(TRANSLATION FROM THE ITALIAN ORIGINAL WHICH REMAINS THE DEFINITIVE VERSION)

2025 ANNUAL REPORT

LETTER TO THE SHAREHOLDERS

Dear shareholders,
2025 saw the continuation of a complex and unstable geopolitical environment. International tensions and the fragmentation of some strategic balances continued to generate uncertainty, affecting the dynamics of supply chains and the overall global trading climate.
However, on the economic front, signs of gradual stabilisation were seen, particularly in Europe. The inflation easing and the return to more favourable financing conditions, thanks to less restrictive interest rate dynamics than in previous years, contributed to a more predictable environment for business and investment. At the same time, the rapid deployment of AI technologies is accelerating transformation processes in many industrial and service sectors, driving new investment cycles. One of the most affected industries is that of the data centres, where the growing demand for computational capacity and energy-efficient infrastructure is generating development opportunities along the entire value chain.
Against this backdrop, Carel has achieved particularly outstanding results. In fact, at constant exchange rates, revenue grew more than 10%, confirming the strength of our competitive positioning and the group's ability to seize opportunities, even in fast-changing macroeconomic environments.
Both of our macro business areas made a significant contribution to this result. Air conditioning benefited from sustained demand in several application segments, especially computer centres, and refrigeration also showed significant growth, supported by structural trends such as energy efficiency and sustainability of plant solutions.
These achievements are the result of a combination of mutually synergistic factors, especially the effectiveness of the new organisation introduced in early 2025, designed to simplify processes, streamline decision-making flows and increase execution speeds. This evolution has enabled us to be even closer to customers and to intercept important market opportunities in a timely manner.
Revenue growth has been accompanied by solid margins. In fact, profitability was just below 20%, ranking at the high end of the group's medium-term guidance, despite its ongoing and significant commitment to investment in innovation. R&D expenditure remained above 5% of revenue, reflecting our intention to support future growth through advanced and sustainable technological solutions.
Our financial results were also particularly positive, enabling the group to end the year with net cash of €18 million, further strengthening our financial position and ability to support future growth trajectories.
Therefore, 2025 was a year full of positive results, also marked by a strong sustainability footprint. Carel continued its decarbonisation journey, with Scope 1, 2 and 3 emissions reductions in line with the targets set by the group and validated by the Science Based Targets initiative (SBTi). Our efforts have also been recognised by CDP: for the first time in our history we have achieved an A- score, placing us one step away from absolute excellence in terms of transparency and environmental performance.
The results achieved during the year, as well as the progress made on the sustainability and innovation fronts, are a direct reflection of the expertise, passion and sense of responsibility that characterise Carel's people. In a complex global environment, their ability to collaborate, innovate and react promptly has been distinctive and decisive. I would like to express my sincerest thanks to all my colleagues for their daily contribution and commitment as they continue to support the group's growth.

Finally, I would like to thank our shareholders for their trust and continued support. Your support is essential for us to vigorously pursue our strategy and successfully meet future challenges.

Luigi Rossi Luciani
(Chairperson)

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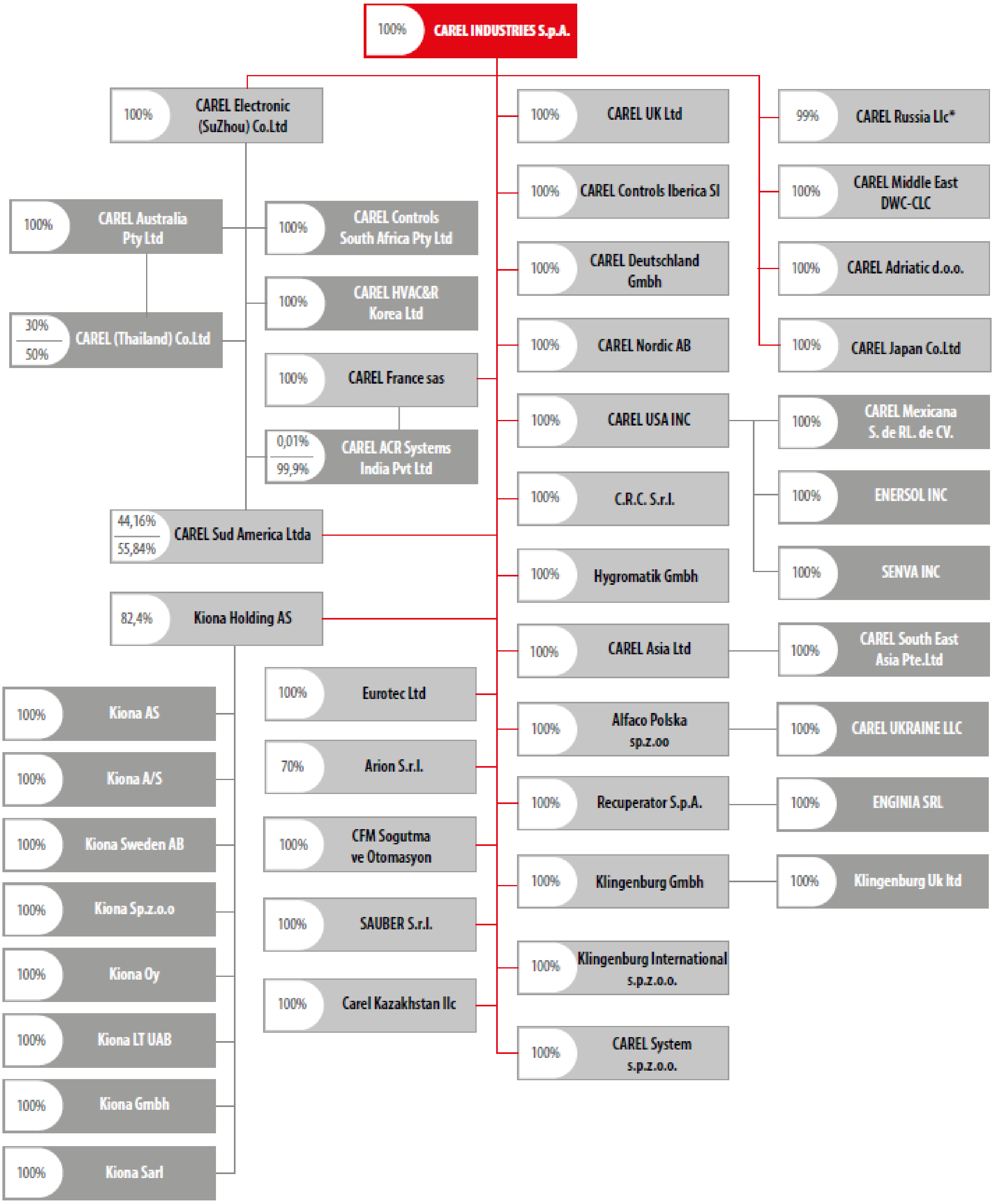
DIRECTORS' REPORT

CAREL INDUSTRIES GROUP'S STRUCTURE

The following graph shows the group's structure at 31 December 2025:



