



REMUNERATION REPORT

2026

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





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LETTER TO THE SHAREHOLDERS

Dear shareholders,

As chairperson of the remuneration committee, I am pleased to present to you, on behalf of the board of directors, the 2026 report on the remuneration policy and fees paid by the Carel Group.

The 2026 policy factors in changes in the competitive and geopolitical environment, the group's new organisational structure and the expectations expressed by institutional investors and key proxy advisors. The policy continues to evolve and strengthens the role of remuneration as a vehicle for managerial accountability, support for consistent and sustainable growth and effective alignment with performance.

Against a backdrop of increasing operational complexity and growing geopolitical and regulatory uncertainty, the 2026 remuneration policy further strengthens the pay-for-performance principle, clearly distinguishing between structural results and external factors and limiting automatic incentives for only partially satisfactory performance. Particular onus was placed on the quality of managerial decisions and management's ability to handle operational complexities, emerging risks and strategic choices essential for the group's resilience.

The policy is in line with Carel's medium/long-term strategic priorities, including climate transition, technological innovation and the responsible use of artificial intelligence, selective growth through M&As, market diversification and ongoing investment in research and development. Within this framework, the new organisational structure finalised in 2025 required further alignment between assigned responsibilities, contribution to performance and remuneration recognition in both the short and long term.

In developing the 2026 policy, the board carefully considered the feedback received from shareholders at the 2025 meeting and the ongoing dialogue with investors and proxy advisors, reinforcing clear disclosure, consistency between growth, risk profile and incentive schemes, and the path towards substantial pay transparency.

In line with market conditions and a prudent and disciplined approach in managing remuneration policies, the company will not alter the fixed component of the remuneration of the chief executive officer and key management personnel in 2026.

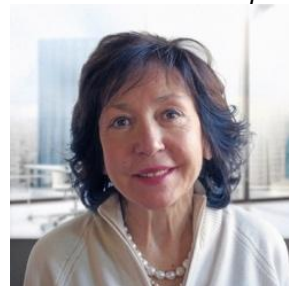
The policy also set a stronger link between managerial performance, managing emerging risks - including cybersecurity, technology and AI risks - and ESG objectives, integrating sustainability into the group's incentive systems and long-term value creation model.

The board of directors believes that the 2026 remuneration policy shows an appropriate balance between competitiveness, rigour and responsibility and therefore invites the shareholders to approve it.

Finally, I would like to thank the board of directors, the board of statutory auditors and the relevant company departments, with special thanks to the HR & organisation department for their constructive and professional contribution to the work of the committee.

Best regards,

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





INTRODUCTION

The board of directors of Carel Industries S.p.A. (“Carel” or the “company”) approved this report on the remuneration policy for 2026 (Section I) and the remuneration paid to the directors, statutory auditors, chief executive officer, general manager and key management personnel in 2025 (Section II) (the “report”) on 10 March 2026. It was prepared in accordance with article 123-ter of Legislative decree no. 58/1998 (the “Consolidated Finance Act” or “CFA”), as amended by Legislative decree no. 49/2019 which implemented Directive (EU) no. 2017/828 (the “Shareholder Rights Directive II”) of the European Parliament and in accordance with article 84-quater of the Issuers’ Regulation and the Corporate Governance Code of Borsa Italiana S.p.A. (“Borsa Italiana”).

This report renews and underscores Carel’s commitment to maintaining solid, cohesive ties between the remuneration policies adopted and business development strategies in 2026, as part of the unceasing pursuit of optimal operating performance and maximum environmental and social sustainability.

The excellent results of operations achieved in 2025, in a considerable economic upturn from the previous year, were determined both by sustained growth in sales volumes (particularly in some geographical areas) and the improved management performance related, on the one hand, to cost containment and, on the other, to the continuous search for optimisation of operating flows related to production and the supply chain.

Substantially building on the previous year, the strategic development goals pursued in 2025 are summarised below:

- the new group organisational model was adopted, gradually aligning regional structures to the operational guidelines defined at central level;
- the company continued along the trajectory set out in the 2025-2028 sustainability plan, confirming the strategic role of sustainable development as a vehicle for long-term value creation;
- managerial skills were strengthened through structured human capital development programmes and initiatives aimed at enhancing merit, performance and adherence to the company’s values;
- the focus on customer needs was ramped up through continuous improvement of service standards, quality and technical support;
- the services business, including both field and digital services, underwent strategic development, increasingly integrating them into the services offered by the company;
- the company’s digitalisation was pushed further through the full implementation of the new Product Lifecycle Management (PLM) system, which is automating product development, design and production processes;
- potential M&A opportunities continued to be closely monitored in order to support growth through external lines while integrating different business models that can generate synergies and strengthen the group’s competitive position.

The coordinated pursuit of all these strategies has resulted in an outstanding financial performance, even in 2025, despite the macroeconomic situation that continues to be marred by instability and uncertainty, especially in certain markets, despite the upturn from 2024.



EXECUTIVE SUMMARY

PAIRING HUMAN CAPITAL
WITH CREATING SUSTAINABLE VALUE

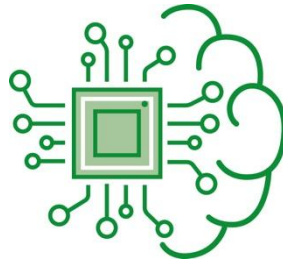
A COMPLEX SITUATION NEEDS A RESILIENT STRATEGY

2026 is set against a macroeconomic backdrop of market fragmentation, geopolitical tensions and regulatory tightening.



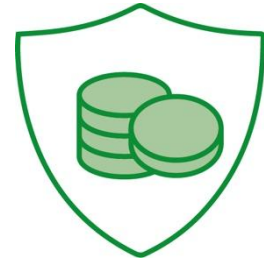
Climate transition

Fortified commitment towards decarbonisation and Net Zero.



Technological adoption

Responsible management of Artificial Intelligence for operational efficiency.



Capital maintenance

Efficient usage of financial resources and supply chain resilience.

“THIS POLICY IS INSTRUMENTAL FOR ACHIEVING SUSTAINABLE SUCCESS IN ATTRACTING, DEVELOPING AND RETAINING RESOURCES IN A COMPLEX COMPETITIVE ENVIRONMENT.”

THE FOUR PILLARS OF OUR POLICY



A CONSTANTLY EVOLVING APPROACH VALIDATED BY THE MARKET

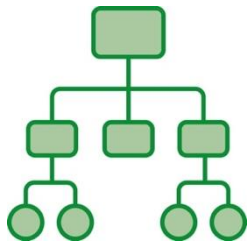
97.52%

Votes for the 2025 remuneration policy.

2026 changes: response to feedback:

- ✓ **Exemption limitation:** Timely definition of exceptional circumstances.
- ✓ **No post-term of office benefits:** Exclusion of post-term of office benefits for directors.
- ✓ **LTI disclosure:** Full transparency on amount and maximum cap.
- ✓ **Differentiated targets:** Clear distinction between MBO (cash flow) and LTI (EBITDA) indicators to avoid overlap.

ORGANISATIONAL AND TECHNOLOGICAL CONSISTENCY



Project Impulse

New model implemented to simplify the structure and increase managerial accountability, measuring performance more effectively.



AI impact

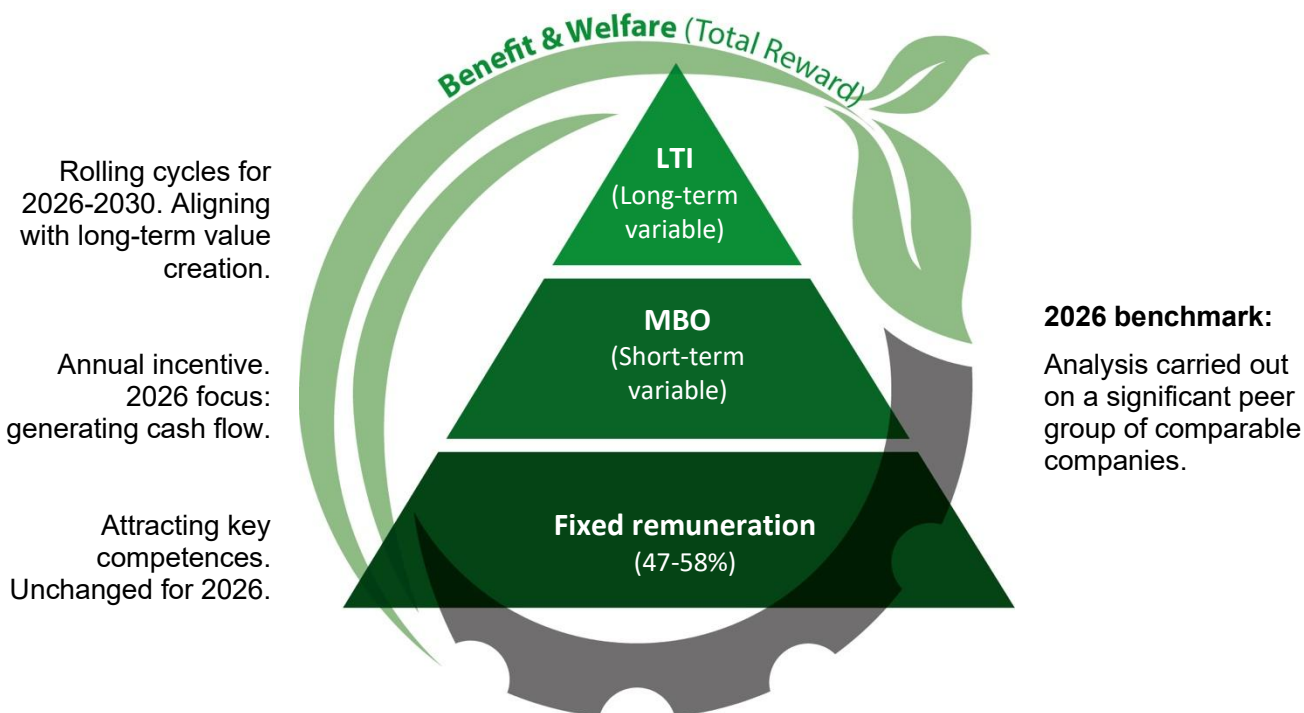
Gradually adopting Artificial Intelligence to automate low value-added tasks, enabling people to focus on strategic tasks.



Pay transparency (EU 970/2023)

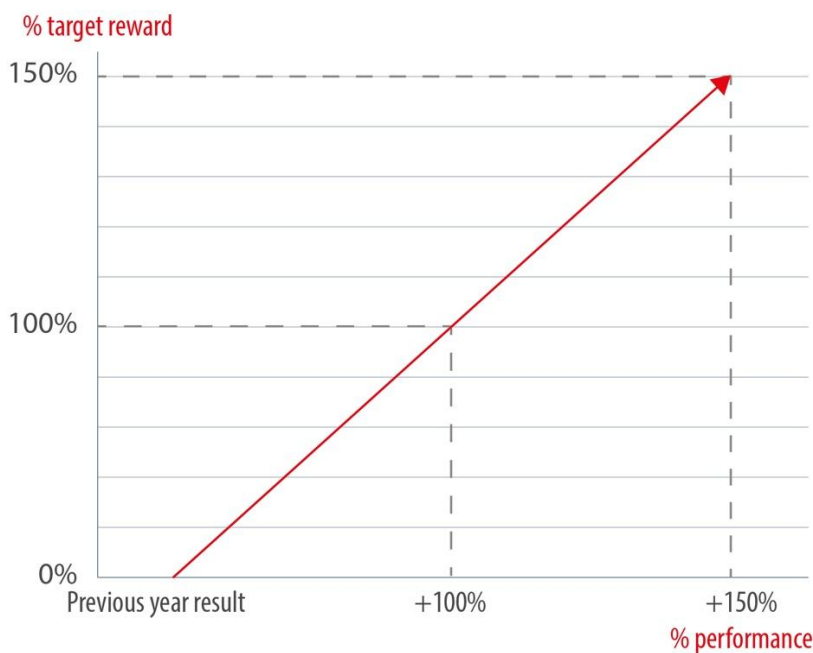
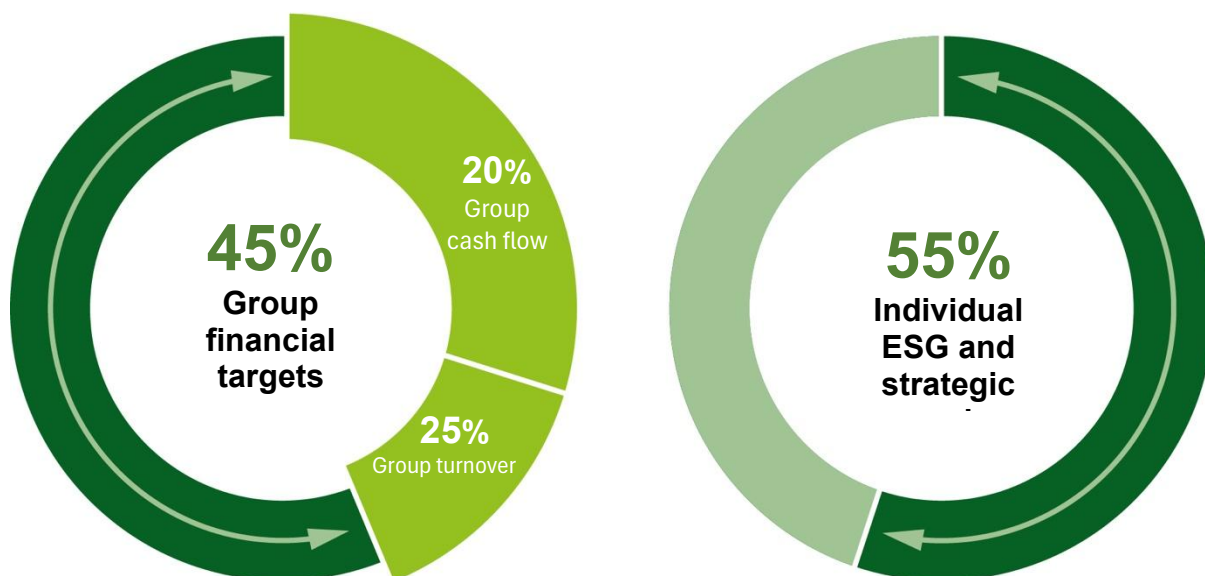
Launching the benchmarking project (with Mercer) to ensure objective and comparable criteria, reducing unjustified inequalities.

