income taxes and discontinued operations categories already present in the statement of profit or loss;
  - present two new sub-totals, operating profit or loss and profit or loss before interest and income taxes.

  In addition, IFRS 18:
  - requires more information on the management-defined performance measures;
  - introduces new criteria for the aggregation and disaggregation of information; and

- introduces a number of changes to the format of the statement of cash flows, including the requirement to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows and removed the presentation alternatives for cash flows related to interest and dividends paid and received.

IFRS 18 applies to annual periods beginning on or after 1 January 2027, but earlier application is allowed. The directors are currently evaluating the possible effects of the introduction of this new standard on the parent's separate financial statements.

- On 9 May 2024, the IASB published a new standard IFRS 19 Subsidiaries without public accountability: Disclosures. The new standard introduces some simplifications with regard to the disclosures required by the IFRS Accounting Standards in the financial statements of a subsidiary that meets the following requirements:
  - it has not issued equity or debt instruments listed on a regulated market and is not in the process of issuing them;
  - its parent prepares consolidated financial statements that comply with the IFRS.

  IFRS 18 applies to annual periods beginning on or after 1 January 2027, but earlier application is allowed. The directors do not expect these amendments to significantly affect the consolidated financial statements.

- On 30 May 2024, the IASB published Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7). The amendments address matters identified during the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (i.e., green bonds). The amendments are effective for annual reporting periods beginning on or after 1 January 2026.

  The directors do not expect these amendments to significantly affect the consolidated financial statements.

- On 18 July 2024, the IASB published Annual Improvements to IFRS Accounting Standards Volume 11. The document includes clarifications, simplifications, corrections and changes to improve the consistency of several IFRS Accounting Standards. The amended standards are:
  - IFRS 1 First-time adoption of International Financial Reporting Standards;
  - IFRS 7 Financial instruments: Disclosures and the related implementation guidelines;
  - IFRS 9 Financial instruments;
  - IFRS 10 Consolidated financial statements;
  - IAS 7 Statement of cash flows.

  The amendments are effective for reporting periods beginning on or after 1 January 2026, but earlier application is permitted.

  The directors do not expect these amendments to significantly affect the consolidated financial statements.

BASIS OF MEASUREMENT

Revenue and costs

Revenue is measured based on the fee contractually-agreed with the customer and does not include amounts collected on behalf of third parties. The group recognises revenue when control of the goods or services is transferred to the customer. Revenue is recognised to the extent it is probable the group will receive the economic benefits and it can be measured reliably. Most contracts with customers provide for commercial discounts and discounts based on volumes, which modify the revenue itself. In defining the amount of the variable consideration that may be included in the transaction price, the group calculates the amount of variable consideration that cannot yet be considered realised at each reporting date.

Revenue from the sale of HVAC products and services refer to sales of products for air control and humidification in the industrial, residential and commercial segment (heat ventilation and air conditioning), while refrigeration revenue refers to sales to the food retail and food service segment. The sales in both markets can be divided into the following three macro channels: OEMs (Original Equipment Manufacturers), dealers and projects. Non-core revenue is earned on products that do not make up the group's core business.

The Kiona Group's revenue includes that earned on contracts with customers which comprise a fee for the sale of the hardware, its installation and ongoing services. Management assessed whether some or all of these components are to be considered a separate performance obligation under the IFRS in order to understand how to recognised the related revenue. Management concluded that these contracts with customers include two components that are separate performance obligations under the IFRS, namely the sale of hardware and ongoing services provided after the sale. Therefore, the consideration received is allocated to these two performance obligations.

The warranties related to these categories of products are warranties for general repairs and in most cases, the group does not provide extended warranties. The group recognises warranties in compliance with IAS 37 Provisions, contingent liabilities and contingent assets.

There are no significant services provided for a lengthy period of time.

Advertising and research costs are expensed in full as required by IAS 38 Intangible assets. Revenue from services is recognised when the services are rendered.

Interest

Revenue and expenses are recognised on an accruals basis in line with the interest accrued on the carrying amount of the related financial assets and liabilities using the effective interest method.

Dividends

They are recognised when the shareholder's right to receive payment is established, which normally takes place when the shareholders pass the related resolution. The dividend distribution is recognised as a liability in the consolidated financial statements of the period in which the shareholders approve such distribution.

Income taxes

They reflect a realistic estimate of the group's tax burden, calculated in accordance with the current regulations in the countries where the Carel Industries Group operates; current tax liabilities are recognised in the statement of financial position net of any payments on account.

Deferred tax assets and liabilities arise on temporary differences between the carrying amount of an asset or liability pursuant to the IFRS and its tax base, calculated using the tax rates enacted or reasonably expected to be enacted in future years. Deferred tax assets are only recognised when their recovery is probable while deferred tax liabilities are always recognised, except in the situations in which recording a tax liability would not be appropriate under IAS 12 Income taxes (for example on initial recognition of goodwill or a situation in which the group does not anticipate the reversal of the liability in the foreseeable future). The group does not net current and deferred taxes. The tax consolidator's deferred tax liabilities on untaxed reserves are accounted for in the year in which the liability to pay the dividend is recognised.

Translation criteria

Foreign currency financial assets and liabilities are translated into Euros using the transaction-date exchange rate. Any gains or losses when the foreign currency financial asset is collected or the financial liability settled are recognised in profit or loss.

Revenue, income, costs and expenses related to foreign currency transactions are recognised at the spot rate ruling on the transaction date. At the reporting date, foreign currency assets and liabilities, excluding non-current assets (which continue to be recognised using the transaction-date exchange rate) are re-translated using the spot closing rate and the related exchange gains or losses are recognised in profit or loss.

The main exchange rates (against the Euro) used to translate the financial statements of foreign currency operations at 31 December 2024 and 2023 (comparative figures) are set out below:

	Average rate		Closing rate	
	2024	2023	31.12.2024	31.12.2023
Pound sterling	0.847	0.870	0.829	0.869
Hong Kong dollar	8.445	8.465	8.069	8.631
Brazilian real	5.828	5.401	6.425	5.362
US dollar	1.082	1.081	1.039	1.105
Australian dollar	1.640	1.629	1.677	1.626
Chinese renminbi (yuan)	7.788	7.660	7.583	7.851
Indian rupee	90.556	89.300	88.934	91.905
South African rand	19.830	19.955	19.619	20.348
Russian ruble	100.280	92.874	106.103	99.192
South Korean won	1,475.404	1,412.880	1,532.150	1,433.660
Mexican peso	19.831	19.183	21.550	18.723
Swedish krona	11.433	11.479	11.459	11.096
Japanese yen	163.852	151.990	163.060	156.330
Polish zloty	4.306	4.542	4.275	4.340
Thai baht	38.181	37.631	35.676	37.973
UAE dirham	3.975	3.971	3.815	4.058
Singapore dollar	1.446	1.452	1.416	1.459
Norwegian krone	11.629	11.425	11.795	11.241
Swiss franc	0.953	0.972	0.941	0.926
Ukrainian hryvnia	43.490	39.540	43.686	41.996
Canadian dollar	1.482	1.460	1.495	1.464
Turkish lira	35.573	25.760	36.737	32.653
New Zealand dollar	1.788	1.762	1.853	1.750
Kazakhstani tenge	507.914	493.570	544.980	502.480
Swedish krona	7.459	7.451	7.458	7.453

Property, plant and equipment

They are recognised at historical cost, including ancillary costs necessary to ready the asset for the use for which it has been purchased.

Maintenance and repair costs that do not extend the asset’s life and/or enhance its value are expensed when incurred; otherwise, they are capitalised.

Property, plant and equipment are stated net of accumulated depreciation and impairment losses calculated using the methods described later in this section. The depreciable amount of an asset is allocated on a systematic basis over its useful life, which is reviewed once a year. Any necessary changes are applied prospectively.

The depreciation rates of the main categories of property, plant and equipment are as follows:

Industrial buildings	from 3% to 5%
Plant and machinery	from 10% to 15.5%
Industrial and commercial equipment	from 12% to 40%

Land has an indefinite useful life and therefore is not depreciated.

Assets held under lease are recognised as assets at the present value of the minimum lease payments. The liability to the lessor is shown under financial liabilities. The leased assets are depreciated over the lease term. Lease payments for short-term leases or leases of low-value assets are recognised in profit or loss over the lease term.

The right-of-use assets are depreciated using the above rates.

When the asset is sold or there are no future economic benefits expected from its use, it is derecognised and the gain or loss (calculated as the difference between the asset's sales price and carrying amount) is recognised in profit or loss in the year of derecognition.

Goodwill

This is the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the assets acquired and liabilities assumed. Goodwill is not amortised but is tested annually for impairment or whenever events take place that suggest it may be impaired.

Other intangible assets

These are identifiable, non-monetary assets without physical substance that are controlled by the entity and from which future economic benefits are expected to flow to the entity. They are initially recognised at cost when this can be reliably determined using the same methods applied to property, plant and equipment.

These assets are subsequently presented net of accumulated amortisation and any impairment losses. Their useful life is reviewed regularly and any changes are applied prospectively. Costs incurred to internally generate an intangible asset are capitalised in line with the provisions of IAS 38.

Their estimated useful life is between three and fifteen years.

Gains or losses on the sale of an intangible asset are calculated as the difference between the asset's sales price and its carrying amount. They are recognised in profit or loss at the sales date.

Impairment losses on non-financial assets

Assets with an indefinite useful life are not amortised but are tested for impairment once a year to check whether their carrying amount has undergone impairment. The board of directors adopted a policy that defines the criteria for the impairment test, the controls to be carried out to guarantee the reliability of the process and the procedure to approve the test, in line with Consob (the Italian Commission for listed companies and the stock exchange) recommendation no. 0003907 of 15 January 2015.

Amortisable assets are tested for impairment whenever events or circumstances suggest that their carrying amount cannot be recovered (trigger events). In both cases, the impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. If it is not possible to determine an asset's value in use, the recoverable value of the cash-generating unit (CGU) to which the asset belongs is calculated. Assets are grouped into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The group calculates the present value of the estimated future cash flows of the CGU using a discount rate that reflects the time value of money and the risks specific to the asset.

If an impairment loss on an asset other than goodwill subsequently decreases or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimate of its recoverable amount which will not, in any case, exceed the carrying amount the asset would have had if no impairment loss had been recognised.

Reversals of impairment losses are recognised immediately in profit or loss using the model provided for in IAS 16 Property, plant and equipment.

Equity investments

Investments in associates and joint ventures are measured using the equity method, while other investments are measured at fair value through other comprehensive income. If fair value cannot be reliably determined, the investments are measured at cost adjusted for impairment losses, which are recognised in profit or loss.

If the reasons for the impairment loss no longer exist, the equity investments recognised at cost are revalued with reversal of the impairment loss through profit or loss.

Financial assets

They are initially recognised at their fair value and subsequently measured at amortised cost. Financial assets are initially recognised at their fair value increased, in the case of assets other than those recognised at fair value through profit or loss, by ancillary costs. When subscribed, the group assesses whether a contract includes embedded derivatives. The embedded derivatives are separated from the host contract if this is not measured at fair value when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

The group classifies its financial assets after initial recognition and, when appropriate and permitted, reviews this classification at the reporting date.

It recognises all purchases and sales of financial assets at the transaction date, i.e., the date on which the group assumes the commitment to buy or sell the asset.

All financial assets within the scope of IFRS 9 are recognised at amortised cost or fair value depending on the business model for managing the financial asset and the asset's contractual cash flow characteristics.

Specifically:

- debt instruments held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows and the related cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently recognised at amortised cost;
- debt instruments held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the related cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt and equity instruments are subsequently measured at fair value through profit or loss (FVTPL).

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, when an equity instrument measured at FVTOCI is derecognised, the cumulative gain or loss that was previously recognised in other comprehensive income is transferred to retained earnings, without affecting profit or loss.

Debt instruments subsequently measured at amortised cost or FVTOCI are tested for impairment.

Any impairment losses are recognised in profit or loss after use of the fair value reserve if this has been set up. Subsequent impairment gains are recognised in profit or loss except in the case of equity instruments for which the impairment gain is recognised in equity.

Inventories

They are measured at the lower of purchase and/or production cost, calculated using the weighted average cost method, and net realisable value. Purchase cost comprises all ancillary costs. Production cost includes the directly related costs and a portion of the indirect costs that are reasonably attributable to the products.

Work in progress is measured at average cost considering the stage of completion of the related contracts.

Obsolete and/or slow moving items are written down to reflect their estimated possible use or realisation through an allowance.

The write-down is reversed in subsequent years if the reasons therefor no longer exist.

Trade receivables

They are initially recognised at fair value, which is the same as their nominal amount, and subsequently measured at amortised cost and impaired, if appropriate. Their carrying amount is adjusted to their estimated realisable amount through the loss allowance. The Group has adopted a policy in order to consider the "expected credit losses" in the calculation of the allowance for doubtful accounts by considering both the historical trends noted in previous years and the expectations of future realization based on the geography of the receivables' recognition.

Foreign currency trade receivables are translated into Euros using the transaction-date exchange rate and subsequently retranslated using the closing rate. The exchange gain or loss is recognised in profit or loss.

Cash and cash equivalents

They include cash, i.e., highly liquid investments (maturity of less than three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee benefits

This caption includes the Italian post-employment benefits ("TFR") and other employee benefits covered by IAS 19 Employee benefits. As a defined benefit plan, independent actuaries calculate the TFR at the end of each reporting period. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. These benefits are calculated using the projected unit credit method.

Provisions for risks

As required by IAS 37 Provisions, contingent liabilities and contingent assets, the group recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Changes in estimates from one period to another are recognised in profit or loss.

Where the effect of the time value of money is material and the payment dates of the obligation can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Any subsequent changes arising from the passage of time are recognised as financial income or expense in the statement of profit or loss.

No provision is made for possible but not probable risks but the group provides adequate disclosure thereon in the notes.