*= 1% owned by Carel France SAS

CORPORATE BODIES

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

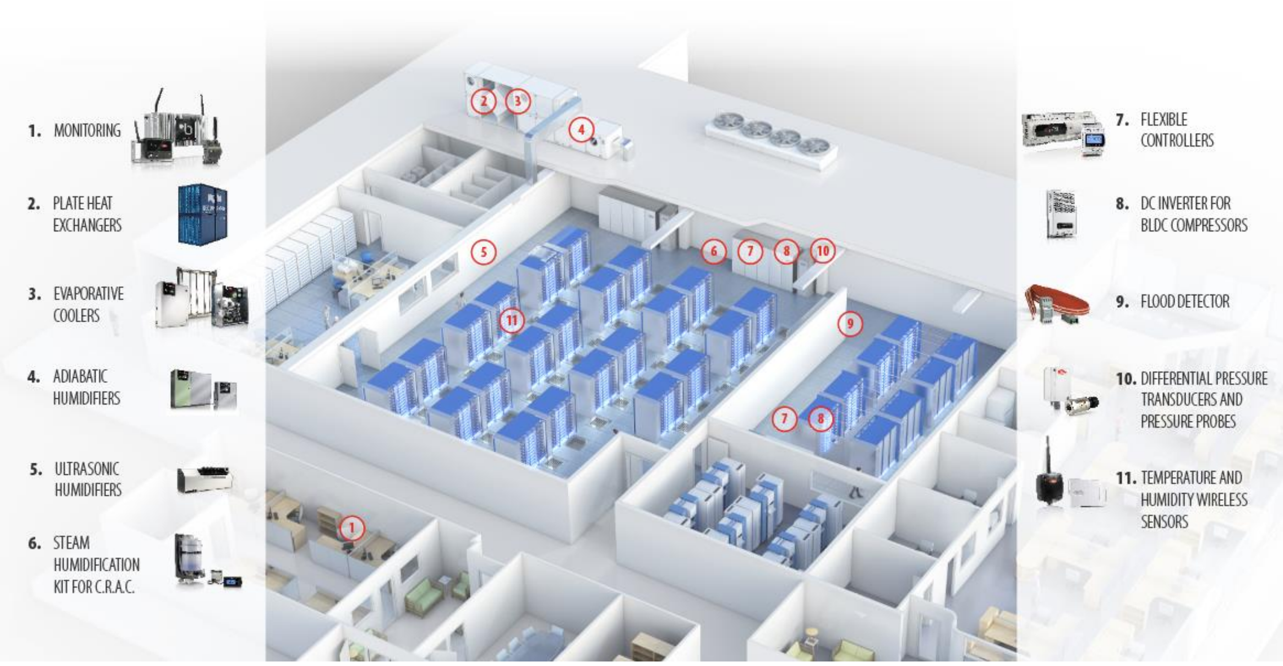
OPERATIONS AND MARKETS

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

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

The following charts show the Carel systems:

- for applications in data centre air-conditioning systems;

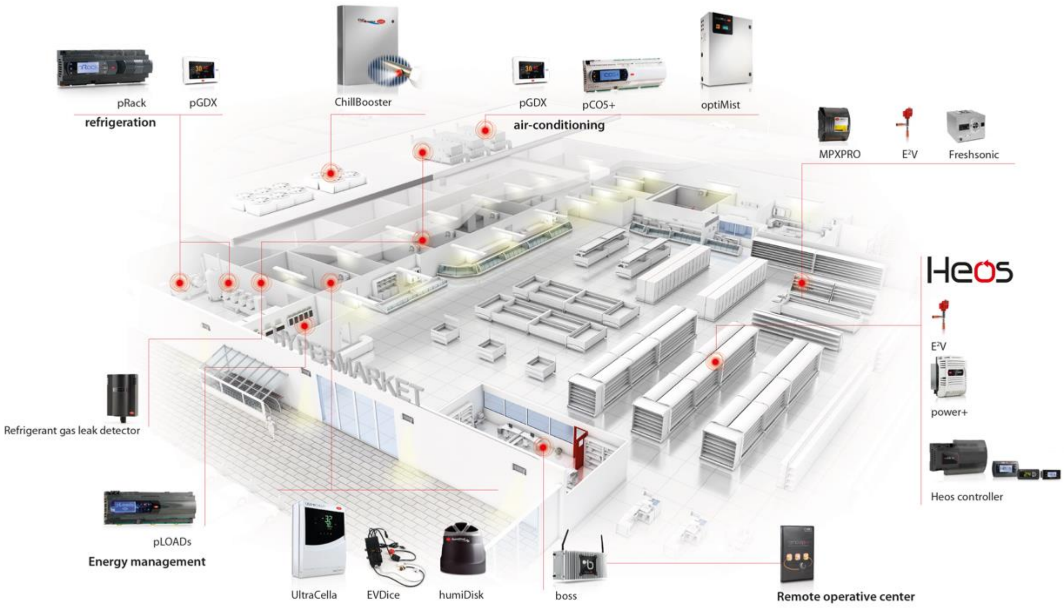


- for air treatment systems:

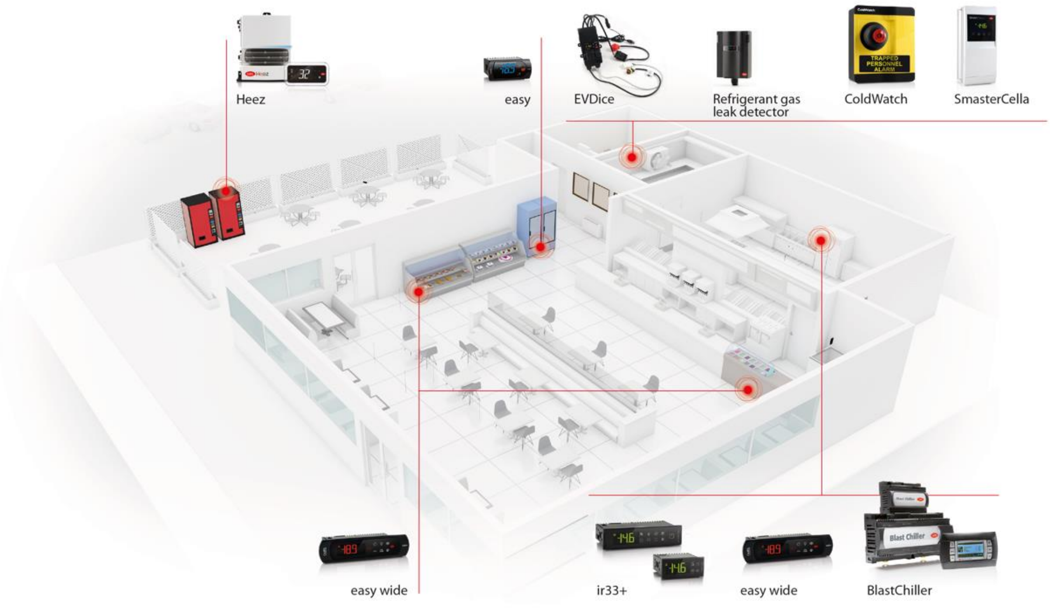
In the refrigeration sector, the group specialises in the design, manufacturing and distribution of control systems for the food retail and food service segments. Carel's offering includes:

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

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



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

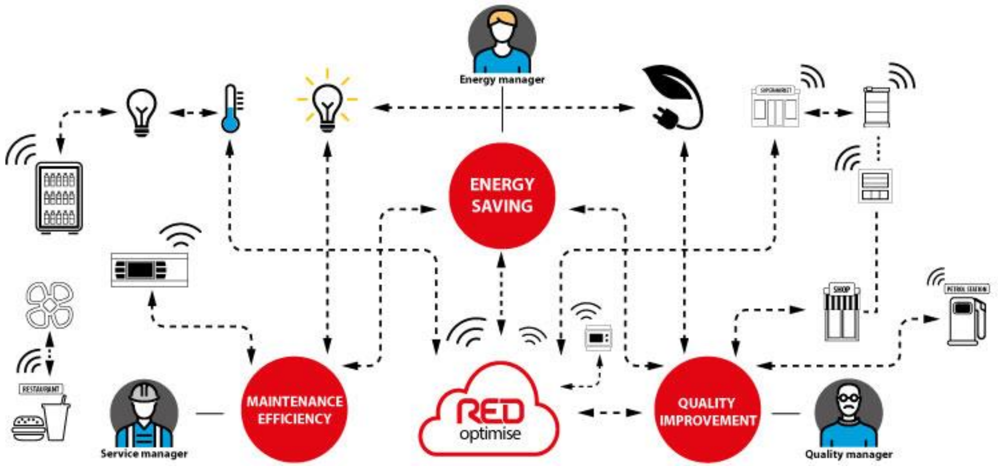


Example application of Carel's solutions for commercial refrigeration in food service (beverage coolers):

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

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

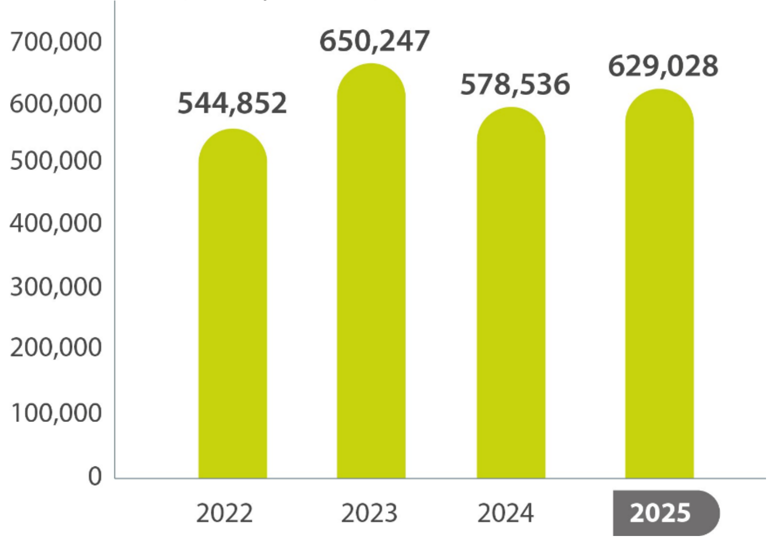
Example IoT solutions for the HVAC and refrigeration markets



Approximately 80% of sales take place outside Italy where the group has a widespread and well-structured sales and customer support network. Specifically, Carel operates in North, Central and South America, Asia, Australia, Africa and Europe with 47 commercial companies and 12 production sites. It also has partners and distributors in another 75 countries.

BUSINESS OVERVIEW

2025 saw an 8.7% rise in revenue compared to the previous year, mostly caused by the upturn in demand for both the group's markets and especially in Europea and America.



REVENUE BY BUSINESS SEGMENT

Demand dynamics, especially in the HVAC sector in Europe and North America, led to an increase in revenue mainly in the commercial segment due to the normalisation of interest rates and inflation; the increase in revenue from data centre solutions was also significant.

The refrigeration market also performed positively in almost all markets due to the recommencement of the investment cycle started in early 2025 and the transition to natural refrigerants; in fact, growth at constant exchange rates stood at 7.2%.

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

(€'000)	2025	2024	Variation %	FX variation %
HVAC revenue	450,912	409,974	10.0%	11.9%
REF revenue	177,189	167,879	5.5%	7.2%
Total core revenue	**628,101**	**577,853**	**8.7%**	**10.5%**
Non-core revenue	927	683	35.7%	36.2%
Total revenue	**629,028**	**578,536**	**8.7%**	**10.6%**

REVENUE BY GEOGRAPHICAL SEGMENT

The group's most important region, the EMEA (Europe, Middle East and Africa), where it earns roughly 65% of its revenue, saw an increase in revenue of 7.7% at constant exchange rates. This upswing was partly a result of the commercial sector's very positive performance, bolstered by the residential sector as well, mostly driven by demand for heat pumps. Growth was also driven by the refrigeration sector.
APAC (Asia-Pacific), which accounts for about 13% of the group's revenue, reported growth of 5.9% at constant exchange rates supported by growth in China in both markets and in India due to growth in the indoor air quality sector.
Revenue earned in North America, which accounts for about 20% of the total, grew by 26.2% at constant exchange rates and benefited from the group's excellent performance in both the HVAC sector, particularly in data centre cooling applications, and the refrigeration sector, which is increasingly oriented towards the use of refrigerants with a low environmental impact.
Lastly, South America (which accounts for about 2% of the group's total turnover) shows a result substantially in line with the previous year at constant exchange rates.

A breakdown of revenue by geographical segment is provided below:

(€'000)	2025	2024	Variation %	FX variation %
Europe, Middle East and Africa	405,350	376,718	7.6%	7.7%
APAC	84,140	83,003	1.4%	5.9%
North America	125,291	103,600	20.9%	26.2%
South America	14,247	15,215	(6.4%)	0.0%
Total	**629,028**	**578,536**	**8.7%**	**10.6%**

LISTING ON THE STOCK MARKET

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

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

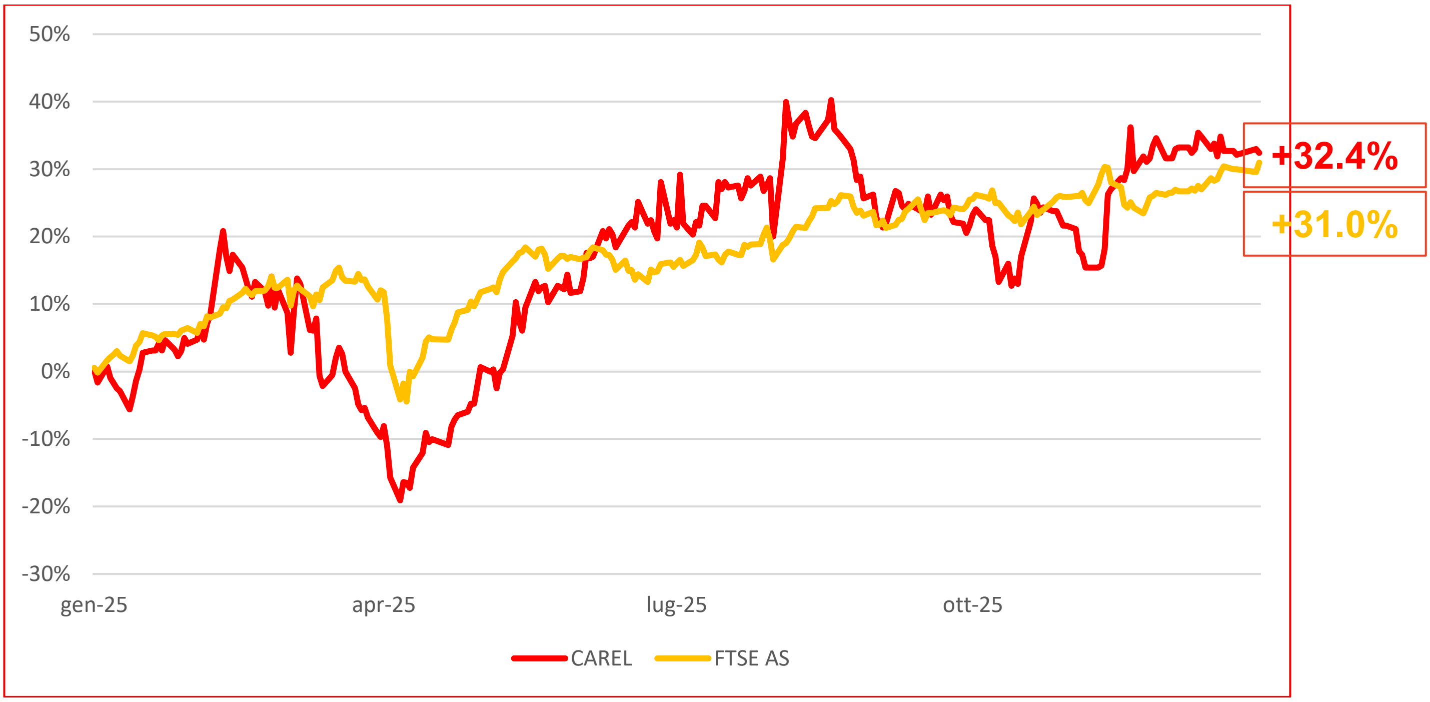
In the second half of 2023, the parent carried out a capital increase that raised the number of its shares from 100,000,000 to 112,499,205.