REMUNERATION PACKAGE STRUCTURE (PAY MIX)



2026 MBO: FOCUS ON GENERATING CASH FLOW

Strategic shift: From EBITDA to operating cash flow. Prioritising capital efficiency against volatile rates.



Gate: Access subject to positive group EBIT.

2026 MBO TARGETS: TARGETED OBJECTIVES FOR KEY ROLES



CEO

- Project & distribution growth (20%)
- AI governance (15%)
- Scope 1, 2, 3 decarbonisation (20%)



CFO

- Project & distribution growth (20%)
- Working capital ratio (15%)
- Review of policy and procedure system (20%)



CTO

- Group customer quality (20%)
- R&D development time (15%)
- Chinese innovation process (20%)



CHRO

- Succession plan for key roles (20%)
- AI governance (15%)
- Pay transparency model (20%)



CMSO

- Project & distribution growth (20%)
- Application knowledge development (15%)
- Application knowledge development (20%)

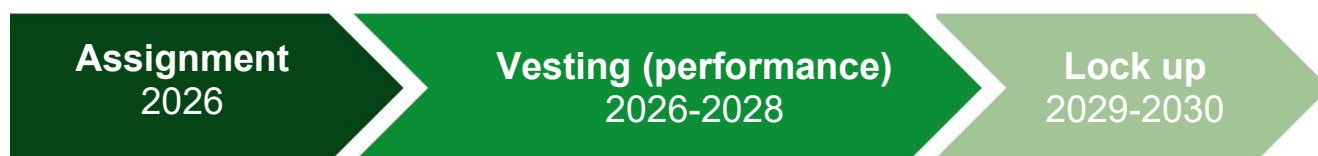


COO

- Group service level (20%)
- Inventory turnover (15%)
- Carbon footprint (20%)

ALIGNMENT WITH MULTI-YEAR TARGETS (2026-2030)

ROLLING CYCLE

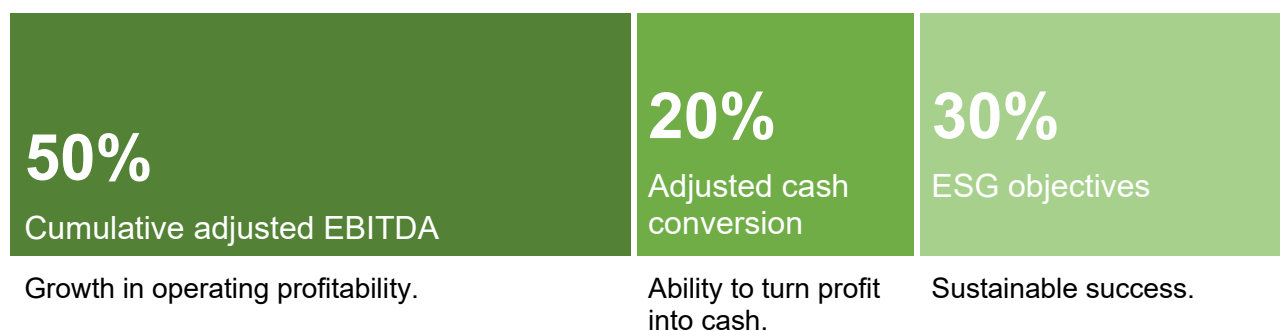


Instrument: Cash-settled performance plan

- Global consistency for international management.
- independence from short-term equity volatility.
- Simple tax and administration system.

Note: For the controlling shareholders, the LTI is exclusively cash settled to maintain ownership balance.

LTI METRICS: PROFIT, EFFICIENCY AND SUSTAINABILITY



Targets in line with the business plan and the 2025-2028 sustainability plan.

SUSTAINABILITY AS A REMUNERATION FACTOR (30% WEIGHT)



Environment (SBTi)

- Reducing Scope 1 and 2 emissions
- Net Zero 2050 plan and Scope 3 target to 2033.



Social

- Reducing the gender pay gap.
- Maintaining gender equality certification.



Governance

- ISO 27001 certification (information security).
- Updating the anti-corruption policy and supply chain due diligence.

PAY FOR PERFORMANCE: INCENTIVE CURVES

MBO (SHORT TERM)



LTI (LONG TERM)



Linear calculation between thresholds.
Over-performance incentive with set cap.



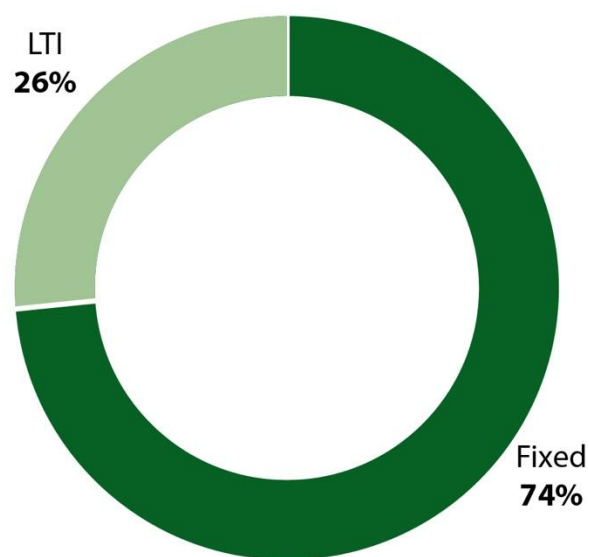
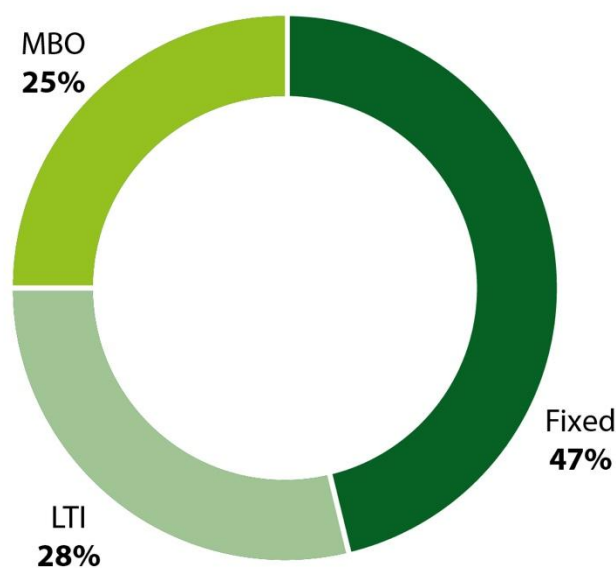
ASSET PROTECTION AND RISK MANAGEMENT

MBO gate
No bonus paid if group EBIT is negative.
Lock-up period for LTI
40% bonus deferral for CEO/executive directors (20% for key management personnel). Term: 24 months post vesting (total horizon: 5 years).
Malus and clawback clauses
MBO: Applicable for 1 year. LTI: Applicable for 3 years. Can be activated in the event of incorrect financial data, violations of the code of ethics or wilful misconduct.

PAY MIX FOR SENIOR MANAGEMENT (2026)

Chief executive officer (Francesco Nalini)

Executive chairperson (Luigi Rossi Luciani)



Key management personnel have a balanced pay mix: Fixed **56%**, MBO **19%**, LTI **25%**.



LOOKING TO 2026: GROWTH, SUSTAINABILITY AND MERIT

- ✓ **Strategy:** Supporting the Driven by the Future plan and digital/environmental transition.
- ✓ **Alignment:** Pay mix linked to real metrics (cash flow, ESG) and approved by shareholders.
- ✓ **Protection:** Strong lock-up and clawback clauses to protect the company.

**A REMUNERATION POLICY DESIGNED TO CREATE
LONG-TERM VALUE FOR ALL STAKEHOLDERS.**



SECTION I

2026 REMUNERATION POLICY

THE POLICY'S PRINCIPLES AND BENEFICIARIES

The Carel group implements its 2026 remuneration policy against a backdrop of high-level operational complexity and an ever changing macroeconomic and geopolitical framework marked by increasing market fragmentation, international trade tensions and incremental regulatory tightening. In light of more restrictive trade policies, the introduction or tightening of tariff measures, and the geographical diversification of development areas, industrial companies must adapt their organisational and production models, manage their supply chains more resiliently, and make disciplined and efficient use of capital.

Against this backdrop, Carel is continuing to grow consistently and sustainably, based on a set of strategic priorities that the company deems essential for creating value in the medium to long term and strengthening the group's resilience:

- **fortifying its commitment to climate transition**, with the aim of reducing exposure to energy and climate risks and making the business model more robust;
- **responsibly managing the integration of new technologies**, specifically artificial intelligence, into business processes to support operational efficiency, product innovation and quality decision-making;
- **continuing to search for M&A opportunities**, as a selective strategic development tool, to be used in line with the group's business positioning, financial discipline and long-term value creation;
- **diversifying markets, product portfolios and channels** to mitigate geopolitical risks and strengthen the group's ability to seize growth opportunities in different contexts;
- **continuing to invest in research and development**, recognising innovation as a key factor in competitiveness and differentiation to sustain future growth.

With these strategic priorities in mind, Carel's 2026 remuneration policy is geared towards taking a responsible approach which involves by enhancing skills, rewarding performance and striving for sustainability. Accordingly, the policy gives increasing weight to performance targets tied to the company's environmental, social and governance impact, establishing a structural linking between these targets and achieving significant financial results.

The remuneration policy is geared towards the company's continued sustainable success and, as in the past, it reflects the need to attract, develop, retain and motivate people who have the expertise and professionalism required to effectively support the group's growth and development strategies in an increasingly complex competitive environment.

Specifically, the group's remuneration policy also has the two-pronged aim of encouraging its existing managers to work towards operating performance goals that reflect the company's culture and values in a sustainable manner, with a medium to long-term outlook, and, to attract and retain top talents or those who can contribute significantly to achieving its business objectives in a highly competitive market affected by skills shortages.

Carel's remuneration policy is based on the following principles which link variable incentive mechanisms to the actual operational performance achieved:

- **Equality, diversity and inclusion:** management's remuneration levels are designed to reward merit and expertise as well as to embrace diversity in the broadest and most varied sense, as a way to create value and strengthening the company's competitive edge. Consequently, the company focuses heavily on monitoring the pay ratio, to maintain a fair and balanced ratio between the remuneration of personnel at different levels of the organisation, and gender equity, to achieve substantial alignment of remuneration, with equal roles held and performance achieved, regardless of different gender affiliations;
- **Sustainability:** new performance goals (financial and ESG targets) are set based on reward systems which are aligned with the company's strategic and sustainability drivers. These reward systems (both cash-settled and equity-settled) vest over time and reflect the group's risk profile and intention to increase equity value over time for the benefit of the group's investors and all its stakeholders;
- **Competitiveness:** the remuneration policy pays great attention to the pay mix, i.e., the balance between the fixed and variable components of the overall remuneration of management, in order

to align remuneration not only with best market practices but also to take into account the resources' experience, know-how and level of responsibility, as well as their performance over time;

- **Transparency:** the company has adopted a structured policy of engagement with investors and proxy advisors and a clear and transparent governance system in order to provide information about the remuneration of boards and management in the most open and transparent manner possible and facilitate constructive dialogue with the market with a view to ongoing improvement.

Beneficiaries

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

RESULTS OF THE SHAREHOLDERS' VOTES, IMPROVEMENT ACTIONS TAKEN AND CHANGES TO THE 2026 REMUNERATION POLICY

On 23 April 2025, in line with the ruling regulations, the shareholders approved the 2025 remuneration policy described in Section I of the remuneration report submitted in the previous year with a favourable vote of **97.52%**.