Trade payables and other current liabilities

Trade payables and other current liabilities which fall due within normal trading terms are initially recognised at cost, which equals their nominal amount, and are not discounted. When their due date is longer than normal trading terms, the interest is separated using an appropriate market rate.

Financial liabilities

They are classified as current liabilities unless the group has an unconditional right to defer their payment for at least 12 months after the reporting date. The group removes the financial liability when it is extinguished and the group has transferred all the risks and rewards related thereto. Financial liabilities are initially recognised at their fair value and subsequently measured using the amortised cost method.

Derivative financial instruments

The group solely uses derivatives to hedge currency risk on foreign currency commercial transactions and interest risk on its medium to long-term debt.

Initial recognition and subsequent measurement is at the derivatives' fair value, applying the following accounting treatments:

Fair value hedge - if a derivative is designated as a hedge of the group's exposure to changes in fair value of a recognised asset or liability that could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss as the gain or loss on the hedged item.

Cash flow hedge - if a derivative is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income; the cumulative gain or loss is reclassified to profit or loss in the same period during which the hedged forecast cash flows affect profit or loss; the gain or loss on the hedge or the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

When the conditions for application of hedge accounting are no longer met, the group reclassifies the fair value gains or losses on the derivative directly to profit or loss.

Use of estimates

Preparation of the consolidated financial statements requires management to apply accounting policies and methods that, in certain circumstances, are based on difficult and subjective judgements, past experience or assumptions that are considered reliable and realistic at that time depending on the related circumstances. Application of these estimates and assumptions affects the amounts recognised in the statement of financial position, the statement of profit or loss and the statement of cash flows as well as the disclosures. Actual results may differ from those presented in the consolidated financial statements due to the uncertainty underlying the assumptions and the conditions on which the estimates were based.

The captions that require the greater use of estimates and for which a change in the conditions underlying the assumptions may affect the consolidated financial statements are:

- allowance for inventory write-down: slow-moving raw materials and finished goods are tested for obsolescence regularly using historical data and the possibility of their sale at below-market prices. If this test shows the need to write down inventory items, the group sets up an allowance which is calculated considering past experience and the market. Changes in the reference scenarios or market trends could significantly modify the criteria used as a basis for the estimates;
- leases: the recognition of right-of-use assets and the related lease liabilities requires significant management estimates, especially in determining the lease term and the incremental borrowing rate. In determining the lease term, in addition to the contractual deadlines, the group considers any renewal options that it reasonably expects to exercise. The incremental borrowing rate is calculated by considering the type of leased asset, the jurisdictions in which it is acquired and the currency in which the lease is denominated. Any changes in the reference scenarios or market trends could require a review of the above components.
- impairment testing of goodwill: at least once a year, the group tests goodwill for impairment. It calculates the recoverable amount of the CGU as the value in use using the discounted cash flow method applying assumptions, such as estimates of future increases in sales, operating costs, the growth rate of the terminal value, investments, changes in working capital and the weighted average cost of capital (discount rate). The value in use may change if the main estimates and assumptions made in the plan change and, hence, the impairment test. Therefore, the realisable value of the recognised assets may also change;
- Fair value. IFRS 13 is the only reference source for fair value measurement and the related disclosures when this measurement is required or permitted by another standard. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard replaces and extends the disclosure required about fair value measurement in other standards, including IFRS 7 Financial instruments: disclosures. IFRS 13 establishes a fair value hierarchy that categorises into

three levels the inputs to valuation techniques used to measure fair value in hierarchical order as follows:

- level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 inputs: unobservable inputs for the asset or liability.

The method used to estimate fair value is as follows:

- the fair value of available-for-sale quoted instruments is calculated using quoted prices (level 1);
- the fair value of currency hedges is calculated by discounting the difference between the forward price at maturity and the forward price for the remaining term at the measurement date (the reporting date) at a risk-free interest rate (level 2);
- the fair value of interest rate hedging derivatives is based on broker prices and is calculated considering the present value of the future cash flows discounted using the reporting-date interest rates (level 2).

Reference should be made to the specific comments provided in the notes to the assets or liabilities for more information about the assumptions used to determine fair value.

- The fair value of financial instruments not quoted on an active market is calculated in accordance with valuation techniques generally adopted by the financial sector and specifically:
- the fair value of interest rate swaps (IRS) is calculated using the present value of the future cash flows;
- the fair value of forwards to hedge foreign currency risk is calculated using the present value of the difference between the contractual forward exchange rate and the spot exchange rate at the reporting date;
- the fair value of the options to hedge foreign currency risk is calculated using mathematical models that consider the contractual forward exchange rate, the spot exchange rate at the reporting date and the cost incurred to agree such option.

RISKS AND FINANCIAL INSTRUMENTS

The objective of IFRS 7 is to require entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for an entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this standard complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 Financial instruments: presentation and IFRS 9.

This section presents the supplementary disclosures required by IFRS 7.

The accounting policies applied to measure financial instruments are described in the section on the Accounting policies.

The group's operations expose it to a number of financial risks that can affect its financial position, financial performance and cash flows due to the impact of its financial instruments.

These risks include:

a. credit risk;
b. liquidity risk;
c. market risk (currency risk, interest rate risk and other price risk).

The parent's board of directors has overall responsibility for the design and monitoring of a financial risk management system. It is assisted by the various units involved in the operations generating the different types of risk.

The units establish tools and techniques to protect the group against the above risks and/or transfer them to third parties (through insurance policies) and they assess the risks that are neither hedged nor insured pursuant to the guidelines established by the board of directors for each specific risk.

The degree of the group's exposure to the different financial risk categories is set out below.

CREDIT RISK

The group operates on various national markets with a high number of medium and large-sized customers, mostly regional or local distributors. Therefore, it is exposed to credit risk in conjunction with its customers' ability to obtain credit from banks.

The group's credit risk management policy includes rating its customers, setting purchase limits and issuing periodic reports, to ensure tight control over credit collection. Each group company has a credit manager in charge of credit collection on sales made in their markets. Coordination between the companies active in the same market (e.g., the Italian companies) is based on the electronic exchange of information about common customers and the coordination of delivery blocks or the commencement of legal action.

The loss allowance is equal to the nominal amount of the uncollectible receivables after deducting the part of the receivables secured with bank collateral. The group analyses all the collateral given to check collectability. Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced. Furthermore, the group did not modify payment terms applied to customers or its credit risk management policies, while it prudently reinforced monitoring of credit positions with customers.

The following table shows a breakdown of trade receivables by past due bracket:

(€'000)	31.12.2024		31.12.2023	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not yet due	89,401	(1,562)	90,181	(1,442)
Past due < 6 months	11,523	(241)	11,929	(322)
Past due > 6 months < 12 months	715	(361)	715	(213)
Past due > 12 months	747	(616)	859	(416)
Total	**102,386**	**(2,780)**	**103,683**	**(2,393)**

LIQUIDITY RISK

The group has a high level of liquidity and limited net financial debt. During the year, it had regular access to funding to support its operations.

As required by IFRS 7, the next table shows the cash flows of the group's financial liabilities by maturity:

(€'000)	31.12.2024				
	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Bank loans at amortised cost	24,319	24,779		24,779	
Amounts due to bondholders	59,508	67,479		26,085	41,394
Lease liabilities	24,934	28,545		17,718	10,827
Effective hedging derivatives	-	-			
Other loans and borrowings at amortised cost	151	155		155	
Other financial liabilities	455	458		458	
Non-current financial liabilities	**109,367**	**121,416**			
Bank loans at amortised cost	34,690	36,195	36,195		
Amounts due to bondholders	371	1,622	1,622		
Lease liabilities	6,605	6,953	6,953		
Bank borrowings at amortised cost	733	733	733		
Other loans and borrowings at amortised cost	289	289	289		

(€'000)	31.12.2024				
	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Derivatives held for trading at fair value through profit or loss	6	6	6		
Other financial liabilities	537	537	537		
Current financial liabilities	**43,231**	**46,335**	**46,335**	**-**	**-**

MARKET RISK

Currency risk

As the group sells its products in various countries around the world, it is exposed to the risk deriving from changes in foreign exchange rates. This risk mainly arises on sales in currencies like the US dollar, the Chinese renminbi and the Polish zloty.

In addition, the parent has investments in subsidiaries denominated in foreign currency. Changes in equity due to fluctuations in exchange rates are recognised in the translation reserve. The group does not currently hedge against the risk arising on the translation of equity. The group does not currently hedge against the risk arising on the translation of equity. The following table shows the group's exposure arising from foreign currency assets and liabilities, highlighting the most significant for each year:

(€'000)	31.12.2024						
	EUR	USD	PLN	CNY	NOK	Other currencies	Total
Total assets	626,640	77,955	32,109	42,331	50,479	21,510	**851,023**
Total liabilities	263,207	37,437	5,070	9,919	83,437	10,417	**409,488**

The next table shows a sensitivity analysis of the risk arising on the translation of foreign currency financial statements of the consolidated companies assuming a 10% increase or decrease in the average annual exchange rate. The effect is calculated considering the impact of this increase or decrease on the key performance indicators used by management:

NET REVENUE

(€'000)	31.12.2024		
	Average annual rate	Rate +10%	Rate -10%
USD	109,465	120,411	98,518
GBP	16,619	18,280	14,957
CNY	45,103	49,613	40,592
AUD	5,488	6,037	4,939
ZAR	5,789	6,368	5,210
BRL	12,326	13,558	11,093
PLN	37,782	41,560	34,004
Other currencies	42,721	n.a	n.a
Eur	303,244	303,244	303,244

EARN BEFORE TAX

(€'000)	31.12.2024		
	Average annual rate	Rate +10%	Rate -10%
USD	42,259	46,485	38,033
GBP	10,347	11,382	9,313
CNY	286	314	257
AUD	2,873	3,161	2,586
ZAR	4,849	5,334	4,364
BRL	9,273	10,200	8,345
PLN	19,368	21,305	17,431
Other currencies	11,879	n.a	n.a
Eur	(21,406)	(20,962)	(20,962)

The group agrees currency hedges to set the exchange rate in line with forecast sales and purchases volumes to protect itself against currency fluctuations with respect to its foreign currency transactions. The hedges are based on the group's net exposure using currency forwards, to hedge the transaction risk, and/or plain vanilla options to hedge the economic risk in line with its financial policy. The hedged risk is part of the global risk and the hedges are not speculative.

Moreover, as the parent prepares its consolidated financial statements in Euros, fluctuations in the exchange rates used to translate the financial statements of the foreign subsidiaries into the presentation currency could affect the group's financial position, financial performance and cash flows.

Exchange rates were more volatile in 2024 continuing the trend of the previous year. As a result, the captions affected by the translation of amounts into Euro increased accordingly. Management constantly monitors exchange rates and the exposure of current assets and liabilities in foreign currencies so that it can put suitable hedges in place to mitigate the risk.

Interest rate risk

This is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group is exposed to interest rate risk due to its need to finance its operating activities, both production and financial (the purchase of assets), and to invest its available liquidity. Changes in market interest rates may negatively or positively affect the group's results and, hence, indirectly the cost of and return on financing and investing activities.

The group regularly checks its exposure to interest rate fluctuations and manages such risks through the use of derivatives, in accordance with its financial policies. With regard to such policies, the use of derivatives is reserved exclusively for the management of interest rate fluctuations connected to cash flows and they are not agreed or held for trading purposes.

It solely uses interest rate swaps (IRS), caps and collars to do so.

The group's debt mainly bears floating interest rates. When deemed significant, the group agrees hedging instruments to neutralise fluctuations in interest rates and agrees a set future expense to cover up to 100% of its future cash outflows. Given its ample liquidity, it has an immaterial liquidity risk with respect to its short-term deadlines and, therefore, this risk principally refers to its medium to long-term financing.

The derivatives used to hedge interest rate risk are generally cash flow hedges in order to set the interest to be paid on financing and obtain an optimum blend of floating and fixed interest rates applied to its financing.

The counterparties are major banks. Derivatives are measured at fair value.

Other market and/or price risks

The group is subjected to increasing competitive pressure due to the entry of new players into the OEM market (large international groups) and the development of new organised markets which constantly push prices down, especially in the electronics sector.

Demand for the group's products is also affected by fluctuations affecting the distribution channels of products and applications which, as noted, are mostly the OEM operating indirectly in the construction sector and operators linked to the food distribution sector (for the refrigeration business).

The group protects itself from the business risks deriving from its normal involvement in markets with these characteristics by focusing on technological innovation and geographical diversification and expansion leading to the group gaining international status as it is active on all the continents either directly or through exclusive third party franchisees.

The production sites in Italy, China, Brazil, the United States, Croatia, Germany and Poland aim to optimise production. They will also act as potential disaster recovery centres to deal with catastrophes that shut down production at the main site in Italy, where the parent has its registered office. The group's strategy is also to base its production near its markets and customers to provide faster time-to-market services and increase its production output to serve the rapidly growing markets.

The continuing production structure reorganisation, the related cost savings, geographical diversification and, last but not least, the group's constant commitment to searching for innovative technological solutions make it easier to be competitive.

Climate change and possible impact on the Carel Industries Group

In 2024, the group dedicated considerable efforts to addressing ESG matters and prepared a new sustainability plan for the 2025-2028 period approved by the parent's board of directors on 19 December 2024.

The group continued to identify and assess the new risks and opportunities related to climate change as they materialise, by revisiting its procedures annually.

During the year, the group mainly focused on preparing a plan to reduce both direct and indirect CO2 emissions by setting specific targets, which were also validated by the Science Based Target Initiative (SBTi) in early 2025.