During 2025, the share price grew by 32.4% to €24.55 per share on the last trading day of the year. This performance reflects the significant increase in revenue seen by the group, to which both the air conditioning and refrigeration sectors contributed. Approximately 66,000 shares were traded on average a day in 2025 while the maximum price reached in the year was €26.0 per share.

CAREL INDUSTRIES SHARE AT 31 DECEMBER 2025	
Stock exchange:	Borsa Italiana STAR segment
Isin Code:	IT005331019
Ticker:	CLR
Indexes:	FTSE All-share Capped, FTSE Italia All-Share, FTSE Italia Mid Cap, FTSE Italia Star, FTSE Italia Industria, FTSE Italia Edilizia e Materiali
Number of shares:	112,499,205
Nominal amount:	unassigned
Earnings per share:	0.65
Dividend per share:	0.195

MAJOR SHAREHOLDERS AT 31 DECEMBER 2025

	Number of shares	% of share capital	Voting rights	% of voting rights
Luigi Rossi Luciani S.a.p.a.	38,206,863	33.96%	76,386,882	44.46%
Athena FH S.p.A.	21,133,420	18.79%	42,245,840	24.59%
Capital Research and Management Company	8,582,287	7.63%	8,582,287	5.00%
7 Industries Holding B.V.	7,396,517	6.57%	7,396,517	4.31%



OTHER SIGNIFICANT EVENTS OF THE YEAR

DIVIDEND DISTRIBUTIONS

In June 2025, the parent distributed dividends of €18,561 thousand, in accordance with the shareholders' resolution of 23 April 2025.

OVERVIEW OF THE GROUP'S PERFORMANCE

The main performance figures for 2025 compared to the previous year are as follows:

(€'000)	2025	2024	Variation	Variation %
EBITDA[1]	124,075	104,871	19,205	18.3%
ADJUSTED EBITDA	126,075	105,953	20,122	19.0%
OPERATING PROFIT	81,959	66,526	15,433	23.2%
PROFIT FOR THE YEAR	73,681	63,259	10,422	16.5%

2025 EBITDA amounts to €124.1 million equal to 19.7%[2] of revenue, up €19.2 million from €104.9 million for the previous year (when it was equal to 18.1% of revenue). This improvement is mostly a result of the greater business volumes, mainly seen in Europe and America and the smaller impact of the cost of raw materials, components and goods and the change in inventories compared to the previous year.

Net of non-recurring effects of around €2 million (€1.1 million in 2024) related to costs incurred for M&A activities, adjusted EBITDA would have come to €126.1 million, equal to 20.0% of revenue compared to 18.3% in 2024.

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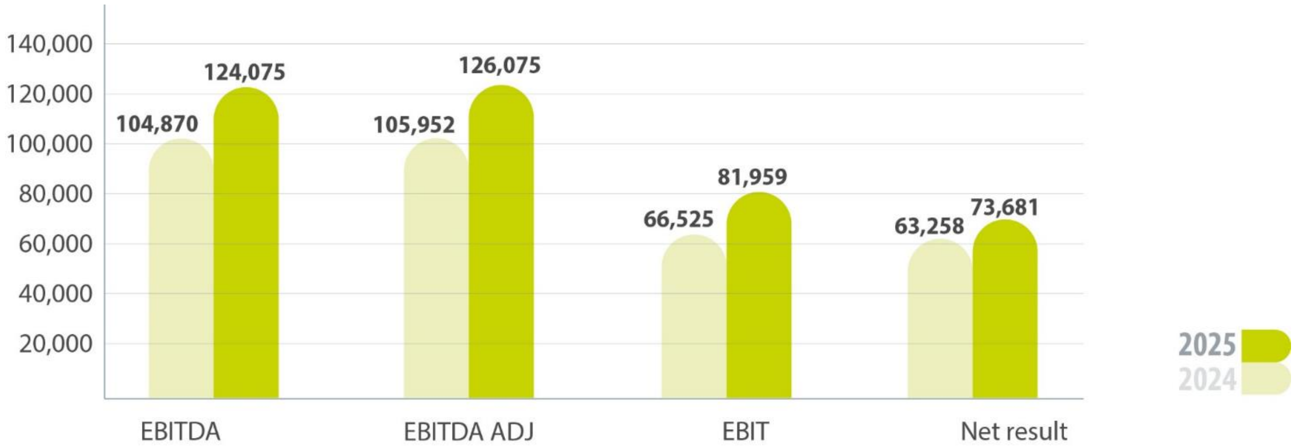
[1] The group calculates EBITDA as the sum of the profit before tax, the gain or loss on equity-accounted investments, exchange differences, net financial income (expense), amortisation, depreciation and impairment losses. It uses EBITDA to assess its operating performance.

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

The profit for the year came to €73.7 million, up 16.5% on the previous year. It is equal to 11.7% of revenue compared to 10.9% for 2024.



The main financial position indicators at 31 December 2025 and 2024 are as follows:

(€'000)	31.12.2025	31.12.2024	Variation	Variation %
Net non-current assets [3]	488,810	508,920	(20,110)	(4.0%)
Net working capital [4]	48,882	76,909	(28,027)	(36.4%)
Defined benefit plans	(7,166)	(7,390)	225	(3.0%)
Net invested capital [5]	**530,526**	**578,438**	**(47,913)**	**(8.3%)**
Equity	482,945	441,535	41,410	9.4%
Call options for non-controlling interests and earn-out	66,012	86,714	(20,701)	(23.9%)
Net financial (position) debt	(18,432)	50,190	(68,622)	>100%
Total	**530,526**	**578,438**	**(47,913)**	**(8.3%)**

Non-current assets amount to €488.8 million, down by €20.1 million from €508.9 million at the previous year end. Net of right-of-use assets, the group's investments amount to €22.8 million, compared to €31.6 million at the end of the previous year. The parent and Chinese company invested heavily in plant and machinery.