In line with the expectations expressed by shareholders through this vote, when drawing up the 2026 remuneration policy, Carel carefully considered the suggestions gathered at the shareholders' meeting along with the outcome of the ongoing dialogue held with institutional investors and proxy advisors during the year. Specifically, the 2026 policy renewed and further strengthened the main additions introduced in the previous year, namely:

- significantly limiting the exceptional circumstances which make it possible to depart from the approved remuneration policy or to circumscribe in a selective manner the situations for which the components of the remuneration policy can be modified with the aim of best pursuing the long-term and sustainability objectives of the company;
- excluding the long-term variable component in the remuneration provided in the event of departure from office or termination of the employment relationship, and any post-term of office benefits for executive and non-executive directors;
- in order to preserve the confidentiality of the strategic objectives included in its business plan, the company has confirmed its full willingness to disclose, ex-post, (see Section II of this report) all the amounts and results it effectively achieved in relation to both short and medium/long-term incentive plans.

The following recommendations made by the proxy advisors during the shareholders' vote on the 2025 remuneration policy were fully implemented:

- providing full disclosure of the total economic value of the long-term incentive (LTI) plan approved by the company;
- significantly limiting the use of a discretionary approach in implementing the LTI plan;
- using differentiated targets in the short-term (MBO) and medium- to long-term (LTI) incentive schemes in order to measure performance based on financial indicators that do not overlap, even though they also cover different time horizons.

In addition, similarly to previous years, the policy of assigning long-term incentive plans exclusively in the form of cash (“LTI cash”) to executive members of the board of directors belonging to the families of controlling shareholders is applied in 2026.

In any case, the economic value of these plans does not affect the investments held by individual executive directors and, above all, prevents potential opportunistic behaviour that prefers the short-term increase in the market value of the shares at the expense of the creation of long-term value for the company.

Finally, as described in Section I, the 2026 remuneration policy:

- (i) incorporates the main new changes introduced by Consob about remuneration transparency, in particular by amending the Issuers’ Regulation. Indeed, in its resolution no. 21623 of 10 December 2020, it aligned the secondary legislation with the provisions of the Shareholder Rights Directive II and revisited the disclosure tables to comply with changes in market practices;
- (ii) reflects the instructions and recommendations of Borsa Italiana’s Corporate Governance Code.

SALARIES AND EMPLOYMENT CONDITIONS OF EMPLOYEES AND REMUNERATION POLICY

Carel’s remuneration policy sets out the financial and working conditions for the entire workforce in addition to the remuneration of senior management and key management personnel. Indeed, it firmly believes that creating sustainable value in the medium to long term is intertwined with enhancing human capital and promoting a fair, inclusive and welfare-oriented working environment.

With this in mind, the remuneration policy is in line with the group’s Human Capital Management policies and is part of a single framework that aims to ensure internal equity, competitiveness on the market, overall economic sustainability and the strong alignment of individual performance, company results and sustainability objectives.

Organisational development, working conditions and remuneration policy

The group’s main organisational, technological and regulatory initiatives undertaken during the year were a key factor in improving working conditions and implementing the remuneration policy more effectively.

Specifically, the implementation and deployment of the new **Impulse organisational model** at group level made the organisational structure more straightforward, flexible and focused on managerial accountability. The clearer definition of roles, responsibilities and decision-making perimeters has fostered greater organisational transparency and more effective measurability of individual and collective performance, strengthening the link between actual contribution, results achieved and incentive systems, both short and medium to long-term. Extending the model internationally has ensured greater uniformity in performance assessment criteria and reward systems, thereby promoting equal treatment within the group.

The launch of experimental projects based on **Artificial Intelligence (AI)** tools during the year helped improve operational efficiency and the quality of decision-making processes, with a gradual and responsible approach in line with ESG principles and the remuneration policy guidelines. The main focus of introducing these solutions was to automate repetitive and low value-added tasks, enabling people to concentrate on activities with a higher professional and strategic content. The increased availability of data and analysis tools has made performance assessment more objective and transparent and this is a key element in fairly and effectively applying reward systems.

Another key area of action was the launch of a structured project to comply with Directive (EU) 2023/970 on **pay transparency**, fully in line with the principles of equality, inclusion and transparency embedded in the group’s remuneration policy. The project envisaged the development of systems for mapping,

classifying and evaluating professional roles based on objective and comparable criteria, such as responsibility, role complexity, required skills and impact on company results. This has laid the foundations for greater consistency and traceability of remuneration decisions, helping reduce unjustified inequalities and upgrade oversight over equal pay.

Comparison with employee remuneration and internal consistency pursuant to article 123-ter of the CFA

Pursuant to article 123-ter of the Consolidated Finance Act and the regulations implementing the Shareholder Rights Directive II, the definition and application of Carel's remuneration policy also takes into account the development of the financial and working conditions for the entire company population, ensuring a comparative assessment of management and employee remuneration.

In this regard, the company constantly monitors the internal consistency of remuneration levels and the trend of salary dynamics at the various levels of the organisation, including by analysing pay ratios and checking the alignment of remuneration policies, assigned responsibilities and effective contribution to value creation.

As a result, defining and possibly revising the remuneration of senior management and key management personnel take into account:

- the overall trend in employee salaries;
- the group's human capital development, enhancement and retention policies;
- working conditions and welfare and well-being initiatives offered to the company population;
- the overall financial sustainability of remuneration policies in the medium to long term.

Variable incentive schemes are also structured to discourage behaviour that may generate negative impacts on working conditions, employment or the social balance of the organisation, reinforcing the link between financial results, sustainability performance and corporate social responsibility.

The remuneration policy uses this approach to ensure balanced and sustainable growth of the organisation, promoting equality, transparency and meritocracy while ensuring substantial consistency between management and employee remuneration, in line with the provisions of article 123-ter of the CFA and stakeholder expectations.

GOVERNANCE

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

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

The group's governance model is based on shared principles and a single framework that ensures consistent and transparent management policies. Specifically, the guidelines and criteria adopted for the remuneration policy are applied across all group companies, ensuring strategic alignment and promoting a corporate culture based on equality, meritocracy and sustainability over time.

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

The remuneration committee prepares a number of proposals for the board of directors about the form and content of the remuneration policy in line with its advisory and guidance duties and using the analyses provided by the HR department and leading sector consulting companies. Together with the board of directors, the committee oversees the correct implementation of the policy, including any amendments that may be required when the derogation policy applies.

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

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

In addition to the process explained above, the remuneration policy is generally drafted using both analysis and benchmarking of market remuneration practices and by assessing the effects of the remuneration policies approved in previous years in order to ensure the policy's effectiveness, strategic coherence and sustainability over time.

REMUNERATION COMMITTEE

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

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

The remuneration committee's duties include:

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

Since its inception, the committee has had its own regulation, establishing how often it shall meet in order to carry out its duties. Accordingly, the committee shall meet whenever deemed necessary by its

chairperson or when at least one committee member or the chairperson of the board of statutory auditors presents a reasoned request.

In any case, the committee meets at least once a year before the board of directors meets to resolve on the remuneration of the chief executive officer, the general manager and key management personnel, or to discuss LTI plans or the granting of shares.

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

As provided for by recommendation 26 of the Corporate Governance Code, no director (or, more generally, no potential beneficiaries) takes part in the meetings of the remuneration committee in which proposals relating to their remuneration are made.

COMPOSITION

At the date of this report, the remuneration committee that provided the board of directors with the draft 2026 remuneration policy for approval, comprised the following non-executive independent directors:

- **Cinzia Donalisio**, chairperson;
- **Marina Manna**, member;
- **Mario Cesari**, member.

Each committee member has extensive and consolidated experience on the company bodies of listed companies, as well as specific expertise in economic and financial matters and, in particular, remuneration and incentive policies.

These requirements were carefully assessed by the board of directors at the time of their appointment, in accordance with regulations and best practices.

ACTIVITIES

In 2025, the remuneration committee met seven times. In line with the arrangements introduced during the Covid-19 pandemic, participants were free to choose whether to attend in person or via video conference.

The committee members participated at all the scheduled meetings, except for the meeting held on 17 February 2025 at which one member was absent. In accordance with the principles of fairness and independence of the decision-making process, none of the executive directors were invited to participate in meetings where their remuneration was being discussed.

The members of the board of statutory auditors, which have a standing invitation, always attended, except for the meeting held on 12 March 2025 at which one member was absent.

Exception for the meeting held on 17 February 2025, the group's HR manager attended all committee meetings as secretary, sending out notices of the meetings and writing up the minutes containing the meeting's content and the main issues discussed. At the meeting where they were absent, the HR controlling manager temporarily filled their position.

The main issues discussed by the committee, supported by the group's HR manager, were:

Activities of the remuneration committee	Date
Final 2024 MBO pay-out analysis related to the chief executive officer and internal auditor; the analysis and target setting related to the 2025 MBO of the chief executive officer and internal auditor; review of the first draft of the 2025 remuneration policy (Section I) and of the chairperson's letter; review of the annual report on the remuneration committee activities for 2024; final report on the 2022-2024 LTI cycle; proposal for how and when the board of directors should perform its annual self-assessment.	17 February 2025
Comments and/or possible amendments/additions to the first draft of the 2025 remuneration report 2025 (Section 1).	26 February 2025
Final approval of the 2025 MBO setting for the chief executive officer and internal auditor; final approval of the 2025 remuneration policy (Section I), report on fees paid in 2024 (Section II)" and the chairperson's letter.	12 March 2025
Update on Project Impulse and related workstreams (phase III).	12 May 2025
Mercer benchmarking for pay transparency (Directive (EU) 2023/970); HR Dashboard presentation for the first half of 2025; update on Project Impulse (phase III).	31 July 2025
Update on the pay transparency project; update on Project Impulse (phase III).	24 September 2025
Implementation of the 2025-2027 LTI plan with approval of the list of beneficiaries and type of plan adopted; presentation of the new performance development process; 2026 salary review process for the chief executive officer and key management personnel.	12 November 2025

BOARD OF DIRECTORS

At the date of this report, the current board of directors, appointed on 18 April 2024, is comprised of nine members. The term of office is three years, i.e., until the date of the shareholders' meeting called to approve the financial statements at 31 December 2026.

The current board of directors comprises:

- **Executive chairperson:** Luigi Rossi Luciani;
- **Deputy executive chairperson:** Luigi Nalini;
- **Chief executive officer:** Francesco Nalini;
- **Executive director:** Carlotta Rossi Luciani;
- **Non-executive independent director:** Cinzia Donalizio;
- **Non-executive independent director:** Marina Manna;
- **Non-executive independent director:** Mario Cesari;
- **Non-executive independent director:** Laura Rovizzi;
- **Non-executive independent director:** Gianluigi Vittorio Castelli.

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

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

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

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

BOARD OF STATUTORY AUDITORS

Like the board of directors, the current board of statutory auditors was appointed by the shareholders in their ordinary meeting of 18 April 2024, using the list-voting mechanism. The board of statutory auditors will also remain in office for three years, until the date of the shareholders' meeting called to approve the financial statements at 31 December 2026.

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

- **Chairperson:** Paolo Prandi;
- **Standing statutory auditor:** Gianna Adami;
- **Standing statutory auditor:** Saverio Bozzolan;
- **Alternate statutory auditor:** Elena Angela Maria Valenti;
- **Alternate statutory auditor:** Fabio Gallio.

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

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

SHAREHOLDERS' MEETING

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

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

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

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

The Italian legislator indicated in the report accompanying Legislative decree no. 49/2019 that amendments to the remuneration policy of a merely formal or presentation nature need not be submitted to a shareholder vote as this is only required for substantial amendments to the policy's content.

Moreover, Consob clarified that, in order to require a new vote from the shareholders, the amendment to the policy must relate to aspects already covered by the previously approved policy or introduce new aspects to the extent that the previously approved policy no longer represents the amended policy and, consequently, the shareholders are required to re-approve it.



Lastly, should the shareholders not approve the remuneration policy put to them for vote, the company will continue to recognise fees and remuneration in line with the most recently approved policy. If this is not possible, the company may continue to pay remuneration in line with its existing practices. In this case, the company must present a revised remuneration report to the shareholders for approval at the next shareholders' meeting, to be called in accordance with article 2364.2 of the Italian Civil Code.

INDEPENDENT EXPERTS

As part of its consulting and advisory duties, the remuneration committee examines market remuneration and actuarial analyses prepared by independent experts, within the limits of its budget.

The latter, having a solid and consolidated expertise in this field, can provide information and research, in mainly aggregate and statistical form, on remuneration trends, practices and levels on a benchmark basis using peer groups of companies comparable to Carel in terms of size, business models and sector.

These analyses and studies ultimately aim to monitor the adequacy of remuneration for board members and senior management (including key management personnel) in relation to the market average for comparable roles/positions. Furthermore, they aim to highlight possible differences and recommended actions to close any gaps.