The above analyses and results are described in more detail in the sustainability statement section of this report.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

[1] PROPERTY, PLANT AND EQUIPMENT

At 31 December 2024, property, plant and equipment amount to €123,124 thousand compared to €117,504 thousand at 31 December 2023. The following table provides a breakdown of the caption and the changes of the year:

2023 YEAR CHANGES

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Balance at 31 December 2022	**63,067**	**23,425**	**11,737**	**8,249**	**3,209**	**109,687**
- Historical cost	40,548	52,287	53,424	20,284		166,543
- Historical cost right of use	38,922	-	322	3,829		43,073
- Accumulated depreciation	(7,607)	(28,862)	(41,869)	(14,043)	3,209	(89,172)
- Accumulated depreciation right of use	(8,796)	-	(140)	(1,821)	-	(10,757)
Changes in 2023						
- Investments	2,079	4,581	5,195	3,766	5,319	20,940
- Investments in right-of-use assets	3,245	48	37	1,803	-	5,133
- Business combinations (historical cost)	146	90	731	683	-	1,650
- Business combinations (right-of-use assets)	2,874	-	-	164	-	3,038
- Reclassifications (historical cost)	85	2,861	432	81	(3,461)	(2)
- Impairment losses	-	-	-	-	-	-
- Sales (historical cost)	-	(1,622)	(774)	(1,181)	(139)	(3,717)
- Sales - Right-of-use assets (historical cost)	(1,431)	-	(47)	(735)	-	(2,212)

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
- Exchange differences on historical cost	(793)	(128)	(716)	(113)	7	(1,743)
- Exchange differences on accumulated depreciation	150	(22)	399	71	-	598
- Exchange differences on right-of-use assets	(73)	1	-	(5)	-	(77)
- Depreciation	(1,572)	(4,395)	(4,481)	(1,951)	-	(12,399)
- Depreciation of right-of-use assets	(5,529)	(7)	(107)	(1,219)	-	(6,861)
- Business combinations (accumulated depreciation)	(98)	(62)	(415)	(529)	-	(1,105)
- Business combinations (right-of-use assets) (accumulated depreciation)	(586)	-	-	-	-	(586)
- Reclassifications (accumulated amortisation)	62	(206)	109	24	-	(12)
- Restatement of right-of-use assets	(231)	-	-	(45)	-	(276)
- Sales (accumulated depreciation)	(0)	1,518	632	1,095	-	3,244
- Sales - Right-of-use assets (accumulated depreciation)	1,435	-	47	724	-	2,206
Total	**(237)**	**2,657**	**1,041**	**2,631**	**1,726**	**7,818**
Balance at 31 December 2023	**62,829**	**26,083**	**12,778**	**10,880**	**4,935**	**117,504**
including:						
- Historical cost	42,118	58,070	58,292	23,513	4,935	186,928
- Historical cost right of use	43,182	49	313	5,018	-	48,562
- Accumulated depreciation	(9,119)	(32,029)	(45,626)	(15,336)	-	(102,110)
- Accumulated depreciation right of use	(13,352)	(7)	(201)	(2,315)	-	(15,875)

2024 YEAR CHANGES

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Balance at 31 December 2023	**62,829**	**26,083**	**12,778**	**10,880**	**4,935**	**117,504**
- Historical cost	42,118	58,070	58,292	23,513	4,935	186,928
- Historical cost right of use	43,182	49	313	5,018		48,562
- Accumulated depreciation	(9,119)	(32,029)	(45,626)	(15,336)		(102,110)

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
- Accumulated depreciation right of use	(13,352)	(7)	(201)	(2,315)	-	(15,875)
Changes in 2024						
- Investments	3,745	5,763	8,247	1,883	1,843	21,480
- Investments in right-of-use assets	3,688	-	71	1,883	-	5,642
- Reclassifications (historical cost)	216	2,291	1,046	(323)	(4,804)	(1,574)
- Sales (historical cost)	(1)	(821)	(1,104)	(878)	(158)	(2,963)
- Sales - Right-of-use assets (historical cost)	(3,079)	-	(87)	(1,002)	-	(4,168)
- Exchange differences on historical cost	736	269	487	51	11	1,554
- Exchange differences on accumulated depreciation	(143)	(109)	(373)	(56)	-	(681)
- Exchange differences on right-of-use assets	26	(4)	-	(0)	-	22
- Depreciation	(1,701)	(4,609)	(4,975)	(2,320)	-	(13,605)
- Depreciation of right-of-use assets	(6,218)	(15)	(95)	(1,400)	-	(7,728)
- Reclassifications (accumulated depreciation)	559	77	164	242	-	1,043
- Restatement of right-of-use assets	1	-	(8)	(25)	-	(33)
- Sales (accumulated depreciation)	0	774	955	830	-	2,560
- Sales - Right-of-use assets (accumulated depreciation)	2,989	-	87	993	-	4,068
Total	**819**	**3,617**	**4,413**	**(122)**	**(3,109)**	**5,619**
Balance at 31 December 2024	**63,649**	**29,700**	**17,191**	**10,758**	**1,827**	**123,124**
including:						**-**
- Historical cost	46,815	65,573	66,967	24,245	1,827	205,425
- Historical cost right of use	43,818	45	289	5,874	-	50,025
- Accumulated depreciation	(10,403)	(35,895)	(49,855)	(16,639)	-	(112,792)
- Accumulated depreciation right of use	(16,581)	(22)	(209)	(2,722)	-	(19,534)

Investments in 2024 were mainly focused on expanding the group's production capacity (new assembly lines for electrical panels at the parent, new production lines for heat pump inverters at the Croatian subsidiary and new damper assembly, folding and cutting stations at the US subsidiary) as well as improving production processes and, in particular, production traceability and quality (introduction of selective welding for the production of inverters, automatic warehouses for the storage of electronic components, laser markings to trace electronic components and equipment to reduce the tooling times of SMT lines).

During the year, the group also completed the expansion of the production plant in Poland and the installation of new machinery for laser cutting of metal components to support the its production in this vertical area.

A breakdown of property, plant and equipment by geographical segment is as follows:

PROPERTY PLANT AND EQUIPMENT		
(€'000)	**31.12.2024**	**31.12.2023**
Europe, Middle East and Africa	93,306	86,994
APAC	17,927	18,438
North America	10,947	10,909
South America	944	1,163
Total	**123,124**	**117,504**

The group's property, plant and equipment were not mortgaged or pledged in either year. They are suitably hedged for risks deriving from losses and/or damage thereto through insurance policies taken out with leading insurers.

The group did not capitalise borrowing costs, in line with previous years.

[2] INTANGIBLE ASSETS

At 31 December 2024, this caption amounts to €379,745 thousand compared to €383,266 thousand at 31 December 2023. The following table presents changes in these assets:

2023 YEAR CHANGES						
(€'000)	**Development expenditure**	**Trademarks, industrial patents and software licences**	**Goodwill**	**Other assets**	**Assets under development and payments on account**	**Total**
Balance at 31 December 2022 (restated)	**5,508**	**16,715**	**101,393**	**69,929**	**883**	**194,428**
- Historical cost	28,485	38,696	101,393	82,153	883	251,610
- Accumulated amortisation	(22,977)	(21,981)	-	(12,224)	-	(57,182)
Changes in 2023						
- Investments	568	3,101	-	52	2,746	6,468
- Business combinations (historical cost)	172	8,300	145,166	48,336	-	201,973
- Reclassifications (historical cost)	745	83	-	(49)	(846)	(67)
- Impairment losses	-	-	-	-	-	-
- Sales (historical cost)	(77)	(3)	-	(6)	-	(86)
- Exchange differences on historical cost	(26)	(679)	(2,696)	(2,682)	(41)	(6,163)
- Exchange differences on accumulated amortisation	31	56	-	86	-	172
- Amortisation	(2,205)	(4,326)	-	(6,932)	-	(13,463)
- Business combinations (accumulated amortisation)	(35)	(61)	-	(44)	-	(140)
- Reclassifications (accumulated amortisation)	21	11	-	51	-	82
- Sales (accumulated amortisation)	-	-	-	22	-	22
Total	**(807)**	**6,482**	**142,469**	**38,834**	**1,859**	**188,838**
31 December 2023	**4,701**	**23,198**	**243,862**	**108,763**	**2,742**	**383,266**
including:						
- Historical cost	29,867	49,498	243,862	127,805	2,742	453,774
- Accumulated amortisation	(25,166)	(26,301)	-	(19,042)	-	(70,508)

2024 YEAR CHANGES						
(€'000)	**Development expenditure**	**Trademarks, industrial patents and software licences**	**Goodwill**	**Other assets**	**Assets under development and payments on account**	**Total**
Balance at 31 December 2023	**4,701**	**23,198**	**243,862**	**108,763**	**2,742**	**383,266**
- Historical cost	29,867	49,498	243,862	127,805	2,742	453,774
- Accumulated amortisation	(25,166)	(26,301)	-	(19,042)	-	(70,508)
Changes in 2024						
- Investments	2,175	3,944	(1)	139	3,862	10,119
- Reclassifications (historical cost)	507	1,902	-	(2)	(1,520)	888
- Sales (historical cost)	-	(570)	-	(3)	-	(573)
- Exchange differences on historical cost	(253)	333	1,649	1,150	45	2,924
- Exchange differences on accumulated amortisation	88	(76)		(125)	-	(113)
- Amortisation	(2,056)	(5,369)	-	(9,557)	-	(16,982)
- Reclassifications (accumulated amortisation)	-	(357)	-	-	-	(357)
- Sales (accumulated amortisation)	-	570	-	3	-	573
Total	**461**	**376**	**1,648**	**(8,394)**	**2,387**	**(3,521)**
Balance at 31 December 2024	**5,163**	**23,574**	**245,510**	**100,369**	**5,129**	**379,745**
including:						
- Historical cost	32,296	55,108	245,510	129,090	5,129	467,132
- Accumulated amortisation	(27,133)	(31,533)	-	(28,721)	-	(87,388)

A breakdown of intangible assets by geographical segment is as follows:

INTANGIBLE ASSETS		
(€'000)	**2024**	**2023**
Europe, Middle East and Africa	326,380	331,633
APAC	6,145	5,374
North America	47,127	46,256
South America	93	2
Total	**379,745**	**383,266**

With reference to intangible assets:

- the balance of development expenditure shows the expenditure related to projects developed by the parent, the Chinese subsidiary and the Kiona Group that have been capitalised and refer to the production of new innovative products and systems or substantial improvements to existing products and services incurred before the start of commercial production or use. This expenditure is capitalised when all the requirements of IAS 38.57 are met. Investments made in 2023 and 2024 relate to the projects developed and available for use in those years. Assets under development and payments on account mainly include costs incurred for projects that had not been completed at the reporting date. The reclassifications refer to completed projects, for which amortisation has commenced. Impairment losses are recognised as Amortisation, depreciation and impairment losses in the statement of profit or loss;
- trademarks, industrial patents and software licences include software;
- goodwill is the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the

acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the assets acquired and liabilities assumed;
- other assets primarily refer to the excess costs recognized on the first consolidation of the acquired companies and refers primarily to customers lists.

At 31 December 2024, goodwill amounts to €245,510 thousand compared to €243,862 thousand at 31 December 2023.

GOODWILL

(€'000)	31.12.2024	Increase	Other changes	Exchange differences	31.12.2023
Kiona Holding AS	143,993	-	-	-	143,993
HygroMatik GmbH	38,499	-	-	-	38,499
Enginia S.r.l.	6,644	-	-	-	6,644
Recuperator S.p.A.	6,326	-	-	-	6,326
Klingenburg GmbH	3,503	-	-	-	3,503
Arion S.r.l.	1,980	-	-	-	1,980
Sauber S.r.l.	1,264	-	-	-	1,264
CFM Sogutma Ve Otomasyon	11,431	-	-	-	11,431
Senva Inc	26,310	-	-	1,577	24,734
Carel Thailand CO Ltd	2,119	-	-	72	2,047
Eurotec Ltd	1,173	-	-	-	1,173
Other goodwill	2,267	-	-	-	2,267
Total	**245,510**	-	-	**1,650**	**243,862**

The caption Other goodwill include amounts that are not significant individually and in aggregate.

Impairment test

As required by IAS 36, the group tests goodwill recognised in its consolidated financial statements for impairment at least once a year, including if there are no indicators of impairment.

Goodwill is recognised on the acquisitions shown in the previous table.

In 2024, senior management designed the group's new organisational structure which became effective on 1 January 2025. It includes a regional CEO for Western Europe and also involved the reorganisation of c-suite managers reporting directly to the Group CEO. Greater responsibilities, particularly for sales and marketing activities, were assigned to the four regional CEOs in charge of the development of their respective geographical areas (Western Europe (WE), East Europe Middle East & Africa (EEMEA), North & South America (SNAM) and Asia Pacific (APAC)) while some strategic areas, such as R&D and Operation, are managed centrally.

In line with this new organisation, management redefined the structure of the group's CGUs, identifying the above four geographical areas each as a CGU. These CGUs represent the aggregation of consolidated revenue and costs for each geographical area regardless of the companies located in such areas. The sum of the four CGUs is consistent with the consolidated figures for the Carel Group.

The principal test methods and results are shown below for the CGUs: Western Europe, Middle East & Africa and North and South America.

The recoverable amount of goodwill of each CGU is determined by calculating its value in use.

The goodwill recognised for the main CGU is shown below:

GOODWILL BY CGU

€'000	
Western Europe	202,495
East Europe, Middle East and Africa	12,279
North and South America	27,290

Goodwill related to APAC amount to 3.4 million euro.

The methods and assumptions underlying the impairment tests of the CGUs included:

- cash flows as per the business plans, using a five-year plan horizon (explicit projections) plus an estimate of the terminal value. Specifically, management used the gross margin based on past performance and its expectations about the future development of the group's markets to prepare the plans, which were prepared at consolidation level for each CGU;
- the growth rate (g) to determine the cash flows after the plan horizon, calculated specifically for the individual CGUs subject to analysis;
- the pre-tax WACC rate as the discount rate used to discount operating cash flows. Management calculated the cost of capital using the market returns of the last six months on medium to long-term government bonds of the countries/markets in which the CGUs are based, adjusted by the market risk premium of each country to account for the investment risk.