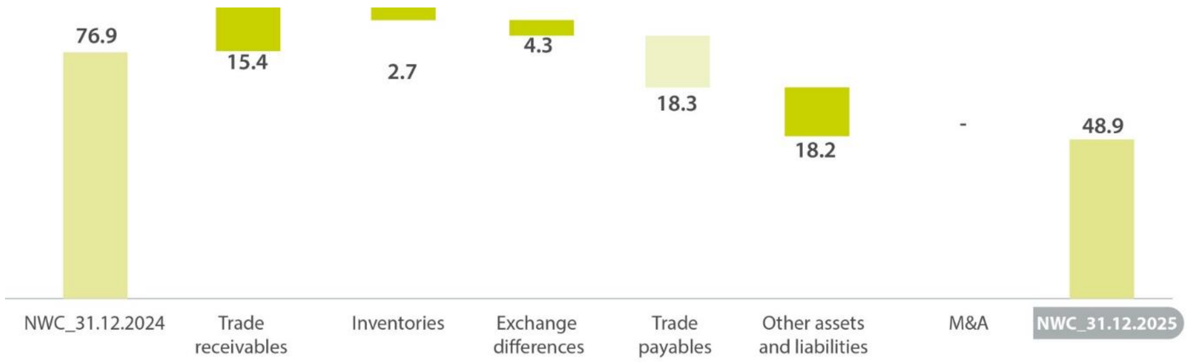
Amortisation and depreciation, including the effects of the application of IFRS 16, totalled €42.1 million in 2025 compared to €38.3 million in 2024. This includes €11.4 million related to the PPA procedure (in line with the previous year).

Net working capital of €48.9 million is substantially unchanged from the balance of €76.9 million at 31 December 2024.

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

[4] Net working capital is the sum of trade receivables, inventories, tax assets, other current assets, deferred tax assets, trade payables, current tax liabilities, other current liabilities, deferred tax liabilities and provisions for risks, net of liabilities for options on non-controlling interests.

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



Net of the exchange rate effect, inventories decreased by €2.7 million as a result of the policy to reduce them in line with the policies implemented in the previous year; inventory write-downs remained essentially unchanged over the two years.

Trade and other payables and receivables increased by a total of 36.4 million euros only partly offset by higher trade receivables (+15.4 million euros).

Call options for non-controlling interests and earn-out relate to the liabilities for the call options for the non-controlling investments in Kiona and the liability recognised for the earn-out for the sellers of Senva. The decrease is mainly related to the decrease in the fair value of the aforementioned options and earn-out, which resulted in the recognition of income of €19.4 million in profit or loss.

The group's **net financial position** comes to €18.4 million compared to net financial indebtedness of €50.2 million at the previous year end (an improvement of €68.6 million). Net bank loans and borrowings of €17.7 million at 31 December 2024 became net cash with banks of €48.9 million at the end of the year. During the year, the group disbursed cash of around €18.6 million to pay dividends (including dividends to non-controlling investors).

Reference should be made to the statement of cash flows for more information on the cash flows for the year. A breakdown of the group's net financial position is as follows:

(€'000)	31.12.2025	31.12.2024
Non-current financial liabilities	60,344	84,433
Current financial liabilities	35,049	36,626
Non-current lease liabilities	23,083	24,934
Current lease liabilities	6,855	6,605
Cash and cash equivalents	(121,850)	(99,119)
Current financial assets	(21,913)	(3,290)
Net financial (position) debt	**(18,432)**	**50,190**
Net financial (position) debt excluding the effects of IFRS 16	(48,370)	18,651
Net (cash with banks) bank loans and borrowings	(48,949)	17,658

The group's net financial position is mainly comprised of:

- current and non-current bank loans and borrowings totalling €34.5 million (€59.3 million at 31 December 2024);
- current and non-current amounts due to bondholders totalling €60.0 million (€59.9 million at 31 December 2024);
- current and non-current other loans and borrowings totalling €0.1 million (€0.7 million at 31 December 2024);
- current and non-current financial liabilities related to acquisitions totalling €0.6 million (€0.6 million at 31 December 2024);
- current and non-current lease liabilities totalling €30.1 million (€31.7 million at 31 December 2024);
- cash and cash equivalents totalling €121.9 million;
- other current financial assets of €21.9 million, mostly comprising temporary cash deposits.

The group complied with the covenants provided for in its loan agreements. Reference should be made to the notes to the consolidated financial statements for more information.

At 31 December 2025, 58% of cash and cash equivalents and current financial assets were held by Italian group companies, approximately 8% by the North American subsidiaries, roughly 7% by the Chinese subsidiary and 5% by the Kiona Group. The remaining amount was split among the other group companies.

KEY PERFORMANCE INDICATORS

	2025	2024
ROS [6]	13.0%	11.5%
ROI [7]	15.4%	11.5%
ROE [8]	15.3%	14.3%
ROA [9]	9.4%	7.8%
Inventory turnover [10]	2.69	2.31
DSO [11]	61.3	63.4
DPO [12]	78.9	81.1
Group tax rate[13]	22.6%	20.7%
R&D investments[14]	32,708	32,652
R&D as % of revenue [15]	5.2%	5.6%
Capex as % of revenue [16]	3.6%	5.5%
Cash conversion rate [17]	98.0%	65.4%

Key cash flows are as follows:

CASH FLOWS FROM OPERATIONS (INDIRECT METHOD)

(€'000)	**2025**	**2024**
Profit for the year	73,681	63,259
Profit for the year net of amortisation, depreciation and impairment losses, provisions, net financial (income) expense, income taxes and (gains)/losses on the sale of non-current assets	**124,650**	**115,551**
Cash flows before changes in net working capital	15,773	(7,237)
Interest and income taxes paid	(20,247)	(22,931)
Net cash flows from operating activities	**120,176**	**85,384**
Cash flows used in investing activities	(40,875)	(27,647)
Increase in share capital	-	-
Acquisitions of equity investments	(1,587)	(44,294)
Dividends to owners of the parent and non-controlling investors	(18,620)	(21,428)
Cash flows used in financing activities	(33,498)	(46,218)
Change in cash and cash equivalents	**25,596**	**(54,202)**
Opening cash and cash equivalents	96,255	153,321
Closing cash and cash equivalents	121,851	99,119

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

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

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

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

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

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

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

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

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

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

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

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

Net cash flows from operating activities increased to €120.2 million, up €34.8 million on the previous year, mainly as a result of changes in working capital.

Overall, the group generated cash flows of €25.6 million after distributing dividends of €18.6 million and making investments of more than €22 million.

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

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

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

The parent provides centralised treasury services to the group and the European companies have a cash pooling system in which it acts as pooler. At year end, it did not have any financial assets related to the cash pooling account while it had financial liabilities of €46 million. Its non-current financial assets (loans) with the subsidiaries decreased from €32.2 million at 31 December 2024 to €14.3 million at the reporting date, mostly due to the reclassification to the financial assets with Recuperator to current (€15.5 million).

In 2025, Carel set up the domestic tax consolidation scheme for IRES (corporate income tax) purposes for the 2025-2027 period in accordance with article 117 and following articles of the Consolidated Income Tax Act with its subsidiaries Recuperator S.p.A., Enginia S.r.l. and CRC S.r.l., which have signed separate master agreements with the parent.

The parent's net financial debt amounts to €62.2 million (31 December 2024: €97.6 million).

It also distributed dividends of approximately €18 million to its shareholders during the year.

The parent's key figures are summarised below:

(€'000)	2025	2024	Variation %
Revenue from third parties	119,563	109,401	9.3%
Intragroup revenue	155,211	122,610	26.6%
Other revenue	6,549	5,727	14.4%
Operating costs	(243,442)	(225,601)	7.9%
EBITDA	**37,881**	**12,137**	**>100%**
Amortisation, depreciation and impairment losses	(13,072)	(11,449)	14.2%
Operating profit	**24,808**	**688**	**>100%**
Net financial income	27,713	24,621	12.6%
Profit before tax	**52,521**	**25,309**	**>100%**
Income taxes	(7,923)	(2,144)	>100%
Profit for the year	**44,597**	**23,165**	**92.5%**

In 2025, revenue from third parties amounts to €119.6 million, up by 9% on the previous year while intragroup revenue increased by 26.6%. This increase, which is in line with that recorded at group level, is mainly attributable to the parent's good performance achieved in North America and Europe in the HVAC market as well as the positive contribution of the refrigeration market due to increased investments made in supermarket chains in Europe.