REMUNERATION AND FEES PAID

Article 22 of the articles of association provides that:

- (i) all members of the board of directors are entitled to a fixed annual remuneration as compensation for the performance of their duties, determined overall by the shareholders' meeting and distributed by the board among its members, also as a result of participation in any committees established by the board of directors;
- (ii) in addition to an annual remuneration for the performance of duties, the board of directors may award - pursuant to article 2389.3 of the Italian Civil Code, and subject to the prior opinion of the board of statutory auditors - compensation to directors vested with special duties, within the maximum limit possibly determined in advance by the shareholders;
- (iii) directors are also entitled to reimbursement of expenses incurred as a result of their office, according to methods and criteria established by the board of directors.

Consistent with the structure of previous years, the company's 2025 remuneration policy comprises the following elements:

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

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

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

REMUNERATION PACKAGE ITEMS					
	Fee	GAR	MBO	LTI	Benefits
Luigi Rossi Luciani, executive chairperson	•			•	•
Luigi Nalini, executive deputy chairperson	•			•	•
Francesco Nalini, chief executive officer	•	•	•	•	•
Carlotta Rossi Luciani, executive director	•			•	•
Cinzia Donalisio, independent director	•				
Mario Cesari, independent director	•				
Marina Manna, independent director	•				
Laura Rovizzi	•				
Gianluigi Vittorio Castelli	•				
Key management personnel	•	•	•	•	•

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

- **effectively align the interests of shareholders and senior management** by closely aligning the remuneration policy to the company's strategic and business objectives and results effectively achieved;
- **attract, enhance, retain and motivate the group's key resources** by offering competitive short- and long-term incentive and reward models that encourage performance;
- **support the creation of long-term value and the achievement of the company's sustainability goals**, considering both the overall remuneration paid and employment conditions offered to all group employees.

The remuneration policy is proposed for 2026 and is therefore valid for one year.

The shareholders' meeting called for 18 April 2024 renewed the board of directors and approved, pursuant to article 22 of the articles of association, the total annual gross fixed fee of its members of €1,200,000, inclusive of the fees for the special duties of the directors on board committees.

These fees, within the maximum limit set out above, may be revised annually by the board of directors, after consulting the remuneration committee and the board of statutory auditors, in accordance with the principles and criteria set out in the company's remuneration policy.

The incoming board of directors will adhere to the guidelines of the 2026 remuneration policy and will decide the fees of the directors with special duties and the non-executive directors who participate in board committees in accordance with the applicable legislative and articles of association requirements and the resolution passed by the shareholders on 22 April 2026.

COMMITMENT TO SUSTAINABILITY – ESG

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

Compared to the previous version, the new plan was drafted by integrating multiple sources of information and context, including changes to the regulatory framework, updates of the issues considered in the main sustainability ratings (i.e., CDP, Ecovadis, MSCI), requests from customers through specific

questionnaires, the group's decarbonisation targets, contributions and proposals from employees globally, and initiatives and best practices adopted by comparable peers and market benchmarks.

This plan confirms that the group's sustainability strategy for the coming years is fully integrated into business development. This also directly affects the remuneration policy for the senior and key management personnel.

Indeed, the remuneration model adopted is built around integrating the traditional financial and business objectives with the sustainability targets approved in the plan, in particular through consistent short-term (MBO) and medium-long term (LTI) incentive systems.

The group's commitment to sustainable growth is reflected in the following areas of action:

- **Environment:** by promoting climate change mitigation activities and reducing the environmental impact of its operations and products. The group focuses particularly on developing product life cycle assessments (LCAs), which are aimed at identifying areas for improvement, such as using recycled materials, the reduction of inherent energy consumption and the adoption of logistics solutions with a low environmental impact. The LCAs also consider aspects related to the recyclability, reusability and reparability of products with a view to achieving sustainable end-of-life;
- **Social:** through initiatives aimed at guaranteeing equal treatment and opportunities for all employees, improving health and safety conditions in the workplace also by extending integrated management systems in accordance with international standards, promoting the protection of human rights along the value chain and supporting social, sporting and cultural activities in the local area;
- **Governance:** by implementing an ISO 27001 certified information security management system, updating anti-corruption policies and implementing a due diligence process on sustainability issues throughout the supply chain (assessing suppliers' ESG score using a risk-based approach and integrating a sustainability rating into the supplier management processes).

With regard to the environment, the group made progress on its plan to decarbonise production processes during the year by gradually replacing gas heating systems with heat pumps and implementing advanced building management system (BMS) solutions to optimise air-conditioning and energy consumption in operational and office spaces. LCAs were also conducted on specific product groups - including humidifiers, plate heat exchangers and valves - further boosting their competitive edge.

Carel implemented several social initiatives in 2025, including renewing its gender equality certification, developing and implementing a new performance development process and promoting programmes dedicated to wellbeing and improving work-life balance.

With regard to the targets of the Climate Transition Plan launched in 2024, the analyses and estimates aimed at expanding the time horizon of the decarbonisation plan will be further consolidated in 2026, extending it from the current medium-term targets (2033) to long-term targets (2050), in line with the SBTi methodology and the net zero target for direct and indirect emissions. The Scope 3 indirect emissions reduction target will also be underlined, keeping 2033 as the deadline. These commitments will help further strengthen Carel's strategic positioning over the long term in line with the group's vision and values.

With the approval of the 2025-2028 sustainability plan and in line with the actions undertaken in 2025, Carel confirms its two-tiered governance structure consisting of the board of directors and a sustainability executive team.

Within the board of directors, executive director Carlotta Rossi Luciani retained responsibility for sustainability. She has also been assigned responsibility for overseeing and coordinating operational activities to achieve the various targets set out in the plan, ensuring they are aligned with the group's business strategies.

The sustainability executive team is made up of managerial figures who hold key ESG positions and is tasked with identifying priority objectives and their timelines for implementation within the overall



commitments made by the group. However, responsibility for achieving the objectives included in the plan rests with the managers of the individual departments involved who must allocate the necessary resources, time and know-how to the planned actions.

The sustainability executive team also works across all group legal entities to collect, analyse and manage the data necessary for reporting in accordance with the new requirements of the European CSRD. In 2026, Carel will continue its strategic data governance project aimed at improving management of process and product data to support the information needs of customers and stakeholders, making it more effective and reliable.

Finally, the sustainability executive team will continue to systematically monitor the progress of projects and achievement of goals, promptly informing the executive director of sustainability and the CEO of any significant deviations regarding the timing of target achievement.

REMUNERATION OF THE NON-EXECUTIVE INDEPENDENT DIRECTORS

As mentioned earlier, in their meeting of 18 April 2024 held to renew the corporate bodies and increase the number of directors from seven to nine, the shareholders set the total fixed component of the directors' remuneration as gross annual €1,200,000 for the 2024-2026 three-year period, adjusting the amount approved by the shareholders which had appointed the previous board of directors on 20 April 2021.

The board of directors subsequently allocated this gross amount of €1,035,000 among the various directors according to the individual's role and responsibilities, including those held within board committees.

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

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

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

The analysis confirmed that the fees paid to the non-executive directors are essentially commensurate with the expertise, professionalism and commitment required to carry out their duties as directors and board committee members.

Moreover, as in previous years, the annual gross remuneration of the non-executive and independent directors for 2026 is not linked to the achievement of results by the company and/or the group but solely to their commitment to carrying out their different roles.

Lastly, it is noted that no further agreements or arrangements have been made with non-executive or independent directors or executive directors, regarding the payment of special fees, compensation or



benefits in the event of resignation, revocation without just cause or termination of the employment relationship for any reason.

REMUNERATION OF THE BOARD OF STATUTORY AUDITORS

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

The remuneration policy adopted for the members of the board of statutory auditors was also subject to a benchmark analysis against market best practices by Mercer Italia in 2023.

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

In the same meeting, pursuant to article 2402 of the Italian Civil Code, the shareholders set the remuneration for the board of statutory auditors at a gross amount of €135,000 per year for the full term of office, allocating this amount to three auditors according to their roles within the control body.

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

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

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

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

Like in previous years, the remuneration structure of the group's executive directors and key management personnel for 2026 has been designed to establish a significant link between a substantial portion of total remuneration and the achievement of pre-determined business and sustainability targets in the short-, medium and long-term. These variable components are partly paid over time with a view to creating long-term sustainable value.

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

Also in 2026, the company used benchmark analysis to decide on the pay mix and performance targets for the variable remuneration component. This involved comparing the company's practices with those of a group of peers selected based on business sector, size, group organisation and international footprint.

These companies are significant people competitors in the labour market, thus representing a useful benchmark for assessing the competitiveness and sustainability of the remuneration policies adopted by the group.



The companies included in the benchmark were:

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

FIXED REMUNERATION

The remuneration committee's policy is to propose salary reviews for the senior positions (especially the CEO and key management personnel), generally once a year, with the assistance of the HR department. These proposals are then submitted to the board of directors for their examination and approval.

The review may include an adjustment to the fixed component, the short-term variable component or both. A structured, thorough approach is adopted for these reviews based on a careful analysis of various factors. These include market competition, individual performances, internal equity compared to other levels within the company, the weight and importance of the role within the company and the overall sustainability of the proposed update.

In light of changes in the market situation and the group's operating conditions, the company deems that no elements or circumstances have emerged that would require adjusting the fixed remuneration levels of the chief executive officer and key management personnel for 2026. Specifically, there were no significant changes in the scope of responsibilities assigned or deviations from the market benchmark that would justify revising the current remuneration levels.

As a result, in order to maintain a balance between remuneration competitiveness, accountability to shareholders and overall cost sustainability, the fixed remuneration of the chief executive officer and key management personnel remains unchanged in 2026.

The fixed component accounts for between **47%** and **58%** of the total remuneration packages of the senior managers.

This ensures an adequate level of stability in remuneration and meets the objective of promoting a management approach focused on creating sustainable value in the medium to long term. Specifically, even if the company's performance targets are not met and the short- and long-term variable components are not paid fully or in part, the fixed component of the remuneration is adequate to prevent or, at least, curb opportunistic or risk-seeking behaviour or management approaches solely focused on achieving short- or very short-term results.

The approach to maintaining the fixed remuneration levels for the chief executive officer and key management personnel unchanged in 2026 is part of the company's strategy to ensure an overall pax mix balance, in line with the principles of prudence, sustainability and aligning to the long-term interests of the company and its stakeholders.

VARIABLE COMPONENT

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

- an annual bonus system (**MBO - management by objectives**);

- **long-term incentives (LTIs)** which may comprise both equity-settled (company shares) or cash-settled performance plans.

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

The policy therefore also considers the nature of Carel's business and its business sector. As in previous years, it is designed so that the variable component makes up a large part of the overall remuneration of each beneficiary in order to boost performance and help create sustainable value in the medium to long term.

Annual incentive system – MBO

Scope and characteristics

Carel's short-term variable incentive system (MBO) is designed to align the beneficiaries' efforts with the one-year strategic targets, with payment of a bonus in proportion to the actual results.

The format is based on the achievement of measurable financial performance targets that are defined at individual company and group level, as well as individual performance and targets related to sustainability and ESG factors. Achieving these objectives is tied to the operations carried out and the degree of responsibility of the individual beneficiaries.

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

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

The targets are linked to indicators that are quantitative, representing the company's strategic and sustainability/ESG priorities, and are measured using objective and pre-defined parameters. The targets are notified using a structured, linear, transparent process whereby they are first shared and discussed individually with all beneficiaries and then definitively allocated when the process is formally completed. As in 2025, the company changed the consolidated EBITDA target as a financial performance indicator, replacing it with the cash flow target, also measured for the entire group. Indeed, this amendment accommodates the request to adopt two separate indicators that do not overlap for the short-term (MBO) and medium- to long-term (LTI) incentive systems.

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

- **two group financial performance targets**, equal to 45% of the total:
 - Group cash flow (20%)
 - Group turnover (25%)
- **three integrated ESG & Business individual performance targets**, equal to 55% of the total, assigned in relation to the role and responsibilities of each beneficiary. These may be either business-related or related to ESG targets in the sustainability plan approved by the company, or related to specific strategic projects/activities carried out.