The main parameters used to test each CGU were as follows:

CGU	Plan horizon	Growth (g) rate	WACC
Western Europe	2025-2029	1.9%	9.7%
East Europe, Middle East and Africa	2025-2029	2.9%	12.6%
North and South America	2025-2029	2.3%	10.5%

The values in use, calculated using the discounted cash flows, confirm the carrying amount of goodwill. Although the directors believe that the assumptions used are reasonable and represent the most probable scenarios based on the available information, the result of the test could differ should the above assumptions significantly change.

Accordingly, stress tests were carried out, related, in particular, to:

- the gross operating profit estimated over the period of the plans (both explicit and terminal value), assuming that the possible deterioration of the macroeconomic scenario will affect that period;
- certain variables, such as government bond yield and market risk premium, used to determine the WACC discount rate.

With reference to the following CGUs the headroom result zero under the assumption that the gross operating profit decreases or the WACC increases as set out below:

	Gross operating profit +/-	WACC +/-
Western Europe	-6.7%	+1.79%
East Europe, Middle East and Africa	-35.7%	+8.00%
North and South America	-18.2%	+8.50%

Therefore, there was no need to impair goodwill at 31 December 2024.

Following the redefinition of the CGUs, the Group also conducted impairment tests on the CGUs as defined as of December 31, 2023 in order to verify that, where impairments had emerged under the previous arrangement, adequate disclosure was provided. The analyses conducted by the Group did not reveal such a case.

As already reported in the interim report at 30 June 2024, the PPA procedure for Eurotec and the Kiona Group was completed, confirming the amounts already reported in the consolidated financial statements at 31 December 2023.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 31 December 2024, this caption amounts to €3,999 thousand compared to €2,217 thousand at 31 December 2023. It may be analysed as follows:

2023

(€'000)	Investment %	31.12.2023	Increase	Exchange differences	Equity-accounting	31.12.2022
Free Polska s.p.z.o.o.	43.8%	2,106		134	613	1,359
Others		111	22	2	-	87
Total		**2,217**	**22**	**136**	**613**	**1,446**

2024

(€'000)	Investment %	31.12.2024	Increase	Exchange differences	Equity-accounting	31.12.2023
Free Polska s.p.z.o.o.	43.8%	3,888	-	44	1,737	2,106
Others		111	-	-	-	111
Total		**3,999**	**-**	**44**	**1,737**	**2,217**

At 31 December 2024 Free Poslka recorded a net result of 3.8 million euro and reported an equity of 9.4 million euros.

[4] OTHER NON-CURRENT ASSETS

At 31 December 2024, other non-current assets amount to €4,468 thousand compared to €6,868 thousand at 31 December 2023; they are broken down as follows:

(€'000)	31.12.2024	31.12.2023
Guarantee deposits	587	572
Third parties	195	207
Other assets	3,686	6,089
Total	**4,468**	**6,868**

Other assets include the substitute tax paid by the parent and Recuperator S.p.A. on the higher values allocated and recognised in the consolidated financial statements at 31 December 2018, implicit in the carrying amount of the equity investment in Enginia in Reuperator's financial statements for a total amount of 3,681 thousand euro. In 2024, the parent and Recuperator deducted the above amounts for both IRES (corporate income taxes) and IRAP (local tax on production) purposes and released €2,278 thousand to profit or loss. The amount related to 2025 was reclassified to current assets.

[5] DEFERRED TAX ASSETS

At 31 December 2024, deferred tax assets amount to €14,689 thousand compared to €14,399 thousand at 31 December 2023. The group has recognised deferred tax assets and liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

It calculates taxes using the rates enacted in the countries where it operates when the temporary differences reverse. A breakdown of deferred tax assets is as follows:

(€'000)	2024 tax base	Deferred tax assets at 31 December 2024	2023 tax base	Deferred tax assets at 31 December 2023
Allowance for inventory write-down	26,345	5,514	16,369	3,688
Non-deductible accruals	5,201	1,407	5,214	1,412
Amortisation of goodwill	481	111	508	111
Consolidation adjustments to intragroup inventory transactions	13,535	2,707	19,446	3,966
Carryforward tax losses	9,537	2,099	10,793	2,386
Other	12,890	2,851	11,656	2,836
Total	**67,989**	**14,689**	**63,985**	**14,399**

Changes in deferred tax assets and liabilities are presented in the next table:

(€'000)	31.12.2024	Recognised in profit or loss	Change in consolidation scope	Recognised in OCI	Exchange differences	31.12.2023
Deferred tax assets	14,689	460	-	(89)	(80)	14,399
Deferred tax liabilities	(26,185)	2,604	-	73	(74)	(28,788)
Total	**(11,495)**	**3,064**	**-**	**(16)**	**(155)**	**(14,389)**

Deferred tax assets on carryforward tax losses amount to €2,099 thousand. The group believes that these losses can be recovered over time based on the cash flows that the group will generate in future years.

CURRENT ASSETS

[6] TRADE RECEIVABLES

At 31 December 2024, this caption amounts to €99,606 thousand compared to €101,291 thousand at 31 December 2023. It may be analysed as follows:

(€'000)	31.12.2024	31.12.2023
Trade receivables	102,386	103,683
Loss allowance	(2,780)	(2,393)
Trade receivables	**99,606**	**101,291**

The next table breaks down gross trade receivables by geographical segment:

(€'000)	31.12.2024	31.12.2023
Europe, Middle East and Africa	67,990	75,455
APAC	14,866	12,422
North America	16,498	12,745
South America	3,032	3,061
Total	**102,386**	**103,683**

The group does not usually charge default interest on past due receivables. Reference should be made to the section on risks and financial instruments for details of the receivables that are not yet due and/or are past due.

The group's receivables are not particularly concentrated. It does not have customers that individually account for more than 5% of the total receivables at each maturity date.

The loss allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. Any impairment losses are recognised in Other expense (net) each year.

Changes in the allowance are shown in the following table:

(€'000)	31.12.2024	Impairment losses	Utilisations	Exchange differences	Reversals	31.12.2023
Loss allowance	(2,780)	(524)	150	(14)	-	(2,392)

[7] INVENTORIES

At 31 December 2024, this caption amounts to €94,206 thousand compared to €111,722 thousand at 31 December 2023. It may be analysed as follows:

(€'000)	31.12.2024	31.12.2023
Raw materials	66,625	69,517
Allowance for inventory write-down	(15,759)	(8,050)
Semi-finished products and work in progress	6,062	5,695
Finished goods	48,323	54,277
Allowance for inventory write-down	(11,887)	(9,872)
Payments on account	843	154
Total	**94,206**	**111,722**

Inventories, gross of the allowance for inventory write-downs, decreased by a total of €8,479 thousand. The group recognised an allowance for inventory-write down (€27,647 thousand) to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods. The write-downs were recognised in the caption Costs of raw materials, consumables and goods and change in inventories.

[8] CURRENT TAX ASSETS

This caption amounts to €6,238 thousand compared to €4,264 thousand at the previous year end. It includes direct tax assets offset, where possible, against the tax liabilities at the same date.

[9] OTHER CURRENT ASSETS

At 31 December 2024, this caption amounts to €22,540 thousand compared to €21,166 thousand at 31 December 2023. It may be analysed as follows:

(€'000)	31.12.2024	31.12.2023
Payments on account to suppliers	1,742	1,258
Other tax assets	6,007	7,265
VAT assets	5,257	2,914
Prepayments and accrued income	8,225	8,118
Other	1,310	1,610
Total	**22,540**	**21,166**

Other tax assets mainly consist of the tax credits for research and development expenditure in addition to the current portion of the tax asset arising from the substitute tax paid to align the higher carrying amounts with the relevant tax bases upon consolidation as detailed in note [4].

[10] CURRENT FINANCIAL ASSETS

At 31 December 2024, this caption amounts to €3,290 thousand compared to €3,697 thousand at 31 December 2023. It may be analysed as follows:

(€'000)	31.12.2024	31.12.2023
Securities at FVTPL	2,987	2,927
Derivatives	193	534
Other financial assets	41	175
Deposit accounts	69	62
Total	**3,290**	**3,697**

Securities at FVTPL refer to investments, with major counterparties, aimed at managing part of the group's liquidity. The objective of these financial assets is the collection of contractual cash flows comprising payments of principal and interest at fixed rates at specific maturities.

The derivatives are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting and interest rate swaps agreed to cover fluctuations in interest rates on loans. Fair value gains and losses are recognised in profit or loss. More information is available in the paragraph on financial instruments in note [35] Other information.

[11] CASH AND CASH EQUIVALENTS

At 31 December 2024, this caption amounts to €99,119 thousand compared to €154,010 thousand at 31 December 2023. Reference should be made to the statement of cash flows for details of changes in the group's cash and cash equivalents.

(€'000)	31.12.2024	31.12.2023
Current accounts and post office deposits	99,087	153,973
Cash	32	37
Total	**99,119**	**154,010**

Current accounts and post office deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to immaterial currency risk.

At the reporting date, the group's current account credit balances were not pledged in any way.

EQUITY AND LIABILITIES

[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The parent's fully paid-up and subscribed share capital consists of 112,499,205 shares without a nominal amount for a total of €11,249,921.

Equity may be analysed as follows:

(€'000)	31.12.2024	31.12.2023
Share capital	11,250	11,250
Legal reserve	2,250	2,000
Translation reserve	638	(3,015)
Hedging reserve	127	393
Other reserves	205,069	182,308
Retained earnings	152,967	112,544
Profit for the year	62,642	70,942
Total	**434,944**	**376,422**

The hedging reserve includes the fair value gains and losses on interest rate hedges.

The increase in other reserves refers to the allocation of the profit for 2023.

At the reporting date, the parent had 6,355 treasury shares. It did not repurchase or sell any treasury shares during the year.

The earnings per share are calculated by dividing the profit attributable to the owners of the parent by the weighted average number of outstanding ordinary shares. There are no potentially dilutive ordinary shares (e.g., stock options or convertible bonds).

The earnings per share are as follows:

(€'000)	2024	2023
Number of shares (in thousands)	112,493	101,026
Profit for the year (in thousands of Euros)	62,642	70,942
Earnings per share (in Euros)	0.56	0.70

The shareholders resolved to distribute a dividend of €0.19 per share on 18 April 2024, which resulted in the distribution of €21,374 thousand in June 2024.

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 31 December 2024, this caption amounts to €6,591 thousand compared to €19,751 thousand at 31 December 2023 and comprises the non-controlling interests in Carel Thailand Co. Ltd (20%), Sauber (30%) and Kiona (17.6%).

(€'000)	31.12.2024	Profit for the year	Other comprehensive income	Dividends distributed	Change in consolidation scope	31.12.2023
Equity attributable to non-controlling interests	**6,591**	617	152	(54)	(13,875)	**19,751**

The change in consolidation scope refers to the non-controlling interests in CFM, which the group acquired in March 2024. The same amount increased the profit for the previous years attributable to the owners of the parent.

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

These captions may be analysed as follows:

(€'000)	31.12.2024	31.12.2023
Bank loans at amortised cost	24,319	58,967
Amounts due to bondholders	59,508	59,427
Lease liabilities	24,934	26,958
Effective hedging derivatives	0	0
Other loans and borrowings at amortised cost	151	407
Other financial liabilities	455	1,632
Non-current financial liabilities	**109,367**	**147,390**

(€'000)	31.12.2024	31.12.2023
Bank loans at amortised cost	34,690	31,739
Lease liabilities	6,605	6,406
Amounts due to bondholders	371	371
Bank borrowings at amortised cost	733	1,284
Derivatives held for trading at fair value through profit or loss	6	5
Other loans and borrowings at amortised cost	289	287
Other financial liabilities	537	5,888
Current financial liabilities	**43,231**	**45,980**

Amounts due to bondholders refer to the issue and placement of non-convertible bonds subscribed by funds managed by Prudential Insurance Company of America ("Pricoa"). Specifically, on 6 May 2022, the parent placed two ten-year non-convertible bond issues with a nominal amount of €20,000 thousand each due in May 2032 and with a five-year interest-only period. In March 2023, the parent issued an additional tranche of bonds with a nominal value of €20,000 thousand. These bonds are part of a private shelf agreement whereby the parent can ask Pricoa, on an uncommitted basis and over the next three years, to subscribe additional bonds up to a total maximum amount of USD150 million. They are guaranteed by the parent and certain subsidiaries.

Fixed interest accrues on these bonds from the subscription date and repayment of principal will take place annually starting from the fifth year on a straight-line basis, with the first and last payment dates in May 2028 and March 2033, respectively.

The bonds are unrated and will not be listed on regulated markets. Compliance with the following covenants is checked every six months:

- net financial debt / gross operating profit (loss) < 3.5x;
- net financial debt / equity < 1.5;
- gross operating profit (loss) / net financial expense > 5.

At 31 December 2024, such covenants were complied with.