Other revenue mainly consists of royalties from group companies for know-how licences, the recovery of transport costs from third party customers and group companies and tax assets for R&D activities as provided for by national laws.

The number of employees increased from 753 at the end of 2024 to 763 at the reporting date.

Financial income includes dividends of €45.3 million (2024: €28.2 million) mainly received from the Chinese, American, Polish (Alfaco) and Turkish subsidiaries.

The reclassified statement of financial position as at 31 December 2025 compared with the previous year end is as follows:

(€'000)	31.12.2025	31.12.2024	Variation %
Non-current assets	450,029	460,788	(2.3%)
Working capital	6,901	8,763	(21.3%)
Defined benefit plans	(2,850)	(3,140)	(9.2%)
Net invested capital	**454,079**	**466,411**	**(2.6%)**
Equity	386,538	360,536	7.2%
Other liabilities for call options	5,376	8,250	(34.8%)
Net financial debt	62,165	97,624	(36.3%)
Total coverage	**454,079**	**466,411**	**(2.6%)**

Working capital is substantially unchanged from 31 December 2024: the increase in trade receivables (€64.5 million compared to €47.0 million at the previous year end) is offset by the reduction in inventories (€20.9 million compared to €27.3 million at the previous year end), other financial assets (€5.9 million compared to €11.8 million at the previous year end), larger trade payables (€61.5 million compared to €59.0 million at the previous year end) and higher current liabilities (€22.1 million compared to €16.8 million at the previous year end).

The group's net financial debt amounts to €62.2 million at 31 December 2025, comprising cash and cash equivalents and current and non-current financial assets of €113.3 million, offset by financial liabilities of €175.5 million, including lease liabilities of €12.0 million.

The reconciliation of the parent's and group's equities at 31 December 2025 is provided below:

(€'000)	31.12.2025		31.12.2024	
	Equity	Profit for the year	Equity	Profit for the year
Carel Industries S.p.A.	**386,538**	**44,597**	**360,536**	**23,165**
Profit and equity of consolidated companies	349,530	57,346	353,835	53,311
Elimination of the carrying amount of investments in consolidated companies	(437,181)	15,991	(451,949)	9,576
Elimination of intragroup dividends	-	(49,211)	-	(30,130)
Elimination of intragroup profits on inventories	(11,318)	(490)	(10,828)	4,652
Purchase price allocation	254,302	(2,705)	258,197	(3,689)
Other adjustments	(64,626)	8,132	(74,846)	5,757
Carel Industries Group	**477,244**	**73,661**	**434,944**	**62,642**

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

OCCUPATIONAL HEALTH AND SAFETY AND THE ENVIRONMENT

The group did not record any fatal injuries during the year, continuing the trend of previous years.
At parent level, no work-related injuries were recorded against a little more than 1,330,000 hours worked. Two of the parent's employees applied for occupational disease compensation but their applications were rejected by the external agency after the required additional documents were sent.
In 2025, 25 minor events were reported in the workplace (24 involving employees and one involving temporary workers), which led to their time off work or a temporary reduction in their work hours. No injuries during the commute to and from work using transport organised by the group took place during the year.
There was an increase of 47% in the injury frequency rate (employees and other workers) compared to a 4% increase in the total number of hours worked by group employees. Absence from work was very limited as represented by the severity index of 0.48 (severity index = total days lost/hours worked normalised per 10,000). This is in line with the previous year, confirming that despite the rise in the number of events, they are insignificant and, in some cases, did not lead to absence from work (off-site incidents).

The group did not receive any complaints nor was it ordered to appear in court for alleged violations of occupational health and safety regulations or environmental crimes in 2025.
During 2025, Carel Industries S.p.A. confirmed its ISO 45001:2018 health and safety certification and ISO 14001:2015 environmental certification.
Overall, just over 30% of the group's production sites possess this certification, representing a surface area equal to 40% of the total are certified, covering 45% of the personnel at such sites.
More information about this is available in the consolidated sustainability statement prepared pursuant to the ESRS.

HR AND ORGANISATION

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

	31.12.2025	31.12.2024	Variation
Europe, Middle East and Africa	1,928	1,846	82
APAC	410	398	12
North America	307	285	22
South America	64	63	1
Total	**2,709**	**2,592**	**117**

There was a 4.5% increase in the number of employees, linked to business development and changes in the group's organisational structure.
Blue and white collars account for 36% and 61%, respectively, as shown in the table below:

2025		
	Total	**%**
Managers	77	3%
White collars	1,646	61%
Blue collars	986	36%
Total	**2,709**	**100%**

In 2025, the group hired 117 resources.

2025 TRAINING COURSES

Training of one of the key tools for developing the group's business strategy and to ensure the utmost professionalism within all company areas. The group has always implemented top-class employee training and development programmes and provided more than 41,391 thousand hours of training (just over an average of 15 hours per employee) in 2025.

INDUSTRIAL RELATIONS

The group's HR offices and representatives of the trade unions at the group's sites in Italy and abroad worked together with positive results during the year.
The quality of industrial relations within the group is also confirmed by the limited level of conflict in engagement with the trade unions. During 2025, a total of four days of strikes, two half days and five strikes lasting one hour took place at the parent. With the exception of one case of a one-hour strike called to speed up the closure of internal bargaining, all strikes were called at national level and had an average participation rate of 13.6%.
During 2025, internal labour agreements were renewed at Carel Industries (headquarters) and Carel Adriatic, the group's Croatian site. These agreements supplement the one already in force in Italy at Recuperator and the new agreement signed in March 2025 at Enginia.

The unionisation rate at group level remained low, proving that “direct” industrial relations, i.e., without the arbitration of an internal or external trade union representative, are preferred, especially at local level and when permitted by the ruling regulations.
In 2025, 57% of the group’s employees were covered by collective bargaining agreements while the remainder are hired with company or individual contracts in line with the local regulations and market practices, the group’s code of ethics and its human rights, diversity and HSE policies.

ESSENTIAL INTANGIBLE RESOURCES

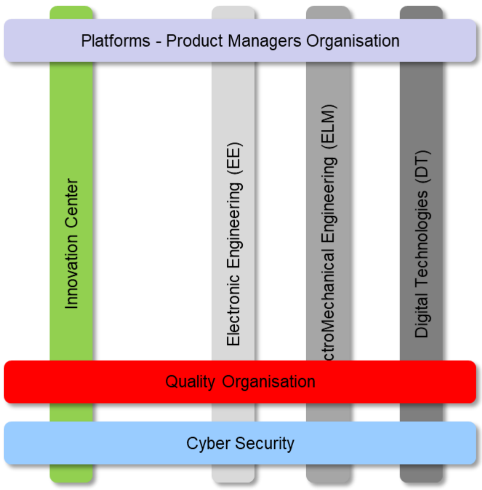
The group believes that essential intangible resources, as defined in article 1 of Legislative decree no. 125 of 6 September 2024 (“Legislative decree no. 125”), are represented by organisational capital, human capital and relational capital. Reference should be made to the sections on 2025 R&D activities, the group’s sustainability strategy, working conditions and worker well-being, training and professional development of employees, corporate culture, Carel’s corporate governance structure and interests and views of stakeholders in this report.