The individual performance targets assigned to the CEO and key management personnel for 2026 are as follows:

- **Chief executive officer:**
 - Weight of the project and distribution channel (% growth of turnover on 2025) - **20% weight**
 - AI governance project - **20% weight**

- Decarbonisation plan - Scope 1, 2 and 3 emissions - **20% weight**
- **Chief financial officer:**
 - Reducing net working capital ratio (current assets/current liabilities) - **20% weight**
 - Turnover of the project and distribution channel (% growth of turnover on 2025) - **20% weight**
 - Review of the policy and procedure system (ERM and 231) - **15% weight**
- **Chief HR and organisation officer:**
 - Succession plan for key roles - **20% weight**
 - AI governance project - **15% weight**
 - Pay transparency model for EU legal entities - **20% weight**
- **Chief solutions marketing officer:**
 - Weight of the project and distribution channel (% growth of turnover on 2025) - **20% weight**
 - “Driven by Knowledge” application knowledge development project - **20% weight**
 - Data centre solution and business development - **15% weight**
- **Chief technology officer:**
 - Carel Group customer quality (PPM) with improved target compared to 2025 - **20% weight**
 - R&D development time (delay reductions) - **20% weight**
 - Improving Chinese innovation process - **15% weight**
- **Chief operations officer:**
 - Group service level (average on plant turnover) - **20% weight**
 - Reducing inventory levels at production plants - **20% weight**
 - Carbon footprint (air freight reduction net of CUS) - Scope 3 ESG - **15% weight**

Performance conditions

The incentive system is designed to focus management’s attention on achieving the main value drivers for the group, simultaneously ensuring full compliance with the company’s risk management system. In this regard, the incentive system incorporates specific clauses to protect the company’s financial sustainability and its ability to pay and prevent risk-seeking behaviour.

As in previous years, the system introduces a minimum access gate and maximum threshold for bonus pay-out in line with the principles of prudence, proportionality and risk control.

The conditions are as follows:

- an on/off access gate tied to the group’s EBIT. If the EBIT is negative, pay out of the MBO does not take place regardless of the results achieved for the individual targets, in order to protect the company’s financial balance;
- if the minimum threshold is not reached, the percentage of the bonus assigned to that target will be zero, in order to prevent awarding incentives where performance targets have not been met;
- a target threshold (100%) which if reached implies that 100% of the bonus is paid for that target, ensuring direct and proportional correlation between performance and variable remuneration paid;
- the maximum threshold is set at 150% of the value assigned to the individual target, introducing a cap to limit the company’s exposure to excessive outlays and discourage behaviour that prioritises short-term results at the expense of sustainability in the medium to long term.

	Minimum threshold (0%)	Target threshold (100%)	Maximum threshold (150%)
Chief executive officer	0	300,000 €	450,000 €
Key management personnel (average)	0	81,200 €	121,800 €

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

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

Specifically, malus and claw-back clauses apply in the following cases:

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

In the short-term (MBO) incentive systems, the targets (especially the financial ones) are defined to ensure ongoing sustainable growth over time. They are established in line with the guidelines and targets approved by the board of directors at the time the budget is approved.

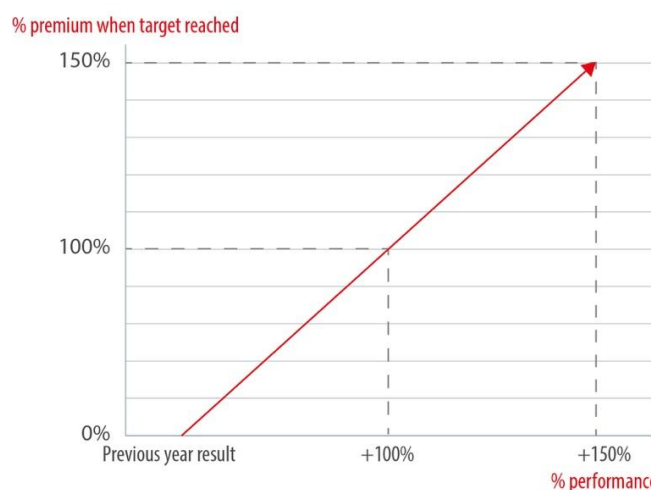
The performance curves and related pay-out are measured using a linear interpolation curve starting from the minimum threshold (0%) and arriving at the target threshold (target met = 100%) or, in the case of particularly outstanding or notable performances, a maximum threshold of 150% (cap).

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

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

MBO

Linear and steady curve



Calculation method: the minimum performance gateway is the prior year result. A linear correlation is used to calculate the pay-out.

Performance range: 0% - 150%

% pay-out: 0% - 150% of the target



LONG-TERM INCENTIVE SYSTEM – LTI

Scope and characteristics

This system has two types of plan:

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

The beneficiaries of this system are the executive directors, the chief executive officer, key management personnel and another group of managers held to be extremely important for achievement of the business targets. These targets are defined in line with the business plan and, for the ESG topics, with the 2025-2028 sustainability plan (integrated with the business plan) approved by the board of directors on 19 December 2024.

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

The equity-settled performance plan was approved by the shareholders at their meeting on 18 April 2024.

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

- **first vesting period**: January 2024 – December 2028 (the 2024-2026 vesting period + 2027-2028 lock-up period); awarded as a cash-settled performance plan to all beneficiaries on 7 November 2024;
- **second vesting period**: January 2025 – December 2029 (the 2025-2027 vesting period + 2028-2029 lock-up period); awarded as a cash-settled performance plan to all beneficiaries on 13 November 2025;
- **third vesting period**: January 2026 – December 2030 (the 2026-2028 vesting period + 2029-2030 lock-up period); to be assigned in 2026.

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

- allocate the same type of incentive plans to both Italian beneficiaries and beneficiaries residing abroad, for whom the only plans offered are cash-settled plans;
- prevent share-price fluctuations negatively impacting the value of the rewards, irrespective of operational performance;
- simplify the tax and administrative treatment for beneficiaries compared to that required for equity-settled plans.

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

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

- stimulate management behaviour designed to ensure sustainable growth over the medium and long term;
- establish a robust correlation between the variable remuneration of senior management and the group's strategic objectives, defined in terms of financial and sustainability (ESG) targets;

- strengthen the retention rate of key resources for the group and concurrently increase its ability to attract highly qualified resources;
- guarantee a better alignment of the remuneration packages offered to the LTI plan beneficiaries with market practices and, in particular, with the company's peers identified by type and size of business.

With reference to the **2024-2028 LTI plan**, the targets assigned for each year of each three-year rolling vesting period, including the 2026-2028 vesting period, are:

- Equity-settled performance plan:
 - adjusted cumulative group EBITDA (50% weight);
 - adjusted cash conversion (20% weight);
 - ESG targets (30% weight), divided into sub-targets:
 - reduction in gender pay gap for CID employees;
 - reduction of the group's direct and indirect emissions (Scope 1 and 2), expressed in tCO₂eq, in accordance with the decarbonisation plan as per the SBTi methodology.
- Cash-settled performance plan:
 - adjusted cumulative group EBITDA (50% weight);
 - adjusted cash conversion or the regional/country turnover (20% weight);
 - ESG targets (30% weight), divided into the same sub-targets as above.

The total value of the LTI incentive plan awarded to all beneficiaries for the second vesting period (2024-2026) amounts to a total of €2,200,000. It is estimated that the amount will remain more or less the same for the third vesting period (2026-2028).

Lastly, the company has decided not to fully disclose the LTI plan objectives to the market - except for a nominal description - as they are particularly closely linked to the content and goals of its three-year business plan. Indeed, ensuring the confidentiality of these goals is necessary as the company operates in a highly competitive market where strategy and innovation play a key role in maintaining its ability to compete effectively and sustainably over the long term.

Performance conditions

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

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

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

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

With reference to the 2026-2028 vesting period of the **2026-2030 LTI Plan**, the minimum, target and maximum values actually achievable are as follows:

	Minimum threshold (80%)	Target threshold (100%)	Maximum threshold (120%)
Chief executive officer	269,000 €	336,000 €	403,000 €
Key management personnel (average)	83,000 €	104,000 €	125,000 €

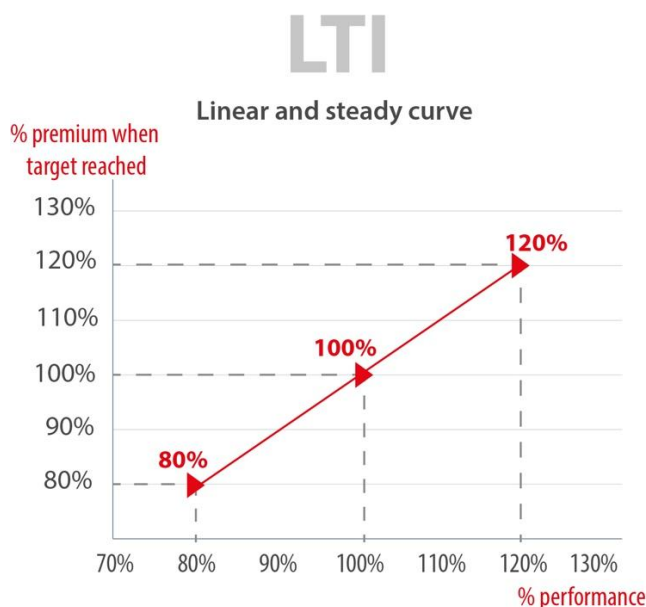
Note: These are possible pay-outs calculated using the total nominal amounts assigned to each beneficiary for the 2026-2028 vesting period (rounded up or down).

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

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

The graph below shows the percentage of shares/cash to be assigned to each beneficiary should they achieve their individual performance targets.

Within the limitations set out above, each percentage point increase in the achievement rate is matched by a percentage point increase in the actual number of shares or cash assigned.



Calculation method: Between minimum and target, assuming that each 1% marginal increase in the performance is equal to a 1% increase in the pay-out.

Performance range: 8% - 120%

% pay-out: 80% - 120% ($\pm 10\%$) of the target

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

Lock-up clause

The medium- to long-term variable component is only recognised at the end of the performance measurement period and once specific access gate conditions have been met. Specifically, the variable component is disbursed after checking that the relevant minimum threshold has been met and considering the 24-month lock-up period as a variable percentage depending on the plan beneficiary.

The lock-up percentage is calculated as follows:

- the lock-up clause is applied to 40% of the assigned shares or cash in the case of the chief executive officer and the executive directors;
- it is applied to 20% of the assigned shares or cash in the case of the key management personnel;
- the lock-up clause for the other beneficiaries applies differentially depending on the type of plan being awarded:
 - 10% of the shares for the equity-settled plans;
 - 20% of the cash bonus for the cash-settled plans.

The lock-up period has been set at 24 months in line with best practices and the recommendations of the Corporate Governance Code, which states that equity-settled remuneration plans are an essential tool for encouraging alignment between management and shareholders' interests over the long term. Taking into consideration the three-year vesting period and subsequent lock-up period, the plan ensures a period of at least five years overall for the vesting of the rights and holding of the assigned shares.

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

Clawback and malus clauses

Carel's long-term incentive plan has three-year malus and clawback clauses for the partial or complete recovery of the bonus (cash or shares), within three years of its activation.

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

- conditions leading to the restatement or adjustment of the company's financial results that would have a significant impact on the achievement of the targets and the amount of the bonuses awarded;
- behaviour that is contradictory to applicable internal or external regulations (including the code of ethics, the organisational model as per Legislative decree no. 231/01 and the anti-corruption model) or in the case of wilful or gross negligence committed to the detriment of the company.

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

By way of example and not limited to, the amount may be withheld from remuneration, fees/salary, bonuses or post-term of office benefits. The beneficiary, given their prior full acceptance of the relevant plan regulations, shall be obliged to specifically authorise this withholding to cover the undue amounts.

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

2026 REMUNERATION POLICY

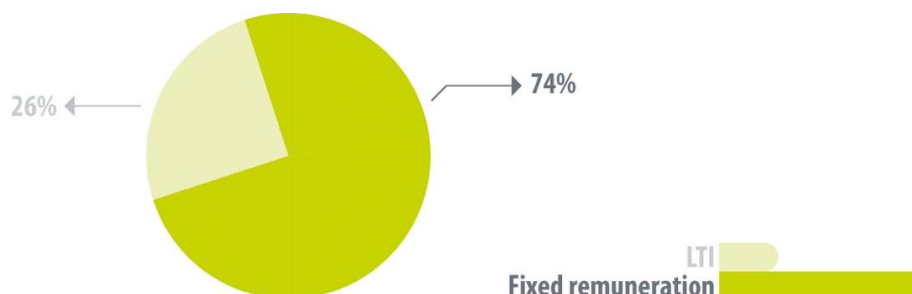
Given the current complex market landscape and the substantial alignment of the current remuneration levels with competitive benchmarks, the **company decided to make no changes to the remuneration policy for executive directors, the chief executive officer and key management personnel in 2026**. This decision was based on an overall assessment focused on maintaining the right balance between attractive remuneration packages, protecting shareholders' interests and ensuring economic sustainability in the medium to long term.