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Senior A bonds	EUR	20,000	2032	Fixed	19,858	54	19,804
Senior B bonds	EUR	20,000	2032	Fixed	19,863	59	19,804
Senior C bonds	EUR	20,000	2033	Fixed	20,156	257	19,899
Total						**370**	**59,507**

The following table shows the main characteristics of the bank loans by maturity at 31 December 2024:

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Mediobanca – Banca di Credito Finanziaria S.p.A.	EUR	20,000	2026	Floating	6,684	4,444	2,240
Intesa San Paolo	EUR	10,000	2026	Floating	4,995	3,333	1,662
Intesa San Paolo	EUR	20,000	2026	Floating	9,990	6,667	3,323
Credem	EUR	10,000	2026	Floating	5,415	3,400	2,015
Intesa San Paolo	EUR	5,000	2026	Floating	3,172	1,818	1,354
Intesa San Paolo	EUR	15,000	2026	Floating	9,515	5,455	4,060
Cassa Depositi e Prestiti	EUR	10,000	2026	Floating	9,979	5,000	4,979
Credem	EUR	15,000	2026	Floating	7,785	3,829	3,956
BCC Brescia	EUR	500	2027	Floating	487	160	327
Carige	EUR	350	2026	Fixed	162	88	74
Carige	EUR	250	2027	Fixed	131	62	69
Carige	EUR	400	2026	Fixed	158	135	23
MPS	EUR	800	2027	Fixed	400	163	237
Banco BPM	EUR	500	2025	Floating	136	136	-
Total					**59,009**	**34,690**	**24,319**

The following loans require compliance with covenants:
- Mediobanca (loan of €20,000 thousand, outstanding liability at 31 December 2024 of €6,684 thousand): Net financial debt / gross operating profit (loss) < 3.50 and gross operating profit (loss) / net financial expense ratio > 5.00;
- Intesa Sanpaolo (original loans of €20,000 thousand and €10,000 thousand, outstanding liability at 31 December 2024 of €9,990 thousand and €4,995 thousand): Net financial debt / EBITDA < 3.50;
- Intesa Sanpaolo (original loans of €15,000 thousand and €5,000 thousand, outstanding liability at 31 December 2024 of €9,515 thousand and €3,172 thousand): Net financial debt / EBITDA < 3.50;
- Cassa Depositi e Prestiti (loan of €10,000 thousand, outstanding liability at 31 December 2024 of €9,979 thousand): Net financial debt / gross operating profit (loss) < 3.50 and net financial debt / equity ratio < 1.5.

At 31 December 2024, such covenants were complied with.

The derivatives included under current financial liabilities are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. The effective designated derivative hedges include the fair value of an IRS agreed to hedge interest rate risk on the Mediocredito Italiano financing. More information is available in the paragraph on financial instruments in note [35] Other information.

A breakdown of other loans and borrowings at amortised cost is provided below, with indication of whether they are current or non-current:

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
MedioCredito Centrale Progetto Horizon 2020	EUR	1,241	2026	Fixed	294	196	98
Other					146	93	53
Total					**440**	**289**	**151**

Other current and non-current financial liabilities mostly include amounts due for the acquisitions made in previous years. The following tables show changes in current and non-current financial liabilities, comprising lease liabilities (including cash and non-cash changes):

(€'000)	31.12.2024	Net cash flows	Reclassification	Fair value losses	Exchange differences	31.12.2023
Bank loans	34,690	(31,760)	34,710	-	-	31,739
Amounts due to bondholders	371	-	-	-	-	371
Bank borrowings	733	(552)	-	-	-	1,284
Other loans and borrowings	289	3	-	-	-	287
Derivatives	6	(5)	-	6	-	5
Other financial liabilities	537	(5,351)	-	-	-	5,888
Current financial liabilities	**36,626**	**(37,665)**	**34,710**	**6**	-	**39,575**

(€'000)	31.12.2024	Net cash flows	Reclassification	Fair value gains	Exchange differences	31.12.2023
Bank loans at amortised cost	24,319	507	(34,710)	(444)	-	58,967
Amounts due to bondholders	59,508	-	-	80	-	59,427
Effective hedging derivatives	-	-	-	-	-	-
Other loans and borrowings at amortised cost	151	(256)		-	-	407
Other financial liabilities	455	(1,176)		-	-	1,632
Non-current financial liabilities	**84,433**	**(925)**	**(34,710)**	**(364)**		**120,432**

(€'000)	31.12.2024	Increases	Restatement of financial liabilities	Repayments	Interest	Exchange differences	Change in consolidation scope	31.12.2023
Lease liabilities	31,539	5,549	(50)	(8,317)	977	16		33,364

A breakdown of net financial debt calculated in accordance with ESMA guideline no. 32-382-1138 of 4 March 2021 is provided below:

	(€'000)	31.12.2024	31.12.2023
A	Cash	99,119	154,010
B	Cash equivalents	0	0
C	Other current financial assets	3,290	3,697
D	**Cash and cash equivalents (A+ B + C)**	**102,408**	**157,707**
E	Current loans and borrowings	1,646	7,549
F	Current portion of non-current loans and borrowings	41,585	38,432
G	**Current financial debt (E + F)**	**43,231**	**45,980**
H	**Current net financial position (G - D)**	**(59,177)**	**(111,727)**
I	Non-current loans and borrowings	49,859	87,963
J	Debt instruments	59,508	59,427
K	Trade payables and other non-current financial liabilities	23,558	24,213
L	**Non-current financial debt (I + J + K)**	**132,925**	**171,603**
M	**Net financial debt (H + L)**	**73,748**	**59,877**

As also required by Consob warning no. 5/21 of 29 April 2021, it is noted that the group has recognised a liability subject to conditions related to the option for the non-controlling interests in Kiona and Sauber, as detailed in note [18]. The earn out liability for acquisition of Senva is included in section K of the above table under other non-current financial liabilities. In compliance with such warning, it is noted that the group recognised accruals for defined benefit plans of €7,390 thousand (note [16]) and provisions for risks and charges of €11,793 thousand (note [15]).

[15] PROVISIONS FOR RISKS

At 31 December 2024, provisions for risks amount to €11,793 thousand compared to €11,648 thousand at 31 December 2023 and they are broken down as follows:

(€'000)	31.12.2024	31.12.2023
Provision for agents' termination benefits	851	815
Provision for commercial complaints	144	90
Provision for product warranties	1,995	1,343
Other provisions	3,368	3,210
Total - non-current	**6,358**	**5,458**
Provision for product warranties	1,023	191
Provision for commercial complaints	2,983	2,950
Other provisions	1,429	3,050
Total – current	**5,435**	**6,191**
Total	**11,793**	**11,648**

The following table shows changes in this caption:

(€'000)	31.12.2024	Accruals	Utilisations	Reversals	Reclassification	Exchange differences	31.12.2023
Provision for agents' termination benefits	851	31	-	-	-	5	815
Provision for commercial complaints	144	46	-	-	-	8	90
Provision for product warranties	1,995	357	(256)	(239)	789	1	1,343
Other provisions	3,368	399	(250)	-	-	17	3,210
Total - non-current	**6,358**	**833**	**(506)**	**(239)**	**789**	**24**	**5,458**
Provision for product warranties	1,023	-		-	832	-	191
Provision for commercial complaints	2,983	978	(944)	-	-	-	2,950
Other provisions	1,429	-	-	-	(1,621)	-	3,050
Total – current	**5,435**	**978**	**(944)**	**-**	**(798)**	**-**	**6,191**
Total	**11,793**	**1,811**	**(1,450)**	**(239)**	**-**	**-**	**11,648**

The provision for agents' termination benefits includes the estimated liability arising from application of the current regulations and contractual terms covering the termination of agency agreements. Unlike the accruals to the provisions for risks and product warranties and the other provisions, the accrual to this provision is classified under services in the statement of profit or loss.

[16] DEFINED BENEFIT PLANS

This caption mainly consists of the group's liability for post-employment benefits and post-term of office benefits for directors recognised by the Italian group companies and the German subsidiary, HygroMatik GmbH. These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated by an independent actuary. Changes in the liability in the year are shown below:

(€'000)	31.12.2024
Opening balance	**8,479**
Interest cost	198
Change in consolidation scope	0
Other variations	29

Employee benefits paid	(1,729)
Exchange differences	30
Accruals	3,364
Transfer to pension plans	(3,125)
Actuarial loss	144
Closing balance	**7,390**

The group also performed sensitivity analyses to assess reasonable changes in the main assumptions underlying the calculations. Specifically, it assumed an increase or decrease of 0.25% in the discount rate. The resulting change in the liability would be immaterial.

[17] DEFERRED TAX LIABILITIES

At 31 December 2024, this caption amounts to €26,185 thousand compared to €28,788 thousand at 31 December 2023. Changes in deferred tax liabilities are available in note [5] Deferred tax assets. A breakdown of deferred tax liabilities is as follows:

(€'000)	2024 tax base	2024 deferred tax liabilities	2023 tax base	2023 deferred tax liabilities
Discounting of non-current liabilities	397	117	370	109
Differences from consolidation adjustments	98,895	23,937	108,449	26,279
Differences on amortisation and depreciation and other differences in standards	3,172	734	6,026	1,122
Other	8,015	1,397	6,815	1,277
Total	**110,479**	**26,185**	**121,660**	**28,788**

The largest differences are due to the allocation of non-taxable amounts upon the first-time consolidation of the acquirees.

[18] OTHER NON-CURRENT LIABILITIES

The balance of €87,720 thousand mainly refers to the liability for the call option for the non-controlling interests in Kiona (€61,761 thousand) and the liability for the earn-out for Senva (€23,010 thousand) and the smaller earn-out of €548 thousand. The liability for the call option for the non-controlling interests in Sauber (€1,409 thousand) has been reclassified to Other current liabilities given that the non-controlling investor can exercise its put option from 2025.

At 31 December 2024, the group recalculated the fair values of the call options for Kiona and Sauber and the liability for the earn-out mechanism for Senva on the basis of the updated business plans approved by the investees' boards of directors. Based on these plans, the fair values decreased by €9,181 thousand and €2,901 thousand, respectively. Accordingly, the group recognised fair value gains on call options for non-controlling interests in profit or loss.

In 2024, the group recognised interest expense of €3,344 thousand.

The caption is broken down as follows:

(€'000)	31.12.2024	31.12.2023
Other	2,415	2,129
Call options for non-controlling interests	85,305	97,436
Other non-current liabilities	**87,720**	**99,566**

"Other" comprises non-current deferred income and non-current liabilities for the LTI incentive plans.

[19] TRADE PAYABLES

Trade payables amount to €62,689 thousand, compared to €74,931 thousand at 31 December 2023.

There are no significant past due amounts at 31 December 2024.

[20] CURRENT TAX LIABILITIES

At 31 December 2024, this caption amounts to €6,250 thousand compared to €5,184 thousand at the end of the previous year. It entirely consists of direct income tax liabilities.

[21] OTHER CURRENT LIABILITIES

This caption is broken down in the following table and mostly includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions):

(€'000)	31.12.2024	31.12.2023
Social security contributions	7,035	6,839
Tax withholdings	2,820	2,824
Other current tax liabilities	718	716
VAT liabilities	2,502	3,612
Wages and salaries, bonuses and holiday pay	22,052	22,744
Other	18,326	18,045
Call options for non-controlling interests	1,409	47,482
Total	**54,863**	**102,263**

As disclosed in note [18], the liability for the call option for the non-controlling interests in CFM has been reclassified to Other current liabilities given that the exercise of the put option is expected in 2025. The amount of €47,482 thousand recognised at 31 December 2023 related to the liability for the put option for CFM exercised in March 2024. The caption Other mainly includes deferred income recorded in Kiona Group related to consideration to be recognized the following year.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

[22] REVENUE

Revenue amounts to €578,536 thousand, compared to €650,247 thousand in 2023, with a year-on-year decrease of 11%.

It is shown net of discounts and allowances.

Revenue generated by services amounts to €42,282 thousand compared to €21,412 thousand in 2023. This increase is due to both the group's organic growth and the consolidation of the Kiona Group. A breakdown of revenue by business segment is provided below:

(€'000)	2024	2023	Variation %
HVAC revenue	409,974	472,144	(13.2%)
REF revenue	167,879	175,141	(4.1%)
Total core revenue	**577,853**	**647,285**	**(10.7%)**
Non-core revenue	683	2,962	(76.9%)
Total revenue	**578,536**	**650,247**	**(11.0%)**

None of the group companies' customers individually account for more than 5% of the group's revenue.

A breakdown of revenue by geographical segment is as follows:

(€'000)	2024	2023	Variation %
Europe, Middle East and Africa	376,718	450,231	(16.3%)
APAC	83,003	89,310	(7.1%)
North America	103,600	97,192	6.6%
South America	15,215	13,514	12.6%
Total	**578,536**	**650,247**	**(11.0%)**

[23] OTHER REVENUE

Other revenue amounts to €6,272 thousand, an increase on the €6,007 thousand balance in 2023. The caption may be broken down as follows:

(€'000)	2024	2023	Variation %
Grants related to income	1,505	1,622	(7.2%)
Sundry cost recoveries	3,170	3,184	(0.4%)
Other revenue and income	1,597	1,201	33.0%
Total	**6,272**	**6,007**	**4.4%**

The grants related to income mainly relate to the tax asset for development activities carried out as provided for by Law no. 190 of 23 December 2014 (the 2015 Stability Law).

Sundry cost recoveries mostly refer to transport and other costs.

Other revenue and income principally comprise amounts charged to suppliers and customers.

[24] COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGES IN INVENTORIES

This caption amounts to €238,092 thousand, compared to €283,634 thousand in 2023. A breakdown of the caption is as follows:

(€'000)	2024	2023	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(238,092)	(283,634)	(16.1%)
% of revenue	(41.2%)	(43.6%)	(5.7%)

[25] SERVICES

The group incurred costs of €82,104 thousand for services in 2024, down on the previous year due to the reduction in operating costs as a result of the smaller business volumes.

The caption may be broken down as follows:

(€'000)	2024	2023	Variation %
Transport	(16,830)	(19,628)	(14.3%)
Consultancies	(12,388)	(13,119)	(5.6%)
Business trips and travel	(4,965)	(5,241)	(5.3%)
Use of third party assets	(4,652)	(2,945)	57.9%
Maintenance and repairs	(10,808)	(10,333)	4.6%
Marketing and advertising	(2,924)	(3,317)	(11.8%)
Outsourcing	(1,936)	(3,601)	(46.3%)
Agency commissions	(1,891)	(2,559)	(26.1%)
Utilities	(3,482)	(3,847)	(9.5%)
Fees to directors, statutory auditors and independent auditors	(2,913)	(2,780)	4.8%
Insurance	(2,784)	(2,468)	12.8%
Telephone and connections	(1,609)	(1,327)	21.3%
Other services	(14,923)	(12,539)	19.0%
Total	**(82,104)**	**(83,705)**	**(1.9%)**

Lease and rental costs include the rental component that does not fall under IFRS16 as short term lease, low value lease and variable rent lease.