R&D ACTIVITIES

Strategic vision: Integrated system intelligence as a competitive lever

In 2025, the Carel Group consolidated its strategic paradigm around the concept of **integrated system intelligence.** This vision does not represent a mere technological evolution, but is the fundamental pillar of the group’s ability to generate long-term value in a global market increasingly dominated by the need for sustainability and digitisation. The group’s R&D mission is to make energy efficiency a self-contained, transparent, and inherently integrated process in HVAC/R systems, turning technological complexity into an immediately accessible and usable competitive advantage for OEM customers and end users.
This strategy involves transitioning the group’s role from a component supplier to an “**integrated solutions**” provider. The group’s “one-stop-shop” approach enables it to offer a comprehensive portfolio of hardware, software and service platforms that drastically reduce complexity for original equipment manufacturers (OEMs), while creating high loyalty and deep technological lock-in based on interdependence among the various nodes in the system.
The integration of complementary business assets, obtained with the acquisitions the group has made over the years, in terms of organisation, procedures, and expertise, is a crucial opportunity to expand the group’s ability to offer solutions capable of covering an increasingly large area of the value chain.
The ability to intercept industry and system macro-trends, such as digitisation, the transition to natural refrigerants, and the growing demand for automation, has enabled the group to maintain near-constant growth over the years, demonstrating the effectiveness of a vision that combines innovation and macroeconomic resilience.

Global organisation of R&D and strategic resources



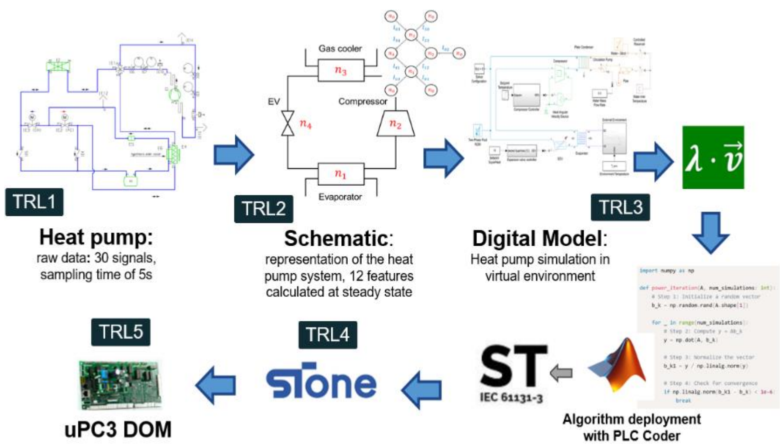
Following the group’s strategic reorganisation, it set up and consolidated a new and innovative technology division, headed by the chief technology officer, in 2025.
This division integrates 4 pillars of R&D expertise (innovation centre, electronic engineering, electromechanical engineering and digital technologies) with two cross-cutting areas that are closely synergistic and related to the value generation process, namely the platform (product management) and quality teams. The division also has a special cybersecurity team.

In terms of the group’s geographical footprint, the technology division is structured to reflect its multinational scale, and the resulting architectural globalisation strategies, along with the need to respond to the “global for local” and “local for local” requirements of regional HVAC/R markets.

In 2025, the technology division's R&D unit had 321 employees (including 162 at the parent, 14 at Carel USA, 69 at Carel China, five at HygroMatik, five at Recuperator, eight at Klingenburg (Germany and Poland), 18 at Senva and 41 at Kiona).
2025 saw the group's considerable efforts to streamline and integrate the mechanical and electromechanical R&D units of the companies recently integrated into it, as part of the creation of the electromechanical engineering division.
The group's research and development centres' missions vary according to the different strategies:
The R&D centres based in Europe focus on global architecture and electromechanical engineering and, in particular, cutting-edge thermodynamics for natural refrigerants (CO2, propane) and compliance with stringent F-Gas regulations.
The task of the R&D team in Suzhou, China, is to adapt global platforms to Asian market dynamics and maximise the local supply chain's efficiency, while the team located in the United States in Manheim, PA, is geared toward the development of critical solutions for US customers, the integration of communication protocols specific to the North American market, and, in particular, the strategic data centre sector.
Human capital is this facility's primary asset: about 12% of the total workforce (more than 2,700 employees) work solely on R&D activities, the goals of which include the implementation of a **"developing talent"** strategy that aims to train experts capable of working synergistically across the **five** core **competency domains**: hardware & firmware, software, mechanics, thermodynamics and IoT. Thanks to this multi-disciplinary integration, Carel has received world-class awards, such as the **AHR Expo Innovation Award** and the **China Refrigeration Award**, with the external validation of the quality of the group's engineering processes.
Notwithstanding the geopolitical challenges, the group invested 5.2% of revenue (€32,708 thousand) in research and development in 2025.
Implementation of the **production mirroring strategy**, coordinated by the R&D units and operating units, which ensures the replicability of production processes in the 12 production sites, was an essential step.

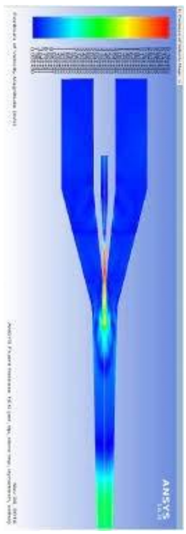
The Carel Innovation Centre's central role In 2025, the Carel Innovation Centre (CiC) continued to invest in the research project carried out in collaboration with the Department of Information Engineering of the Padua University about the HVAC application of heat pumps for the residential market.

In particular, it analysed high-efficiency units consisting of permanent magnet compressors with variable capacity, electronic expansion valves, advanced control electronics, and natural refrigerants (R-290 and propane). Specifically, the centre focused on the study and development of electronic systems to analyse and predict faults, which can lead to a loss of efficiency (COP) or safety (refrigerant). This required skills and technologies, such as mathematical modelling and machine learning, and combined several climate chamber test campaigns with the generation of synthetic data to expand the tested case studies. During 2025, the technological maturity of the logics reached TRL (technology readiness level) 5, and its output are libraries that can be integrated into Carel supervisors using STone language.



In addition, in continuity with the previous year, the study of air treatment units continued, mainly focusing on optimising the technologies present within the group (mainly Enginia, Recuperator and Klingenburg). During the project, the team analysed the performance and reliability of different components, such as electronic control, combined temperature and humidity probes, resistive steam humidifiers, cross-flow or enthalpy wheel heat exchangers, shutters and inspection windows seen as a whole. In particular, the project aimed to find a solution to the defrosting problem, which has a significant impact on the working and operating limits of air handling units. During this project, control logics were studied and developed that helped improve the energy efficiency of defrosts by 5% to 8% performed under temperature conditions of -25°C. Ultimately, the project focused on the delivery of an enthalpy wheel simulation model and its dynamic modelling, which aims to simplify the estimation of the potential of introducing new geometries or materials into enthalpy wheels. This project will continue into 2026.