The 2026 remuneration policy for the executive directors and directors with special duties is as follows:

- **Luigi Rossi Luciani** – chairperson:

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

Pay mix - chairperson

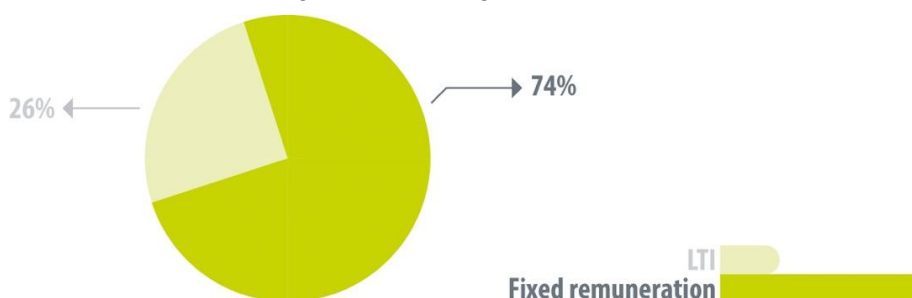


Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2026 bonus.

- **Luigi Nalini** – deputy chairperson:

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

Pay mix - deputy chairperson

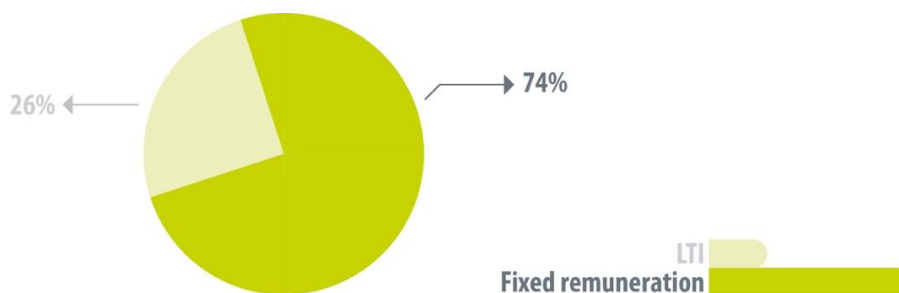


Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2026 bonus.

- **Carlotta Rossi Luciani** – executive director with special powers:

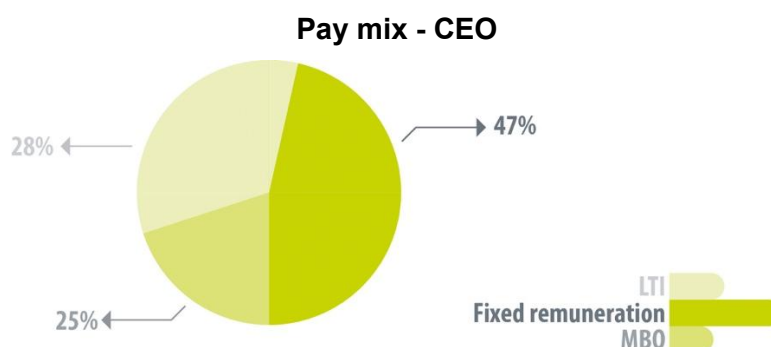
- Fixed fee for duties assigned by the board of directors: €120,000.
- Variable long-term component (LTI) in the form of cash-settled incentive plans with a nominal amount of €42,000.
- Non-monetary benefits.

Pay mix - executive director



Note: in order to calculate the pay mix, the fair value as per the Mercer method was considered for the LTI component for the 2026 bonus.

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



Note: the 2026 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2026 bonus.

KEY MANAGEMENT PERSONNEL

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

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

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

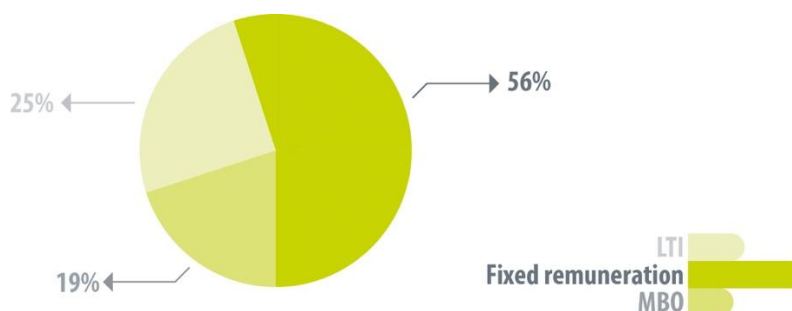
Moreover, following the adoption of the new organisational model under Project Impulse, the executive structure was revised in 2025 in order to align it consistently with the new and growing responsibilities assigned to the various company departments.

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

- fixed remuneration as manager of Carel Group: €1,053,000;
- fixed fee for positions held as directors or other positions held in other group companies (excluding the parent): €130,000;
- variable short-term component (MBO) with a nominal amount of €406,000;
- variable medium to long-term component (LTI) in the form of the cash-settled and/or equity-settled performance plans with a nominal amount of €525,000.

As in previous years, the 2026 remuneration policy for both the executive directors and key management personnel is drafted using benchmarking and, particularly, by monitoring the effects, in terms of adequacy and reciprocal satisfaction, that the remuneration policies approved in previous years have had for all beneficiaries.

Pay mix – key management personnel



Note: the 2026 MBO is considered a target for calculation of the pay mix while the fair value as per the Mercer method was considered for the LTI component for the 2026 bonus.

BENEFITS

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

Specifically:

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

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

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

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

OTHER ELEMENTS

NON-COMPETE AGREEMENTS

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

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

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

The fee is paid in periodical instalments while the beneficiary is in the company's employ or upon termination of the employment relationship but only if the company activates the agreement.

RETENTION/DISCRETIONARY BONUS

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

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

In addition to these one-off incentives, the company may also award retention bonuses to key resources whose contribution is fundamental to the group's growth and development and who present a high attrition risk due to particularly competitive labour market conditions.

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

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

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

- the achievement of objectively inadequate results;
- the company's failure to achieve its business goals.

The beneficiary may waive their right to all or part of any entitlement due under these agreements.

Furthermore, for the directors appointed by the shareholders at their meeting held on 18 April 2024 and as per the resolution of the relevant bodies, **post-term of office benefits for directors were not included in the remuneration to be paid in the case of departure from office**, as this was deemed inconsistent with market best practices.

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

The company may also enter into agreements which provide for the continuation or award of non-monetary benefits or consultancy agreements to employees who have left the company for the period after their departure in line with regulations and the Corporate Governance Code. The beneficiary may also waive their right to these benefits.

In this regard, when the general manager retired on 31 December 2024 having reached the statutory retirement age, it was agreed that he would continue to work on a part-time basis under a 12-month consultancy contract, i.e., until the end of 2025. The objective of this collaboration was to help management in the transition phase to the new organisational model. This contract was renewed for 2026, again on a part-time basis, to provide support in adopting new AI-based technologies by integrating them into the company's products and services.

Finally, with respect to the effects of termination of the employment relationship on the LTI plans, their regulations clearly define the various effects of such termination depending on the underlying reasons and when it takes place. In general, the early termination of an employment relationship results in forfeiting the right to any incentives linked to the LTI plans, even if the relevant targets have been partially achieved.

DEROGATION

While stressing that the company has never derogated from the remuneration policies approved by the shareholders since its listing on the stock market, pursuant to article 123-ter.3-bis of the CFA and article 84-quater of the Issuers' Regulation, Carel may temporarily derogate from the remuneration policy described in Section I **should exceptional circumstances arise**

which make this derogation necessary to allow the company to pursue its long-term interests, ensure its overall sustainability or preserve its ability to effectively operate in its markets.

Should such circumstances arise, temporary derogations may apply to the following specific elements of the remuneration policy:

- the short- and long-term fixed and variable components of remuneration, including the weight assigned to each component of the overall package;
- the financial and non-financial performance targets and criteria to which the variable components are tied;
- the introduction of deferred payments systems and clauses to hold the financial instruments assigned;
- ex-post adjustment mechanisms for the variable component (malus or clawback clauses);
- any bonuses including sign-on bonuses, non-monetary benefits, cash-settled or equity-based incentive plans, insurance, social security or pension benefits or non-recurring fees;
- the remuneration of the independent directors, directors who are members of board committees and those with special duties (chairperson, deputy chairperson, etc.).

The exceptional circumstances that could justify recourse to such derogations include, but are not limited to, the need to retain strategic resources, significant changes in the group's organisational structure or scope, and non-recurring and unforeseeable events of a macroeconomic or sectorial nature.

Any derogation shall be approved by the board of directors after consulting the remuneration committee and the HR department, in accordance with applicable regulations and procedures regarding related-party transactions.

The board of directors decides the length of the derogation period and the specific policy aspects affected.



SECTION II
FEES PAID IN 2025
TO THE DIRECTORS, STATUTORY
AUDITORS, GENERAL MANAGERS AND
KEY MANAGEMENT PERSONNEL



This section provides a clear and comprehensive picture of the fees paid in 2025, both to the individual directors, statutory auditors and the general manager and collectively to the key management personnel, highlighting the compliance thereof with the policies described in Section I of the remuneration report published in 2025 and sets out how such remuneration contributes to the company's long-term results.

The remuneration policies of 2025 supported the achievement of growth, innovation and technological innovation objectives in line with the company's strategies for the medium to long term.

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

The coordinated pursuit of all these strategies has resulted in an outstanding financial performance, even in 2025, despite the uncertain and partially unstable socio-economic situation.

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

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

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

FIRST PART - REMUNERATION ITEMS

BOARD OF DIRECTORS

The 2025 remuneration policy for the board of directors was implemented, as described in Section I of the remuneration report published in 2025, through the payment of the following items:

- a fee for the directorship;
- a fee for the position as a director with specific duties;
- gross annual remuneration (GAR);
- a fee for participation in committee meetings;
- an annual variable component paid when set targets are met (MBO);
- a variable medium to long-term component (LTI¹);
- benefits provided for by the national employment contract and internal practices.

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

CHAIRPERSON, DEPUTY CHAIRPERSON AND EXECUTIVE DIRECTORS

Chairperson

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

- **Fixed remuneration:** €270,000 gross as his fee for 2025². On 18 April 2024, the board of directors resolved to increase the chairperson's annual gross remuneration to €270,000.
- **Long-term incentive:** after the board of directors checked that the performance targets had been met on 10 March 2026 and approved the consolidated financial statements for the last year of the 2021-2023 vesting period, the company, in line with the achievement of the targets for the 2023-2025 vesting period of the LTI plan, will pay €97,300.
40% of these shares are locked up for two years.

PERFORMANCE CONDITIONS

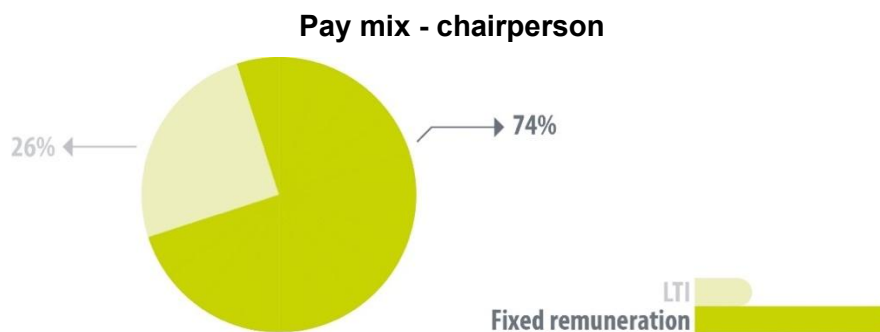
	80% threshold	100% threshold (on target)	120% threshold	Target*	Results*	Pay-out
50% - cumulative adjusted EBITDA in the three years				350,411	377,474	107.7%
30% - adj. cash conversion in the three years				56.86%	83.5%	146.9%
10% - ESG target - % of female white collars hired with permanent employment contracts				30.0%	28.0%	93.5%
10% - ESG target - % of reduction of the production sites' CO2 emissions (tCO2/y)				6.0%	24.0%	400.8%

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

¹ We confirm that, in relation to the 2021-2025 share plan, there has been no allocation of the right to receive shares in relation to the three vesting periods (2021-2023; 2022-2024; 2023-2025), therefore, to date, no beneficiary has been identified to whom shares are to be allocated under this plan.

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

The resulting pay mix (if the same position is held) for 2025 is as follows:

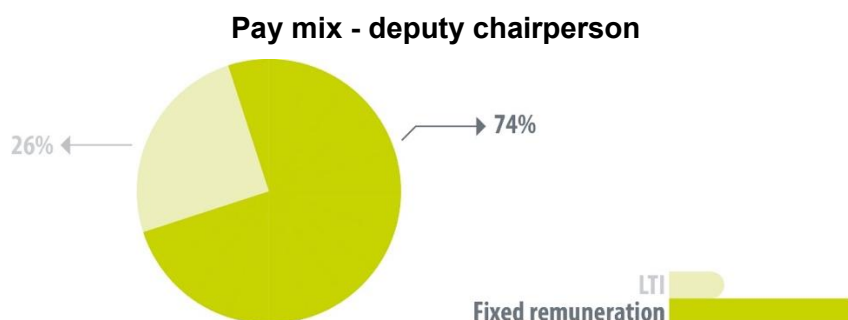


Deputy chairperson

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

- **Fixed remuneration:** €200,000 gross as his fee for 2025. On 18 April 2024, the board of directors resolved to increase his annual gross remuneration to €200,000.
- **Long-term incentive:** after the board of directors checked that the performance targets had been met on 10 March 2026 and approved the consolidated financial statements for the last year of the 2023-2025 vesting period, the company, in line with the achievement of the targets for the 2023-2025 vesting period of the LTI plan, will pay €70,056. 40% of these shares are locked up for two years.
- **Non-monetary benefits:** company car under the mixed-use full-cost method.