Other costs for services mainly includes costs for installations performed by third parties and personnel costs that do not fall under wages and salaries (transportation costs, canteen, etc.).

[26] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounts to €5,628 thousand, compared to €2,286 thousand in 2023, and relates to development projects capitalised under intangible assets mostly by the parent, Kiona and the Chinese subsidiary. The caption may be analysed as follows:

(€'000)	2024	2023	Variation %
Development expenditure	5,628	1,827	>100%
Self-constructed plant and machinery	-	459	<100%
Total	**5,628**	**2,286**	**>100%**

The group incurred research and development expenditure of €32,652 thousand and €27,027 thousand in 2024 and 2023, respectively. Values related to 2023 has been restated compared to those published at 31 December 2023 in order to make the two amounts comparable.

Only the amounts described above were capitalised, as they met the requirements of IAS 24.

[27] PERSONNEL EXPENSE

This caption amounts to €162,205 thousand compared to €149,896 thousand in the previous year. The increase is mostly due to the consolidation of the Kiona Group for the entire year. Breakdowns of this caption and of the workforce by employee category are as follows:

(€'000)	2024	2023	Variation %
Wages and salaries, including bonuses and accruals	(127,376)	(119,631)	6.5%
Social security contributions	(27,492)	(24,169)	13.7%
Defined benefit plans	(3,364)	(3,184)	5.6%
Other costs	(3,974)	(2,912)	36.5%
Total	**(162,205)**	**(149,896)**	**8.2%**

	2024		2023	
	year end	average	year end	average
Managers	80	76	71	70
White collars	1,601	1,597	1,593	1,454
Blue collars	911	944	977	946
Total	**2,592**	**2,617**	**2,641**	**2,470**

[28] OTHER EXPENSE, NET

This caption amounted to negative €3,165 thousand, compared to negative €4,121 thousand for the previous year. It may be broken down as follows:

(€'000)	2024	2023	Variation %
Gains on the sale of non-current assets	97	74	31.9%
Prior year income	1,118	1,808	(38.2%)
Other sundry income	786	-	>100%
Release of provisions for risks	239	-	>100%
Other income	**2,240**	**1,882**	**19.0%**
Losses on the sale of non-current assets	(104)	(9)	>100%
Prior year expense	(560)	(410)	36.4%
Other taxes and duties	(1,975)	(1,518)	30.1%
Impairment losses on loans and receivables	(524)	(718)	(27.0%)
Accrual to the provisions for risks	(1,408)	(2,353)	(40.1%)
Credit losses	(186)	(197)	(5.6%)
Other costs	(647)	(798)	(18.9%)
Other expense	**(5,405)**	**(6,003)**	**(10.0%)**
Other expense, net	**(3,165)**	**(4,121)**	**(23.2%)**

Accruals to the provisions for risks mainly comprise accruals to the provision for commercial complaints. Reference should be made to note [15] for more information.

[29] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Amortisation and depreciation amount to €38,345 thousand, up from €32,783 thousand in the previous year. The caption also includes depreciation and amortisation of €11,500 thousand (€8,073 thousand at 31 December 2023) arising from the PPA procedure. It may be broken down as follows:

(€'000)	2024	2023	Variation %
Amortisation	(16,982)	(13,463)	26.1%
Depreciation	(21,333)	(19,261)	10.8%
Impairment losses	(30)	(60)	(50.4%)
Total	**(38,345)**	**(32,783)**	**17.0%**

[30] NET FINANCIAL EXPENSE

Net financial expense amounts to €7,073 thousand compared to €9,705 thousand in the previous year. It may be broken down as follows:

(€'000)	2024	2023	Variation %
Gains on financial assets	849	1,017	(16.5%)
Interest income	1,591	763	>100%
Gains on derivatives	0	0	>100%
Other financial income	1,136	824	37.8%
Net fair value gains on financial assets and liabilities	60	72	(16.3%)
Dividends received	203	0	>100%
Financial income	**3,840**	**2,677**	**43.5%**
Bank interest expense	(4,004)	(5,062)	(20.9%)
Lease interest expense	(977)	(852)	14.6%
Other interest expense	(1,719)	(1,560)	10.2%
Losses on derivatives	(5)	(26)	(81.9%)
Other financial expense	(865)	(1,567)	(44.8%)
Interest expense on call options for non-controlling interests	(3,344)	(3,315)	0.9%
Financial expense	**(10,914)**	**(12,382)**	**(11.9%)**
Net financial expense	**(7,073)**	**(9,705)**	**(27.1%)**

Other interest expense includes interest on the bonds issued in 2022 and 2023.

[31] NET EXCHANGE GAINS

Net exchange gains amount to €3,183 thousand compared to net losses of €3,763 thousand in 2023. The caption mostly consists of the gains of €3,285 thousand on the retranslation of the liability for the call option for Kiona recognised in Norwegian krone and retranslated using the closing rate (it was a loss of €2,052 thousand in 2023). The caption is broken down as follows:

(€'000)	2024	2023	Variation %
Exchange losses	(6,450)	(11,667)	(45%)
Exchange gains	9,634	7,904	22%
Net exchange gains (losses)	**3,183**	**(3,763)**	**> 100%**

[32] NET FAIR VALUE GAIN ON THE LIABILITY FOR THE CALL OPTIONS FOR NON-CONTROLLING INTERESTS

The net fair value gain of €15,356 thousand (net gain of €1,660 thousand in 2023) refers to the call option liabilities for the subsidiaries CFM (this transaction was completed in March 2024), Kiona, Sauber and on the earn out of Senva. Specifically, fair value gains of €2,901 thousand, €9,181 thousand and €3,373 thousand were recognised on the liabilities related to Senva, Kiona and CFM, respectively, while a fair value loss of €98 thousand was recognised on the liability related to CFM.

[33] SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

This caption shows a net profit of €1,737 thousand compared to €613 thousand in 2023. It mostly comprises the fair value gain on the investment in Free Polska.

[34] INCOME TAXES

This caption amounts to €16,470 thousand compared to €18,732 thousand in the previous year. It may be broken down as follows:

(€'000)	2024	2023
Current taxes	(18,932)	(24,288)
Deferred taxes	3,064	5,194
Taxes relative to prior years	(602)	362
Total	**(16,470)**	**(18,732)**

A reconciliation of the tax expense for the year is as follows using the profit before tax shown in the statement of profit or loss:

(€'000)	2024	2023
Profit before tax	79,729	93,205
Income taxes calculated using the theoretical IRES rate	(19,135)	(22,369)
IRAP	(199)	(1,216)
Effect of the different rates applied by the group companies operating in other countries	6,352	2,391
Withholding tax on dividends	(1,349)	(2,064)
Taxes relative to prior years	(602)	362
Effect of the deferred taxes by the group companies and other changes	(1,537)	4,164
Total	**(16,470)**	**(18,732)**

Reference should be made to note [5] for information about changes in deferred tax assets and liabilities and their composition.

The tax rate applied for the reconciliation of the tax burden is 24%, in line with the IRES rate in Italy, the country in which most of the group's taxable profit is earned.

[35] OTHER INFORMATION

Segment reporting

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on the group's internal reporting system, the business activities from which it earns revenue and incurs expenses and the operating results which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and to assess its performance, the group has not identified individual operating segments but is an operating segment as a whole.

Financial instruments

The group is active on international markets and, hence, is exposed to currency and interest rate risks. Specifically, the currencies generating these risks are the US dollar, the Polish zloty and the Chinese renminbi.

The group has a hedging policy to mitigate the risks, which involves the use of derivatives, options and forwards, mostly with maturities of less than one year. Transactions in place at the reporting date involving currency hedging transactions are as follows:

	31.12.2024				31.12.2023			
Forwards	**Purchases ***	**Sales ***	**Positive fair value ****	**Negative fair value ****	**Purchases ***	**Sales ***	**Positive fair value ****	**Negative fair value ****
USD/CNY					(5,500)	-	16	(3)
USD/EUR					-	-	-	-
ZAR/USD					(7,000)	-	1	-
CNY/USD					(900)	-	-	(1)
EUR/CNY		5,000	25		-	-	-	-
THB/EUR		8,500		(6)				
CNY/EUR		750	0					
THB/USD					(2,000)	-	-	(1)
Total			**26**	**(6)**		**-**	**17**	**(5)**

(*) Amount in thousands of local currency.

(**) Amount in thousands of Euros.

The next table provides information about the interest rate swaps:

(€'000)	Notional amount	Fixed interest rate	Maturity	Fair value 31.12.2024	Fair value 31.12.2023
Mediobanca	20,000	-0.31%	26/06/2026	167	517

Derivatives hedging foreign currency assets and liabilities are recognised at fair value with any gains or losses recognised in profit or loss. They are natural hedges of the related risks, which are recognised pursuant to IFRS 9.

Equity-settled and cash-settled payment arrangements

Equity-settled performance plan

At 31 December 2024, the parent does not have equity-settled performance plans.

Cash-settled performance plan

At 31 December 2024, the parent has the following cash-settled performance plans.

- On 4 March 2021, the parent's board of directors approved the 2021-2025 cash-settled performance plan. The plan is reserved for the executive directors, key management personnel and employees of the parent and its subsidiaries who play a key role in achievement of the group's objectives. The vesting period is divided into three rolling cycles and the performance objectives are pegged to cumulative adjusted EBITDA for each vesting period (weight of 50%), cash conversion - average value of the vesting periods (weight of 30%) and ESG targets - average achievement of a number of sustainability indicators (weight of 20%).

  On 6 March 2024, when it approved the consolidated financial statements at 31 December 2023, the parent's board of directors set the amount of the incentive plan due to beneficiaries at the end of the first cycle (2021-2023) at €1,649 thousand, plus social security contributions. The beneficiaries received this amount with their April remuneration, net of the amount that will vest in two years as per the plan's regulation. The parent paid out €1,213 thousand, as well as the social security contributions.

- On 6 March 2024, the parent's board of directors also approved:
  - the regulation for an equity-settled incentive plan involving the free assignment of the parent's ordinary shares, the 2024-2028 equity-settled performance plan;
  - the regulation for the 2024-2028 cash-settled performance plan.

  Both plans are reserved for the executive directors, key management personnel and employees of the parent and its subsidiaries who play a key role in achievement of the group's objectives.
  The term, vesting periods (three rolling cycles), beneficiaries and performance objectives (cumulative adjusted EBITDA for each vesting period (weight of 50%), cash conversion - average value of the vesting periods (weight of 20%), ESG targets - average achievement of a number of sustainability indicators (weight of 30%)) are the same for both plans.

  On 18 April 2024, the parent's shareholders approved the 2024-2028 equity-settled performance plan for the free assignment of ordinary shares to the members of the boards of directors and/or employees, as described earlier.

  On 7 November 2024, the parent's board of directors resolved to execute just the LTI cash plan for the 2024-2026 vesting period as this plan is less complicated compared to the operating and tax management of the LTI share plan, both for the parent and its beneficiaries. The board of directors also established the percentage of gross annual remuneration for the cash benefit for each beneficiary for a total of approximately €2,050 thousand.

  The cash to be actually paid to each beneficiary will be calculated at the end of the 2024-2026 vesting period depending on whether they have met the performance objectives established in the plan's regulation.

Pursuant to IAS 19 Employee benefits, cash-settled incentive plans qualify as defined benefit plans and, therefore, the liability was calculated by an independent actuary using the projected unit credit method as required by the standard. This method determines the average present value of the obligations accrued for the service provided by the beneficiary up to the valuation date.

The parent recognised a cost of €1,719 thousand in profit or loss in 2024 for both the expired vesting periods for which the incentives will be paid subsequently and for those vesting periods which have not yet expired for both plans.

Categories of financial instruments and fair value hierarchy

The next table shows the financial assets and liabilities recognised in accordance with IFRS 7, broken down by the categories established by IFRS 9 at 31 December 2024 and their fair value:

31.12.2024

31.12.2024	IFRS9 Categories	Value	Level 1	Level 2	Level 3
Derivatives	FVTPL	193	193	n.a.	
Available-for-sale securities	FVTPL	2,987	2,987	n.a.	n.a.
Other financial assets	Financial assets at amortised cost	110	n.a.	n.a.	n.a.
Other current financial assets		**3,290**			
Trade receivables	Financial assets at amortised cost	99,606	n.a.	n.a.	n.a.
Total assets		**102,896**			
including:	**FVTPL**	**3,180**			
	Financial assets at amortised cost	**99,716**			
Bank borrowings	Financial liabilities at amortised cost	24,319	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	59,508	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	151	n.a.	n.a.	n.a.
Non-current lease liabilities	Financial liabilities at amortised cost	24,934	n.a.	n.a.	n.a.
Other non-current financial liabilities	Financial liabilities at amortised cost	455	n.a.	n.a.	n.a.
Non-current liabilities		**109,367**			
Bank borrowings	Financial liabilities at amortised cost	733	n.a.	n.a.	n.a.
Current bank loans	Financial liabilities at amortised cost	34,690	n.a.	n.a.	n.a.