The resulting pay mix for 2025 (if the same position is held) is as follows:

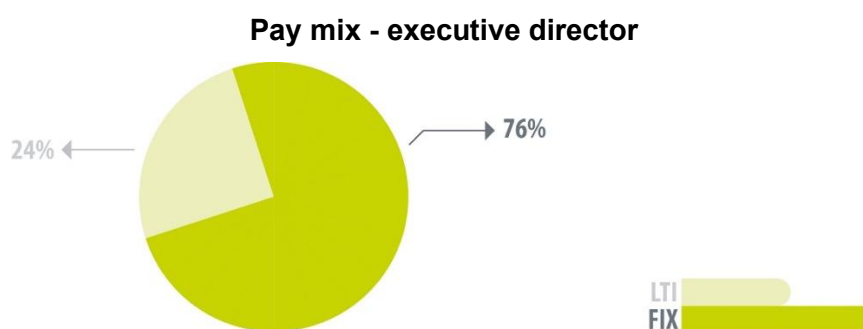


Executive director

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

- **Fixed remuneration:** €120,000 gross as her fee for 2025. On 18 April 2024, the board of directors resolved to increase the executive director's annual gross remuneration to €120,000 to reflect the new powers allocated.
- **Long-term incentive:** after the board of directors checked that the performance targets had been met on 10 March 2026 and approved the consolidated financial statements for the last year of the 2023-2025 vesting period, the company, in line with the achievement of the targets for the 2023-2025 vesting period of the LTI plan, will pay €38,920. 40% of these shares are locked up for two years.
- **Non-monetary benefits:** company car under the mixed-use full-cost method.

The resulting pay mix for 2025 (if the same position is held) is as follows:



Chief executive officer

Francesco Nalini, chief executive officer, received:

- **Fixed remuneration:** €100,000 gross as his fee for 2025 and €460,005 gross as a salary for his employment contract as CEO, in line with the remuneration set out in the remuneration policy for 2025 and as proposed by the remuneration committee to the board of directors, which approved it in its meeting of 18 April 2024 with the favourable opinion of the board of statutory auditors.
- **Short-term incentive:** The MBO for 2025 will be paid in 2026.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 10 March 2026, led to the board's approval of a pay-out of a €380,654 gross as shown below.

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

Access gate (EBIT>0) Reached - Performance achieved: €81,959.

PERFORMANCE CONDITIONS

	0% threshold	100% threshold (on target)	150% threshold	Target	Results*	Pay-out
30% - 2025 free cash flow				50,112	98,498	150%
15% - group turnover				625,105	629,028	108.4%
20% - expansion of business volumes in North America				111,355	126,488	150%
20% - Decarbonisation plan: reducing direct and indirect emissions of the entire Carel group in tCO ₂ eq at 31 December 2025 vs 31 December 2024				7.82%	7.96%	103.1%
15% - Project Impulse: deploying the new operating model at the former IAQ division companies				100%	100%	100%

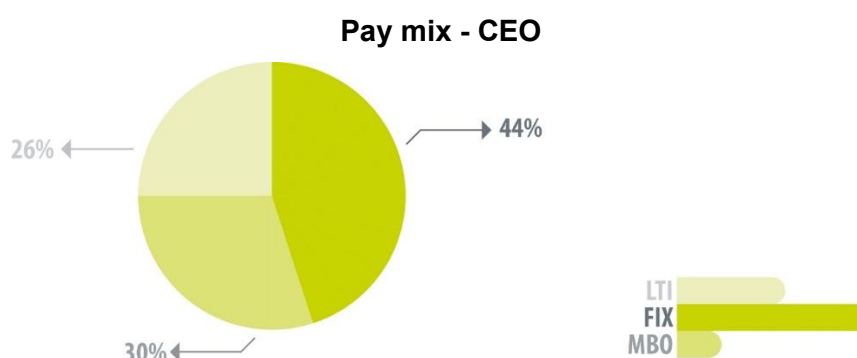
*amounts in €'000

- Long-term incentive:** after the board of directors checked that the performance targets had been met on 10 March 2026 and approved the consolidated financial statements for the last year of the 2023-2025 vesting period, the company, in line with the achievement of the targets for the 2023-2025 vesting period of the LTI plan, will pay €326,928. 40% of these shares are locked up for two years.

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

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

The resulting pay mix for 2025 (if the same position is held) is as follows:





Independent directors

The independent directors received their fees in line with that established by the remuneration policy for 2025:

- **Cinzia Donalisio**: an overall annual fee of €80,000 for her position as director. On 18 April 2024, the board of directors resolved to increase the annual gross remuneration of the members of the board of directors to €55,000, of the chairperson of the remuneration committee to €15,000 and of the members of the control, risks and sustainability committee to €10,000;
- **Marina Manna**: an overall annual fee of €80,000 for her position as director. On 18 April 2024, the board of directors resolved to increase the annual gross remuneration of the members of the board of directors to €55,000, of the chairperson of the audit, risk and sustainability committee to €15,000 and of the members of the remuneration committee to €10,000;
- **Mario Cesari**: an overall annual fee of €75,000 for his position as director. On 18 April 2024, the board of directors resolved to increase the annual gross remuneration of the members of the board of directors to €55,000, of the members of the audit, risk and sustainability to €10,000 and of the members of the remuneration committee to €10,000;
- **Laura Rovizzi**: an overall annual fee of €55,000 for her position as director (appointed by the shareholders at their meeting held on 18 April 2024);
- **Gianluigi Castelli**: an overall annual fee of €55,000 for his position as director (appointed by the shareholders at their meeting held on 18 April 2024).

BOARD OF STATUTORY AUDITORS

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

- **Paolo Prandi** (chairperson): €55,000;
- **Saverio Bozzolan**: €40,000;
- **Gianna Adami**: €40,000.

KEY MANAGEMENT PERSONNEL

The 2025 remuneration policy for key management personnel comprised the items stated below.

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

Key management personnel

- **Fixed remuneration**: a fee to remunerate the different positions held by some key managers in other group companies and a fixed remuneration for a total of €1,123,477 gross.
- **Short-term incentive**: The MBO for 2025 will be paid in 2026.

The results of the MBO plan, presented to the board of directors by the remuneration committee in its meeting of 10 March 2026, led to the board's approval of a total pay-out of €483,810 gross, based on the average performances described below.

Access gate (EBIT>0) Reached - Performance achieved: €81,959

PERFORMANCE CONDITIONS				
	0% threshold	100% threshold (on target)	150% threshold	Result
30% - Carel group cash flow				150%
15% - group turnover				108%
20% - individual performance target				120%
35% - ESG target				98%

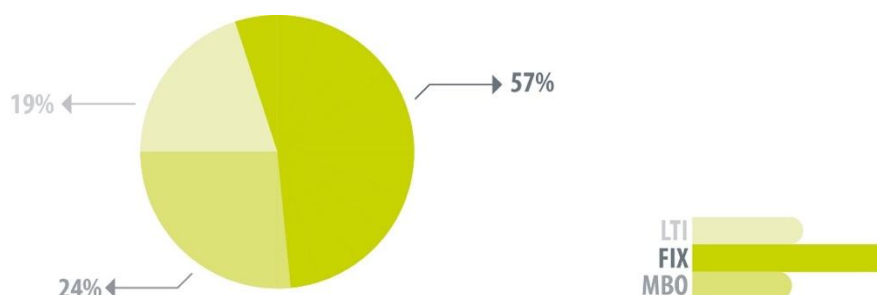
- Long-term incentive:** after the board of directors checked that the performance targets had been met on 10 March 2026 and approved the consolidated financial statements for the last year of the 2023-2025 vesting period, the company, in line with the achievement of the targets for the 2023-2025 vesting period of the LTI plan, will pay €370,463. 20% of these shares are locked up for two years.

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

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

The resulting pay mix for 2025 (if the same position is held) is as follows:

Pay mix – key management personnel



POST-TERM OF OFFICE BENEFITS AND/OR OTHER BENEFITS FOR DEPARTURE FROM OFFICE OR TERMINATION OF THE EMPLOYMENT RELATIONSHIP DURING THE YEAR

Without prejudice to that described below, no post-term of office benefits and/or other benefits were paid in 2025 for departure from office or termination of employment relationships.

At the date of this report, the company does not have agreements for the payment of post-term of office benefits for the departure from office or early termination of an employment relationship.



PAY RATIO

The following tables provide information for 2023, 2024 and 2025 and changes between the years of:

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

For transparency purposes, the ratio of the remuneration of the company's chairperson, deputy chairperson, executive director and chief executive officer (including the fixed remuneration received in 2025, the MBO and LTI) to the average remuneration of the employees of the Italian Carel group companies is provided below.

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

	2023 fixed remuneration	2023 total remuneration	2023 total/ 2022 total	2024 total fixed	2024 total remuneration	2024 total/ 2023 total	2025 total fixed	2025 total remuneration	2025 total/ 2024 total
Group turnover from core business		650,243,002	20.2%		578,536,012	-11.0%		629,028,102	8.7%
Group adjusted EBITDA		138,246,067	20.5%		104,715,018	-24.3%		124,075,047	18.5%
CHAIRPERSON Luigi Rossi Luciani	250,000	351,763	-8.5%	263,333	365,008	3.8%	270,000	367,300	0.6%
DEPUTY CHAIRPERSON Luigi Nalini	180,000	253,269	-8.5%	193,333	266,539	5.2%	200,000	270,056	1.3%
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	100,000	140,705	6.4%	113,333	154,003	9.5%	120,000	158,920	3.2%
CHIEF EXECUTIVE OFFICER Francesco Nalini	490,011	1,085,665	-3.9%	510,011	980,894	-9.7%	560,005	1,267,587	29.2%
GENERAL MANAGER Giandomenico Lombello	311,289	609,248	-0.1%	278,334	497,613	-18.3%	--	--	N/A
Standing statutory auditor Paolo Prandi (chairperson)	40,000	40,000	0%	50,574	50,574	26.4%	55,000	55,000	8.8%
Standing statutory auditor Saverio Bozzolan	25,000	25,000	0%	35,574	35,574	42.3%	40,000	40,000	12.4%
Standing statutory auditor Claudia Civolani	25,000	25,000	0%	7,377	7,377	-70.5%	--	--	N/A
Standing statutory auditor Gianna Adami	-	-	-	28,197	28,197	N/A	40,000	40,000	41.9%
Italian employees	37,953	43,386	-1.3%	40,231	44,633	2.9%	41,327	48,196	8.0%

PAY RATIO/ITALIAN EMPLOYEES

	2023	2023	2024	2024	2025	2025
CHAIRPERSON Luigi Rossi Luciani	7	8	7	8	7	8
DEPUTY CHAIRPERSON Luigi Nalini	5	6	5	6	5	6
EXECUTIVE DIRECTOR Carlotta Rossi Luciani	3	3	3	3	3	3
CHIEF EXECUTIVE OFFICER Francesco Nalini	13	25	13	22	14	26
GENERAL MANAGER Giandomenico Lombello	8	14	7	11	N/A	N/A
Standing statutory auditor Paolo Prandi (chairperson)	1.1	0.9	1.3	1.1	1.3	1.1
Standing statutory auditor Saverio Bozzolan	0.7	0.6	0.9	0.8	1.0	0.8
Standing statutory auditor Claudia Civolani ³	0.7	0.6	0.2	0.2	N/A	N/A
Standing statutory auditor Gianna Adami	-	-	0.7	0.6	1.0	0.8

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

On 23 April 2025, as required by the ruling legislation, the shareholders cast their favourable vote on Section II of the remuneration report for the remuneration and fees paid in 2024 (88.74% of the participants).

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

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

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

No exceptional circumstances arose in 2025 that would have made derogation from the remuneration policy for that year as approved by the shareholders on 18 April 2025 necessary.

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

³ As an outgoing statutory auditor, the pay ratio for 2024 cannot be compared with previous years;



SECOND PART - TABLES

The following tables show: (i) in Table 1, the remuneration of the individual directors, statutory auditors and general manager and collectively of the key management personnel paid for any reason and in any form by the company and its subsidiaries and associates for 2025; (ii) in Table 3A, the equity-settled incentive plans (other than stock option plans) for the directors, general managers and other key management personnel; and (iii) in Table 3B, the cash-settled incentive plans for the directors, general managers and other key management personnel.