31.12.2024	IFRS9 Categories	Value	Level 1	Level 2	Level 3
Derivatives	FVTPL	193	193	n.a.	
Available-for-sale securities	FVTPL	2,987	2,987	n.a.	n.a.
Current lease liabilities	Financial liabilities at amortised cost	6,605	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	371	n.a.	n.a.	n.a.
Derivatives	FVTPL	6	n.a.	6	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	289	n.a.	n.a.	n.a.
Other current financial liabilities	Financial liabilities at amortised cost	537	n.a.	n.a.	n.a.
Current financial liabilities		**43,231**			
Trade payables	Financial liabilities at amortised cost	62,689	n.a.	n.a.	n.a.
Other non-current liabilities*	FVTPL	85,305	n.a.	n.a.	85,305
Total financial liabilities		**300,592**			
including	**Financial liabilities at amortised cost**	**215,282**			
	FVTPL	**85,310**			

(*) The item does not include 1,640 thousand euros related to the noncurrent portion of deferred income over several years, not in scope IFRS7

Off-statement of financial position commitments and guarantees

At the reporting date, the parent has issued sureties of €1,397 thousand, including €133 thousand in favour of subsidiaries.

Related party transactions

During 2024 and 2023, the group carried out commercial transactions with related parties as follows:

31.12.2023								
(€'000)	**Trade receivables**	**Loan assets**	**Trade payables**	**Financial liabilities**	**Revenue**	**Financial income**	**Costs**	**Financial expense**
Free Polska s.p.z.o.o.	174		(210)		162		(7,721)	
Total associates	**174**	**-**	**(210)**	**-**	**162**	**-**	**(7,721)**	**-**
RN Real Estate S.r.l.	19		(610)	(14,647)	22			(163)
Nastrificio Victor S.p.A.			(28)				(77)	
Eurotest laboratori S.r.l.	5		(79)		8		(179)	
Carel Real Estate Adratic d.o.o.	2			(1,824)	2		(1)	(72)
Eurotec Ltd					166			
Panther S.r.l.			(3)				(11)	
Gestion A.Landry Inc				(6)			(2)	(1)
Humide Expert				(1)			(48)	
Murat Cem Ozdemir				(1,290)				(29)
Bridgport S.p.A.	8		(63)		31		(1,933)	
Brimind S.r.l.			(11)	(55)			(67)	
Others	4	-	(655)	(1,739)	5	-	(334)	(83)
Total other related parties	**38**	**-**	**(1,449)**	**(19,562)**	**234**	**-**	**(2,652)**	**(348)**
Total	**212**	**-**	**(1,659)**	**(19,562)**	**396**	**-**	**(10,373)**	**(348)**

31.12.2024								
(€'000)	**Trade receivables**	**Loan assets**	**Trade payables**	**Financial liabilities**	**Revenue**	**Financial income**	**Costs**	**Financial expense**
Free Polska s.p.z.o.o.	714	-	(253)	-	57	203	(6,254)	
Total associates	**714**	**-**	**(253)**	**-**	**57**	**203**	**(6,254)**	**-**
RN Real Estate S.r.l.	16	-	(614)	(13,221)	18	-	(16)	(153)
Carel Real Estate Adratic d.o.o.	2	-		(1,611)	2	-	(1)	(64)
Nastrificio Victor S.p.A.	-	-	(44)	-	-	-	(119)	-

(€'000)	Trade receivables	Loan assets	Trade payables	Financial liabilities	Revenue	Financial income	Costs	Financial expense
Eurotest laboratori S.r.l.	4	-		-	7	-	(164)	-
Murat Cem Ozdemir	-	-	-	-	-	-	(17)	-
Bridgport S.p.A.	7	-	(250)	-	29	-	(1,965)	-
Leonardo S.r.l.	-	-		(536)	-	-		(15)
Byggteknikk Prosjekt AS	-	-	(61)	(1,018)	-	-	(117)	(195)
Others	93	-	(637)	(594)	532	-	(756)	(53)
Total other related parties	**122**	**-**	**(1,606)**	**(16,980)**	**588**	**-**	**(3,155)**	**(480)**
Total	**836**	**-**	**(1,859)**	**(16,980)**	**645**	**203**	**(9,409)**	**(480)**

Transactions with RN Real Estate S.r.l. and Carel Real Estate Adriatic d.o.o. relate to the lease of the industrial buildings where the parent and the Croatian subsidiary carry out their business. The related financial liabilities and expense have been recognised in accordance with IFRS 16.

Costs from Free Polska relate to non-group products purchased and resold by the subsidiary Alfaco Polska.

All the related party transactions take place on an arm's length basis.

List of investees included in the consolidated financial statements and other investees

The following table shows the investees directly and indirectly controlled by the parent as well as all the legally-required disclosures necessary to prepare the consolidated financial statements:

	Registered office	Country	Currency	Share Capital/quota at 31.12.2023	Share Capital/quota at 31.12.2024	Investment % 31.12.2024	Share/quota holder	Consolidation method	Profit for the period 31.12.2024 EURO	Profit for the period 31.12.2023 EURO
Parent:										
Carel Industries S.p.A	Brugine (Padova)	Italy	Euro	11.249.921	11.249.921				14.967.983	51.171.157
Consolidated investees:										
C.R.C. S.r.l.	Bologna	Italy	Euro	98.800	98.800	100%	Carel Industries S.p.A.	line by line	1.560.312	1.728.866
Carel Deutschland Gmbh	Frankfurt	Germany	Euro	25.565	25.565	100%	Carel Industries S.p.A.	line by line	1083831	2866574
Carel France Sas	St. Priest, Rhone	France	Euro	100.000	100.000	100%	Carel Industries S.p.A.	line by line	436.459	904.779
Carel U.K. Ltd	London	GB	Pound Sterling	350.000	350.000	100%	Carel Industries S.p.A.	line by line	1241705	869313
Carel Sud America Instrumentacao Eletronica Ltda	San Paolo	Brazil	Real	31.149.059	31.149.059	53,02%	Carel Industries S.p.A.	line by line	1.910.514	1.277.793
						46,98%	Carel Electronic Suzhou Ltd			
Carel Usa Inc	Pennsylvania	USA	Us Dollar	5.000.000	5.000.000	100%	Carel Industries S.p.A.	line by line	10212587	10130071
Carel Asia Ltd	Hong Kong	Honk Kong	Hong Kong Dollar	15.900.000	15.900.000	100%	Carel Industries S.p.A.	line by line	644.198	1.063.520
Carel HVAC&R Korea Ltd	Seul	South Korea	South Korean Won	550.500.000	550.500.000	100%	Carel Electronic Suzhou Ltd	line by line	465.381	493.838
Carel South East Asia Pte. Ltd.	Singapore	Singapore	Singapore dollar	100.000	100.000	100%	Carel Asia Ltd	line by line	79.180	40.610
Carel Australia PTY Ltd	Sydney	Australia	Australian Dollar	100	100	100%	Carel Electronic Suzhou Ltd	line by line	414.345	591.182
Carel Electronic Suzhou Ltd	Suzhou	People's Republic of China	Renminbi	75.019.566	75.019.566	100%	Carel Industries S.p.A.	line by line	12.945.957	16.390.647
Carel Controls Iberica Sl	Barcelona	Spain	Euro	3.005	3.005	100%	Carel Industries S.p.A.	line by line	916.486	1.210.054
Carel Controls South Africa (Pty) Ltd	Johannesburg	South Africa	Rand	4.000.000	4.000.000	100%	Carel Electronic Suzhou Ltd	line by line	383.533	748.870
Carel ACR System India (Pvt) Ltd	Mumbai	India	Rupee	1.665.340	1.665.340	0,01%	Carel France Sas	line by line	534.489	550.167
						99,99%	Carel Electronic Suzhou Ltd			
Carel RUS Llc	St. Petersburg	Russia	Ruble	6.600.000	6.600.000	99%	Carel Industries S.p.A.	line by line	(279.499)	(1.069.689)
						1%	Carel France Sas		-	-
Carel Nordic AB	Hoganas	Sweden	Swedish Krona	550.000	550.000	100%	Carel Industries S.p.A.	line by line	175.971	862.677
Carel Middle East	Dubai	Dubai	Dirham	4.333.877	4.333.877	100%	Carel Industries S.p.A.	line by line	156.244	348.673
Carel Mexicana, S. DE R.L. DE C.V.	Guerra, Tlalpan	Mexico	Peso	12.441.149	12.441.149	100%	Carel Usa LCC	line by line	668.183	(187.146)
Carel Adriatic D.o.o.	Rijeka	Croatia	HRK 2022 EUR 2023	7.246.665	7.246.665	100%	Carel Industries S.p.A.	line by line	1.350.635	9.636.367
Carel (Thailand) Co. Ltd.	Bangkok	Thailand	Baht	16.000.000	16.000.000	50%	Carel Electronic Suzhou Ltd	line by line	335.949	416.564
						30%	Carel Australia PTY Ltd			
Alfaco Polska Sp.z.o.o.	Wrocław	Poland	Zloty	420.000	420.000	100%	Carel Industries S.p.A.	line by line	3.073.398	2.259.714
Carel Japan	Tokyo	Japan	Yen	60.000.000	60.000.000	100%	Carel Industries S.p.A.	line by line	194.693	194.943
Recuperator	Rescaldina (MI)	Italy	Euro	500.000	500.000	100%	Carel Industries S.p.A.	line by line	509.306	381.206
Hygromatik G.m.b.H.	Hamburg	Germany	Euro	639.115	639.115	100%	Carel Industries S.p.A.	line by line	3.972.957	3.247.908
Carel Ukraine LLC	Kiev	Ukraine	UAH	700.000	700.000	100%	Alfaco Polska Zoo	line by line	165.969	122.614
Enersol	Beloeil	Canada	CAD	100	100	100%	Carel Usa Inc	line by line	103.736	(220.539)
CFM Sogutma Ve Otomasyon	Izmir	Turkey	EUR	2.473	2.473	100%	Carel Industries S.p.A.	line by line	6.111.006	8.893.241
Enginia Srl	Trezzo Sull'Adda (MI)	Italy	EUR	10.400	10.400	100%	Recuperator S.p.A.	line by line	347.600	1.658.837
Arion S.r.l.	Bolgare (BG)	Italy	Euro	100.000	100.000	70%	Carel Industries S.p.A.	line by line	54.497	256.112
Sauber S.r.l.	Mantova (MN)	Italia	EUR	100.000	100.000	70%	Carel Industries S.p.A.	line by line	612.188	(468.430)
Klingenburg GmbH	Gladbeck	Germany	EUR	38.400	38.400	100%	Carel Industries S.p.A.	line by line	(2.546.007)	428.916
Klingenburg Usa LLC	RALEIGH	USA	USD	699.671	n.a.	n.a.	n.a.	line by line	(71.598)	(131.077)
Klingenburg Uk Ltd	Folkestone	GB	GBP	100	100	100%	Klingenburg GmbH	line by line	584.769	412.434
Klingenburg Iberica Slu	Madrid	Spain	EUR	3.500	n.a.	n.a.	n.a.	line by line	(291.429)	921.702
Klingenburg International Sp. z o.o.	Świdnica	Poland	PLN	50.000	50.000	100%	Klingenburg GmbH	line by line	413.988	561.209
Senva Inc.	Oregon	USA	USD	-	-	100%	Carel Usa Inc	line by line	3.657.930	(2.814.679)
Eurotec Ltd	Auckland	New Zeland	NZD	450.000	450.000	100%	Carel Industries S.p.A.	line by line	(68.854)	271.293
Carel Kazakhstan	Almaty	Kazakistan	KZT	10.000	10.000	100%	Carel Industries S.p.A.	line by line	455.830	526.674
Kiona Holding AS	Trondheim	Norway	NOK	666.401	666.401	82,4%	Carel Industries S.p.A.	line by line	192.106	(1.466.019)
Carel System Spzoo	Warsaw	Poland	PLN	3.100.000	3.100.000	100%	Carel Industries S.p.A.	line by line	(68.791)	(14.189)
Kiona GmbH	Berlin	Germany	EUR	25.000	25.000	100%	Kiona Holding AS	line by line	44.918	(323.457)
Kiona A/S - Denmark	Copenhagen	Denmark	DKK	500.000	500.000	100%	Kiona Holding AS	line by line	(1.734)	15.191
Kiona AS	Trondheim	Norway	NOK	100.000	100.000	100%	Kiona Holding AS	line by line	1.034.285	1.844.000
Kiona LT UAB	Kaunas	Lithuania	EUR	2.500	2.500	100%	Kiona Holding AS	line by line	(18.834)	736
Kiona Oy	Helsinky	Finland	EUR	2.500	2.500	100%	Kiona Holding AS	line by line	26.243	6.904
Kiona Sárl	Givisiez	Switzerland	CHF	20.000	20.000	100%	Kiona Holding AS	line by line	37.409	21.938
Kiona Sp Zoo	Gdansk	Poland	PLN	500.000	500.000	100%	Kiona Holding AS	line by line	9.931	3.705
Kiona Sweden AB	Gothenburg	Sweden	SEK	200.000	200.000	100%	Kiona Holding AS	line by line	306.951	(207.275)

OTHER INFORMATION ON SUBSIDIARIES

The subsidiaries Carel Deutschland GmbH, HygroMatik GmbH and Klingenburg GmbH, included in these consolidated financial statements, used the exemption provided for by section 264 (3) of the German Commercial Code (HGB) for the disclosures, audit and the preparation of the notes to their financial statements at 31 December 2024 and the accompanying directors' reports.

FEES PAID TO DIRECTORS, STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL

The fees paid to directors and statutory auditors (and key management personnel for the year ended 31 December 2024 are as follows:

DIRECTORS

(€'000)	2024	2023
Remuneration and fees	1,531	1,521
Other non-monetary benefits	17	25
Other remuneration (post-term of office benefits)	1,052	-
Total	**2,600**	**1,546**

STATUTORY AUDITORS

(€'000)	2024	2023
Fixed fees and fees for participation in committees	122	90
Total	**122**	**90**

KEY MANAGEMENT PERSONNEL

(€'000)	2024	2023
Remuneration and fees	1,383	1,607
Other non-monetary benefits	25	22
Post-employment benefits or termination benefits	119	-
Total	**1,527**	**1,629**

EVENTS AFTER THE REPORTING DATE

No events occurred after 31 December 2024.

INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB'S ISSUER REGULATION

The following table, prepared pursuant to article 149-duodecies of Consob Issuers' Regulation, shows the fees pertaining to the year for audit and non-audit services provided by the independent auditors.

SERVICES

(€'000)	Independent auditors	Recipient	2024 fees	2023 fees
Audit				
	Deloitte & Touche S.p.A.	Carel Industries S.p.A.	309	260
	Deloitte & Touche S.p.A.	Subsidiaries	67	56
	Deloitte & Touche network	Subsidiaries	192	209

(€'000)	Independent auditors	Recipient	2024 fees	2023 fees
Attestation services				
	Deloitte & Touche S.p.A.	Carel Industries S.p.A.	91	410
	Deloitte & Touche S.p.A.	Subsidiaries	-	5
	Deloitte & Touche network	Subsidiaries	-	22
Total			**659**	**962**

Transparency obligations required by Law no. 124/2017 - (Annual market and competition law)

A list of the subsidies, grants, fees for paid positions and any type of economic benefits received from public administrations and other parties defined by article 1.125 of Law no. 124 of 2017, that the group companies received in 2024 is set out below:

Carel Industries S.p.A.:

- other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020, Industry 4.0 - Law no. 160/2019, maxi-amortisation and depreciation - Law no. 178/2020, Ecobonus - Law no. 296/2006, Energy and gas tax credit - Law decree no. 144/2022 and Law decree no. 176/2022 due for the year, the parent did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

Recuperator S.p.A.:

other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020, Industry 4.0 - Law no. 160/2019, maxi-amortisation and depreciation - Law no. 178/2020, Energy and gas tax credit - Law decree no. 144/2022 and Law decree no. 176/2022 due for the year, the parent did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

Arion S.r.l.:

- other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented due for the year, the group company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

C.R.C. S.r.l.:

- other than the tax credit for the acquisition of assets used in operations - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020 due for the year, the group company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are consideration, remuneration or compensation, from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

Sauber S.r.l.:

- other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and integrated, Ministerial decree of 26 May 2020, Law no. 178/2020, Industria 4.0 Law no. 160/2019, Superbonus article 121 of Law decree no. 34/2022, Ecobonus and photovoltaic systems article 121 of Law decree no. 34/2020, restructuring of historical buildings article 121 of Decree law no. 34/2020, the group company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are consideration, remuneration or compensation, from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

Enginia S.r.l.:

- other than Energy and gas tax credit - Law decree no. 144/2022 and Law decree no. 176/2022 due for the year, the parent did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017.

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of Carel Industries S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting policies adopted for the preparation of the consolidated financial statements at 31 December 2024:
   – are adequate in relation to the group’s characteristics and
   – have been effectively applied during the year.
2. There is nothing to report in this respect.
3. Moreover, they state that:

   3.1 the consolidated financial statements as at and for the year ended 31 December 2024:

   a. have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. are consistent with the accounting ledgers and records;
   c. are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the consolidation scope.

   3.2 the directors’ report contains a reliable analysis of the performance results and the position of the issuer and group companies included in the consolidation scope and a description of the main risks and uncertainties to which the group is exposed.

   3.3 The English version of the consolidated financial statements of Carel Group constitute a non-official version with regard to the provisions of the Commission Delegated Regulation (EU) 2019/815.

Brugine, 13 March 2025

Chief executive officer	Manager in charge of financial reporting
Francesco Nalini	Nicola Biondo

STATEMENT ON THE SUSTAINABILITY STATEMENT PURSUANT TO ARTICLE 81-TER, 1, OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of Carel Industries S.p.A., considering the provisions of article 154-bis., 5-ter, of Legislative decree no. 58 of 24 February 1998, state that the Sustainability Statement included in the Director's Report has been prepared:
   – in accordance with the reporting standards applied pursuant to Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013, and Legislative Decree No. 125 of September 6, 2024;
   – with the specifications adopted pursuant to Article 8(4) of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020.

Brugine, 13 March 2025

Chief executive officer	Manager in charge of financial reporting
Francesco Nalini	Nicola Biondo

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte & Touche S.p.A.
Via N. Tommaseo, 78/C int. 3
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Italia

Tel: +39 049 7927911
Fax: +39 049 7927979
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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Carel Industries S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Carel Industries S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Carel Industries S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Impairment of goodwill

Description of the key audit matter	The consolidated financial statements as at December 31, 2024, include goodwill for Euro 246 million, allocated to the CGU Western Europe for Euro 203 million, to the CGU Eastern Europe, Middle East and Africa for Euro 12 million and to the CGU North&South America for Euro 27 million, after the change in the identification of CGUs as a consequence of the variation of the organizational structure. As required by IAS 36 "impairment of assets", goodwill was not amortized, but is subjected to impairment test at least annually, which compares the recoverable value of the CGUs – based on the value of in use methodology – and the carrying value which includes goodwill and other tangible and intangible assets allocated to the CGUs. In their disclosure, the Directors explain the main assumptions applied in performing the test and provide the break-even analysis in relation to the main key factors of the impairment test, to evaluate the degree of sensitivity of the test to the changes in the key variables. The Directors, also, explain that the process of performing the impairment test is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). The Directors report, also, that the assumptions used are reasonable and are the most likely scenarios based on the information available, but the output of the impairment test may be different if any of the assumptions change significantly. We considered the significance of the amount of the goodwill, the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test. As a result, we assessed that the impairment test represents a key audit matter for the audit of Carel Group's consolidated financial statements. Note 2 of the consolidated financial statements provides disclosure on impairment test and the effects of sensitivity analysis resulting from the changes in the key variables used in performing the impairment test.
Audit procedures performed	As part of our audit, among others, we performed the following audit procedures, supported by the experts belonging to our network: • understanding of the process and relevant controls designed and implemented by the Directors related to the process of performing and approving the impairment test;

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- analysis of the main assumptions adopted to prepare the expectations in terms of cash flows, also using industry data, and obtaining information from the Directors;
- analysis of the actual results achieved by the Group compared to the expectations, in order to assess the nature of the variations and considerations made by the management in the planning process;
- analysis of the reasonableness of the discount rates (WACC) and long-term growth (g-rate);
- test of the clerical accuracy of the model used to calculate the value in use for the CGUs;
- test of the accuracy of the determination of the carrying value of the CGUs and comparison with the recoverable amount resulting from the impairment test.

Finally, we verified the appropriateness and the compliance of the disclosure on the impairment test provided by the Directors to the requirements of IAS 36, also considering the abovementioned variation in the CGUs identified.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Carel Industries S.p.A. has appointed us on April 13, 2018 as auditors of the Company for the years from December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Carel Industries S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at December 31, 2024, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2024 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

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Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinions and statement pursuant to art. 14 paragraph 2, sub-paragraphs e), e-bis) and e-ter) of Legislative Decree 39/10 and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Carel Industries S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Carel Industries Group as at December 31, 2024, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements;

- express an opinion on compliance with the law of the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;

- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Carel Industries Group as at December 31, 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

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Our opinion on the compliance with the law does not extend to the section related to the consolidated corporate sustainability reporting. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Sergio Di Patria
Partner

Padua, Italy
March 28, 2025

As disclosed by the Directors on page 188, the accompanying consolidated financial statements of Carel Indsutries S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815.

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

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INDEPENDENT AUDITOR'S REPORT
ON THE LIMITED ASSURANCE OF THE CONSOLIDATED SUSTAINABILITY STATEMENT PURSUANT TO ARTICLE 14-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Carel Industries S.p.A.

Conclusion

Pursuant to artt. 8 and 18, paragraph 1 of Legislative Decree no. 125 of September 6, 2024 (hereinafter also the "Decree"), we have carried out a limited assurance engagement on the consolidated sustainability statement of the Carel Group (hereinafter also the "Group") for the year ended on December 31, 2024, prepared pursuant to Art. 4 of the Decree, included in the specific section of the management report.

Based on the work performed, nothing has come to our attention that causes us to believe that:

- the consolidated sustainability statement of the Carel Group for the year ended on December 31, 2024 is not prepared, in all material respects, in accordance with the reporting principles adopted by the European Commission pursuant to the Directive (EU) 2013/34/EU (European Sustainability Reporting Standards, hereinafter also "ESRS");

- the information included in the paragraph "*Carel and the European taxonomy*" of the consolidated sustainability statement is not prepared, in all material respects, in accordance with art. 8 of Regulation (EU) No. 852 of June 18, 2020 (hereinafter also the "Taxonomy Regulation").

Basis for conclusion

We conducted the limited assurance engagement in accordance with the assurance standard of the sustainability report - "Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia)". The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the level of assurance that would have been obtained had we performed a reasonable assurance engagement.

Our responsibilities pursuant to that standard are further described in the paragraph *Auditor's responsibilities for the limited assurance of the consolidated sustainability statement* of this report.

We are independent in accordance with the independence and other ethical requirements applicable under Italian law to the limited assurance engagement of the consolidated sustainability statement.

Our firm applies International Standard on Quality Management (ISQM Italia) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter

The comparative information for the year ended on December, 31, 2023 presented in the consolidated sustainability statement in the paragraph "*Carel and the European taxonomy*" has not been verified.

The comparative information for the year ended on December, 31, 2023 presented in the consolidated sustainability statement has not been verified.

Responsibility of the Directors and the Board of Statutory Auditors of Carel Industries S.p.A. for the consolidated sustainability statement

The Directors are responsible for developing and implementing the procedures performed to identify the information reported in the consolidated sustainability statement in accordance with the ESRS (hereinafter the "double materiality assessment process") and for disclosing this process in "description of the process to identify and assess material impacts, risks and opportunities" of the consolidated sustainability statement.

The Directors are also responsible for the preparation of the consolidated sustainability statement, which includes the information identified as part of the double materiality assessment process, in accordance with the requirements of Art. 4 of the Decree, including:

- compliance with ESRS;
- compliance of the information included in the paragraph "*Carel and the European taxonomy*" with art. 8 of the Taxonomy Regulation.

Such responsibility involves designing, implementing and maintaining, within the terms established by the law, such internal control that the Directors determine necessary to enable the preparation of the consolidated sustainability statement in accordance with the requirements of the art. 4 of the Decree that is free from material misstatements, whether due to fraud or error. Furthermore, the abovementioned responsibility involves the selection and application of appropriate methods in elaborating information and making assumptions and estimates about specific sustainability information that are reasonable in the circumstances.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

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Inherent limitations in the preparation of the consolidated sustainability statement

In reporting forward looking information in accordance with ESRS, the Directors are required to prepare the forward looking information on the basis of assumptions, as described in the consolidated sustainability statement, regarding events that may occur in the future and possible future actions of the Group as indicated in the paragraph *"Basis for preparation"*. Due to the inherent uncertainty regarding any future event, including whether these events will take place and their extent and timing, the variances between actual outcomes and forward looking information could be significant.

The information provided by the Group regarding Scope 3 emissions is subject to greater inherent limitations compared to those related to Scope 1 and 2 emissions. This is due to the lower availability and relative accuracy of the data used to define the information on Scope 3 emissions, both quantitative and qualitative, in relation to the value chain, as indicated in the "*Basis for preparation*".

Auditor's responsibilities for the limited assurance of the consolidated sustainability statement

Our objectives are to plan and perform procedures to obtain limited assurance about whether the consolidated sustainability statement is free from material misstatements, whether due to fraud or error, and to issue an assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could influence the decisions of users taken on the basis of consolidated sustainability statement.

As part of the limited assurance engagement in accordance with the Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia), we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities include:

- considering risks to identify and assess the disclosure where a material misstatement is likely to arise, either due to fraud or error;
- designing and performing procedures to verify disclosures in the sustainability statement where material misstatements are likely to arise. The risk of not detecting a material misstatement due to fraud is higher than the risk of not identifying a material misstatement due to error, as fraud may involve collusion, falsifications, intentional omissions, misrepresentations, or the override of internal control;
- the direction, supervision and performance of the limited assurance engagement of the consolidated sustainability statement. We remain solely responsible for the conclusion on the consolidated sustainability statement.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence as the basis for expressing our conclusion.

The procedures performed on the consolidated sustainability statement are based on our professional judgement and included inquiries, primarily with the personnel of the Group responsible for the preparation of information included in the consolidated sustainability statement, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we performed the following main procedures partly in a preliminary phase before year end and then in a final phase up to the the date of issuance of this report:

- understanding the business model, the Group's strategies and the context in which the Group operates with reference to sustainability matters;
- understanding the processes underlying the generation, collection, and management of qualitative and quantitative information included in the consolidated sustainability statement, including an analysis of the reporting perimeter;
- understanding the process carried out by the Group for the identification and evaluation of material impacts, risks and opportunities, based on the principle of double materiality, with reference to sustainability matters;
- identification of the information where a risk of material misstatement is likely to arise, taking into considerations, among others, risk factors related to the generation and collection of the information, to the existence of estimates and to the complexity of the calculation methods, as well as quantitative factors related to the nature of such information;
- design and performance of procedures, based on the professional judgment of the auditor of the consolidated sustainability report, to respond to identified risks of material misstatement also with the support of Deloitte specialists, with reference to specific environmental information;
- understanding of the process set up by the Group to identify eligible economic activities and determine their aligned nature according to the requirements of the Taxonomy Regulation, and verifying the related information included in the consolidated sustainability statement;
- comparison of the information reported in the consolidated sustainability statement with the information included in the consolidated financial statements pursuant to the applicable financial reporting framework, or with the accounting data used for the preparation of the financial statements, or with the management data accounting in nature;

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- verification of the structure and presentation of the information included in the consolidated sustainability statement in accordance with ESRS, included the information related to the materiality assessment process;
- obtaining the representation letter.

DELOITTE & TOUCHE S.p.A.

Signed by
Sergio Di Patria
Partner

Padua, March 28, 2025

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.