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

Name	Position	Period of office	End of term of office	Fixed remuneration	Non-equity-settled variable remuneration			Non-monetary benefits	Other remuneration	TOTAL	Fair value of equity-settled remuneration	Post-term of office benefits or termination of employment entitlement
					Fee for participation in committee meetings	Bonuses and other incentives	Profit sharing					
Luigi Rossi Luciani	Executive chairperson	01.01.2025 31.12.2025										
(I) Remuneration from the company preparing the financial statements				270,000				3,791		273,791		
(II) Remuneration from subsidiaries and associates												
(III) Total				270,000				3,791		273,791		
Luigi Nalini	Deputy chairperson (with acting role)	01.01.2025 31.12.2025										
(I) Remuneration from the company preparing the financial statements				200,000				3,233		203,233		
(II) Remuneration from subsidiaries and associates												
(III) Total				200,000				3,233		203,233		
Francesco Nalini	Chief executive officer	01.01.2025 31.12.2025										
(I) Remuneration from the company preparing the financial statements				560,005		380,654		9,098		949,757		
(II) Remuneration from subsidiaries and associates												
(III) Total				560,005		380,654		9,098		949,757		
Carlotta Rossi Luciani	Executive director	01.01.2025 31.12.2025										
(I) Remuneration from the company preparing the financial statements				120,000				2,579		122,579		

Name	Position	Period of office	End of term of office	Non-equity-settled variable remuneration					TOTAL	Fair value of equity-settled remuneration	Post-term of office benefits or termination of employment entitlement
				Fixed remuneration	Fee for participation in committee meetings	Bonuses and other incentives	Profit sharing	Non-monetary benefits			
(II) Remuneration from subsidiaries and associates											
(III) Total				120,000				2,579	122,579		
Cinzia Donaliso	Independent director	01.01.2025 31.12.2025									
(I) Remuneration from the company preparing the financial statements				55,000	25,000				80,000		
(II) Remuneration from subsidiaries and associates											
(III) Total				55,000	25,000				80,000		
Marina Manna	Independent director	01.01.2025 31.12.2025									
(I) Remuneration from the company preparing the financial statements				55,000	25,000				80,000		
(II) Remuneration from subsidiaries and associates											
(III) Total				55,000	25,000				80,000		
Mario Cesari	Independent director	01.01.2025 31.12.2025									
(I) Remuneration from the company preparing the financial statements				55,000	20,000				75,000		
(II) Remuneration from subsidiaries and associates											
(III) Total				55,000	20,000				75,000		
Gianluigi Vittorio Castelli	Independent director	01.01.2025 31.12.2025									
(I) Remuneration from the company preparing the financial statements				55,000					55,000		
(II) Remuneration from subsidiaries and associates											
(III) Total				55,000					55,000		
Laura Rovizzi	Independent director	01.01.2025 31.12.2025									
(I) Remuneration from the company preparing the financial statements				55,000					55,000		
(II) Remuneration from subsidiaries and associates											
(III) Total				55,000					55,000		



Name	Position	Period of office	End of term of office	Non-equity-settled variable remuneration					TOTAL	Fair value of equity-settled remuneration	Post-term of office benefits or termination of employment entitlement
				Fixed remuneration	Fee for participation in committee meetings	Bonuses and other incentives	Profit sharing	Non-monetary benefits			
Paolo Prandi	Chairperson of the board of statutory auditors	01.01.2025	31.12.2025								
(I) Remuneration from the company preparing the financial statements				55,000						55,000	
(II) Remuneration from subsidiaries and associates											
(III) Total				55,000						55,000	
Saverio Bozzolan	Chairperson of the board of statutory auditors	01.01.2025	31.12.2025								
(I) Remuneration from the company preparing the financial statements				40,000						40,000	
(II) Remuneration from subsidiaries and associates											
(III) Total				40,000						40,000	
Gianna Adami	Standing statutory auditor	01.01.2025	31.12.2025								
(I) Remuneration from the company preparing the financial statements				40,000						40,000	
(II) Remuneration from subsidiaries and associates											
(III) Total				40,000						40,000	
Key management personnel	Key management personnel	01.01.2025	31.12.2025								
(I) Remuneration from the company preparing the financial statements				1,005,459		483,810		18,119		1,507,318	
(II) Remuneration from subsidiaries and associates				118,018						118,018	
(III) Total				1,123,477		483,810		18,119		1,625,405	

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

A	B	Financial instruments granted in previous years not vested during the year			Financial instruments granted during the year				Financial instruments vested during the year and not assigned	Financial instruments vested during the year and to be assigned		Financial instruments for the year	
		1	2	3	4	5	6	7	8	9	10	11	12
Name	Position	Plan	Number and type of financial instrument	Vesting period	Number and type of financial instrument	Fair value at the grant date	Vesting period	Grant date	Market price at the grant date	Number and type of financial instrument	Number and type of financial instrument	Value at the maturity date	Fair value
Luigi Rossi Luciani	Executive chairperson												
(I) Remuneration from the company preparing the financial statements		07/09/2018			8,446	81,276	three-year	01/10/2018	8.88		9,364.92	174,544	
		11/11/2019			5,536	75,192	three-year	01/12/2019	13.55		6,643.00	149,002	
		06/11/2020			4,366	75,997	three-year	19/11/2020	17.18				36,479
(II) Remuneration from subsidiaries and associates													
(III) Total					18,348	232,465					16,007.92	323,547	36,479
Luigi Nalini	Deputy chairperson (with acting role)												
(I) Remuneration from the company preparing the financial statements		07/09/2018			6,081	58,517	three-year	01/10/2018	8.88		6,743	125,669	
		11/11/2019			3,986	54,139	three-year	01/12/2019	13.55		4,783	107,283	
		06/11/2020			3,144	54,726	three-year	19/11/2020	17.18				26,269
(II) Remuneration from subsidiaries and associates													
(III) Total					10,067	112,656							26,269
Francesco Nalini	Chief executive officer												
(I) Remuneration from the company preparing the financial statements		07/09/2018			15,068	144,999	three-year	01/10/2018	8.88		16,708	311,405	
		11/11/2019			13,285	180,441	three-year	01/12/2019	13.55		15,942	357,579	
		06/11/2020			12,224	212,778	three-year	19/11/2020	17.18				102,134
(II) Remuneration from subsidiaries and associates													
(III) Total					40,577	538,218							102,134
Carlotta Rossi Luciani	Executive director												
(I) Remuneration from the company preparing the financial statements		07/09/2018			2,027	19,506	three-year	01/10/2018	8.88		2,248	41,898	
		11/11/2019			2,790	37,895	three-year	01/12/2019	13.55		3,348	75,095	
		06/11/2020			1,048	18,242	three-year	19/11/2020	17.18				8,756
(II) Remuneration from subsidiaries and associates													
(III) Total					5,865	75,643							8,756
Giandomenico Lombello	General manager												
(I) Remuneration		07/09/2018			7,975	76,743	three-year	01/10/2018	8.88		8,843	164,817	



A	B	Financial instruments granted in previous years not vested during the year			Financial instruments granted during the year				Financial instruments vested during the year and not assigned	Financial instruments vested during the year and to be assigned	Financial instruments for the year		
		1	2	3	4	5	6	7	8	9	10	11	12
Name	Position	Plan	Number and type of financial instrument	Vesting period	Number and type of financial instrument	Fair value at the grant date	Vesting period	Grant date	Market price at the grant date	Number and type of financial instrument	Number and type of financial instrument	Value at the maturity date	Fair value
from the company preparing the financial statements		11/11/2019			6,851	93,052	three-year	01/12/2019	13.55			8,221	
		06/11/2020			6,101	106,198	three-year	19/11/2020	17.18				50,975
(II) Remuneration from subsidiaries and associates													
(III) Total					20,927	275,993							50,975
Key management personnel	Key management personnel (4)												
(I) Remuneration from the company preparing the financial statements		07/09/2018			24,017	231,116	three-year	01/10/2018	8.88		18,034	336,111	
		11/11/2019			18,663	253,486	three-year	01/12/2019	13.55		15,767	353,654	
		06/11/2020			15,718	273,597	three-year	19/11/2020	17.18				131,327
(II) Remuneration from subsidiaries and associates													
(III) Total					58,398	758,199					33,801	689,764	131,327

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

A	B	1	2A	2B	2C	3A	3B	3C	4									
										Name	Position	Plan	Reward for the year			Previous year reward		Other bonuses
													To be paid/paid	Deferred	Deferral period	No longer available	To be paid/paid (1)	
	Luigi Rossi Luciani	Chairperson																
(I) Remuneration from the company preparing the financial statements		LTI 04/11/2021			2026		61,058	40,705										
(II) Remuneration from subsidiaries and associates																		
(III) Total							61,058	40,705										
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022			2027		61,005	40,670										
(II) Remuneration from subsidiaries and associates																		
(III) Total							61,005	40,670										
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023	58,380	38,920	2025													
(II) Remuneration from subsidiaries and associates																		
(III) Total			58,380	38,920														
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024		94,500	2026													
(II) Remuneration from subsidiaries and associates																		
(III) Total				94,500														



A Name	B Position	1 Plan	2A			2B			2C			3A			3B			3C			4 Other bonuses
			Reward for the year									Previous year reward									
			To be paid/paid			Deferred			Deferral period			No longer available			To be paid/paid (1)			Still deferred			
(III) Total						312,000															
(I) Remuneration from the company preparing the financial statements		LTI 13/11/2025				336,000			2027												
(II) Remuneration from subsidiaries and associates																					
(III) Total						336,000															
(III) Total			576,811			778,771						380,833			253,889						
Carlotta Rossi Luciani		Executive director																			
(I) Remuneration from the company preparing the financial statements						-															
		LTI 04/11/2021							2026			24,423			16,282						
(II) Remuneration from subsidiaries and associates																					
(III) Total												24,423			16,282						
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022							2027			24,402			16,268						
(II) Remuneration from subsidiaries and associates																					
(III) Total												24,402			16,268						
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023	23,352	15,568	2025																
(II) Remuneration from subsidiaries and associates																					
(III) Total			23,352	15,568																	
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024				42,000			2026												
(II) Remuneration from subsidiaries and associates																					
(III) Total						42,000															
(I) Remuneration from the company preparing the financial statements		LTI 13/11/2025				42,000			2027												
(II) Remuneration from subsidiaries and associates																					
(III) Total						42,000															
(III) Total			23,352			99,568						48,825			32,550						
Giandomenico Lombello		General manager																			
(I) Remuneration from the company preparing the financial statements		MBO 2025	71,821																		
		LTI 04/11/2021							2026			118,068			29,517						
(II) Remuneration from subsidiaries and associates																					
(III) Total												118,068			29,517						
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022							2027			117,966			29,492						
(II) Remuneration from subsidiaries and associates																					
(III) Total												117,966			29,492						
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023	123,699	30,925	2025																
(II) Remuneration from subsidiaries and associates																					
(III) Total			123,699	30,925																	
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2024				0			2026												

A Name	B Position	1 Plan	2A			2B		2C		3A		3B		3C		4			
			Reward for the year												Previous year reward				Other bonuses
			To be paid/paid		Deferred		Deferral period		No longer available		To be paid/paid (1)		Still deferred						
(II) Remuneration from subsidiaries and associates																			
(III) Total																			
(I) Remuneration from the company preparing the financial statements		LTI 13/11/2025	0	0															
(II) Remuneration from subsidiaries and associates																			
(III) Total																			
(III) Total			123,699	30,925					236,034		59.0069								
Key management personnel		Key management personnel (4)																	
(I) Remuneration from the company preparing the financial statements		MBO 2025	483,810																
		LTI 04/11/2021			2026				289,727		72,432								
(II) Remuneration from subsidiaries and associates																			
(III) Total																			
(I) Remuneration from the company preparing the financial statements		LTI 09/11/2022	483,810	0															
				2027				303,282		75,821									
(II) Remuneration from subsidiaries and associates																			
(III) Total																			
(I) Remuneration from the company preparing the financial statements		LTI 16/11/2023	296,370	74,093	2025														
(II) Remuneration from subsidiaries and associates																			
(III) Total																			
(I) Remuneration from the company preparing the financial statements		LTI 07/11/2025			366,300		2026												
(II) Remuneration from subsidiaries and associates																			
(III) Total																			
(I) Remuneration from the company preparing the financial statements		LTI 13/11/2025			522,585		2027												
(II) Remuneration from subsidiaries and associates																			
(III) Total																			
(III) Total			780,180	962,978					593,009		148,252								



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

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

Name	Position	Investee	Number of shares held at the end of the previous year	Number of shares purchased	Number of shares sold	Number of shares held at year end
Luigi Nalini	Deputy chairperson	Carel Industries S.p.A.	17,154	0	0	17,154
Luigi Rossi Luciani	Chairperson	Carel Industries S.p.A.	2,068	0	0	2,068
Francesco Nalini	Chief executive officer	Carel Industries S.p.A.	6,358	0	0	6,358
Carlotta Rossi Luciani	Director	Carel Industries S.p.A.	515	0	515	0
Key management personnel		Carel Industries S.p.A.	9,204	0	1,892	7,312

*acquired free of charge under the LTI plan