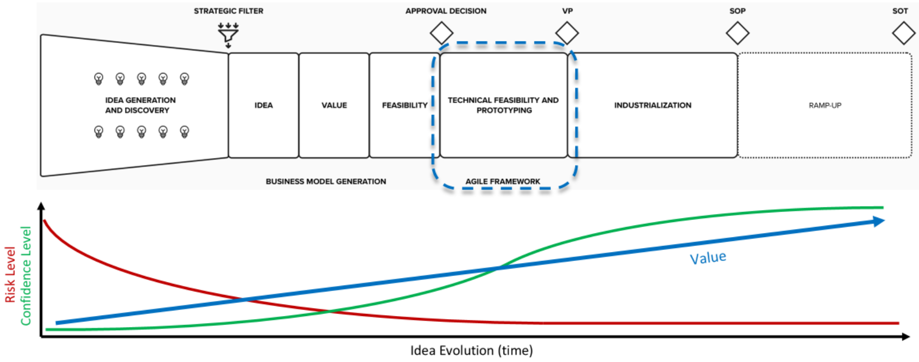
As mentioned before, the Carel Innovative Centre is equipped with about 130 m^2 of state-of-the-art climate chambers to test HVAC/R units built with natural refrigerants such as R290 and R744 (Propane and CO_2) and with power ratings up to 100 kW. With a view to continuous improvement in 2025, the climate chambers underwent a structural upgrade both with respect to their measurement instrumentation and thermo-hygrometric performance. The acquisition system was enhanced through the integration of National Instruments modules for the high-precision measurement of electrical quantities and analog signals, including thermal sensors such as thermocouples and Pt100 with high metrological stability. In terms of performance, the A2 cabin has been equipped with a post-heating coil for fine-tuning relative humidity in the dehumidification stages, thus improving the control dynamics and stability of the hygrometric setpoint even at low operating temperatures.



The research contract with the Florence University’s Department of Industrial Engineering DIEF, a collaboration with the group’s mechanical R&D unit, ended during the year. The project involved modelling Carel’s EmJ ejector in Phyton, in order to be able to simulate the performance of EmJ ejectors with wider operating ranges than the DDL already achieved by Carel (reaching 140bar). In addition, this model allowed the simulation of refrigeration circuits’ performances when an ejector is present. As a second objective, a CFD model of the ejector was developed to simulate the fluid dynamic conditions in the ejector geometry, in order to investigate the effect of changes in geometries.

R&D excellence: Agile and PPAP as guarantors of speed and quality
The speed of innovation must be supported by robust processes. In 2025, concurrently with the reorganisation of the technology division, Carel pursued the systematic introduction of **agile** methodologies for product development, enabling extreme customisation of solutions to meet the needs of OEM customers. This interactive approach reduces the risk of technology obsolescence during the development cycle and maximises responsiveness to demand fluctuations.

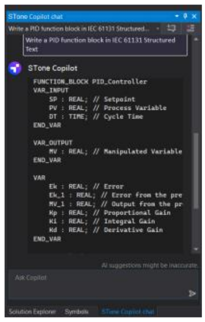
At the same time, the integration of the **production part approval process (PPAP)** ensures that each new integrated solution meets industrial-grade quality standards before mass production begins. This methodology, borrowed from higher reliability industries, is essential for Carel applications in premium niches where business continuity is critical, such as in data centres or pharmaceutical processes.



The software ecosystem: STone and the integration of generative AI

Software is now the real beating heart of Carel solutions, serving as the connective tissue between intelligent hardware and digital services.

The **STone** ecosystem is not just a programming environment, but the technological synthesis of more than two decades of experience in developing proprietary software modules. Its architecture allows complex thermodynamic logic to be handled through a very large library of already validated algorithms, drastically reducing engineering time for the group's partners.



- **STone Copilot:** It represents the group's frontier in generative artificial intelligence. This tool, fully integrated into the development environment, integrates Carel's decades of knowledge related to HVAC/R systems and its own products and software solutions, supporting programmers in code generation and error diagnosis, accelerating the development of custom control algorithms, and increasing the inherent quality of the software solutions produced.

- **STone Virtual Loop:** Presented at ISH 2025, this advanced simulation tool allows thermodynamic cycles to be modeled digitally, optimising system performance even before a single hardware component is installed. There has been a significant change in the current market of HVAC software developers: many developers no longer have specific training in thermodynamics, thus creating a knowledge gap in the refrigeration circuit. At the same time, the software world has seen an evolution with the adoption of CI/CD (Continuous Integration/Continuous Deployment) concepts, which have greatly improved the quality of developed software. To meet these new needs, Carel has created an innovative product that leverages Digital Twin and Model-Based Design technologies. This software not only bridges the knowledge gap, but also provides an advanced platform for HVAC machine simulation, ensuring greater efficiency and reliability of control software.

Analysis and control with the RED platform and Kiona's role

The **RED** platform complements STone and manages the "Optimise" and "Control" phases for digital performance. The group deploys RED to transforms raw data from the field into strategic information, enabling proactive energy management and ensuring that systems are constantly operating at peak efficiency.

The transition to a service-based model is accelerated by the concept of **Site Performance Optimisation (SPO)**. We no longer consider the individual unit as an isolated entity, but aim for the optimisation of the entire site technological ecosystem.
A key contribution in this area comes from the integration of **Kiona** whose products, combined with Carel's monitoring capabilities, enable predictive maintenance services that transform the operational management of commercial and industrial sites.

Leadership in natural refrigeration and A3-ready and CO_2 solutions
Carel is the partner of choice for the transition to low-GWP refrigerants, particularly as regards the use of CO_2 and propane (R290). With respect to CO_2 power plants, the **Ejector Manager** fully represents the company's thermodynamic expertise. Through the use of modulating expansions, this technology enables energy recovery in transcritical CO_2 cycles, making natural refrigeration efficient and sustainable even in hot climates, where conventional systems would suffer drastic drops in performance.

Safety and performance: MPXPRO and iJ solutions

Carel has developed an "A3-ready" offering that includes advanced controllers such as the **MPXPRO** series for A3-class flammable refrigerants, such as R290. These devices are designed to ensure maximum operational safety and space optimisation in commercial refrigeration units. The **iJ** family of parametric controllers completes the offering for the food retail segment, integrating native connectivity and human-machine interfaces (HMIs) that radically simplify user interaction without compromising control power. The food storage and display market is characterised by a strong demand for differentiation. Manufacturers have to manage multiple product lines within their portfolios (entry, standard, premium, etc.), which often differ in construction, technology, and user interaction characteristics. In this context, the electronic control is an integral part of the unit, including aesthetically. **iJ XL** harnesses the customisation-by-design potential of iJ, offering a premium product that closed the portfolio gap with the group's main competitors.
Innovation for critical infrastructure: Data centres and AHU
The industrial HVAC sector saw significant growth in 2025 due to explosive demand in the data centre segment. The R&D strategy for data centres focuses on the convergence of IT infrastructure and cooling. The adoption of the **Redfish** protocol in the group's controllers allows HVAC systems to communicate directly with data centre management software (DCIM), facilitating granular temperature control at the rack and server level. In line with our liquid cooling solutions, this approach allows high heat loads to be handled with significantly reduced PUE (power usage effectiveness).
Carel also introduced **pCOe A-IN**, a new expansion of the pCO family, which is compact, has a higher number of I/O and is compatible with the new refrigerants (A3), to meet the specific needs of data centre cooling systems, particularly liquid cooling systems: the latter are systems that require precise temperature management and consequently extensive sensor integration.

Innovation in AHUs is the result of disciplined integration of expertise from targeted acquisitions: Recuperator (2018), HygroMatik (2018), Enginia (2021), Klingenburg (2022) and Senva (2022). This bolt-on M&A strategy has enabled the creation of a unique portfolio that includes high-efficiency heat recovery units, IAQ air quality sensors, intelligent dampers and advanced isothermal and adiabatic humidifiers.

Boss supervision systems

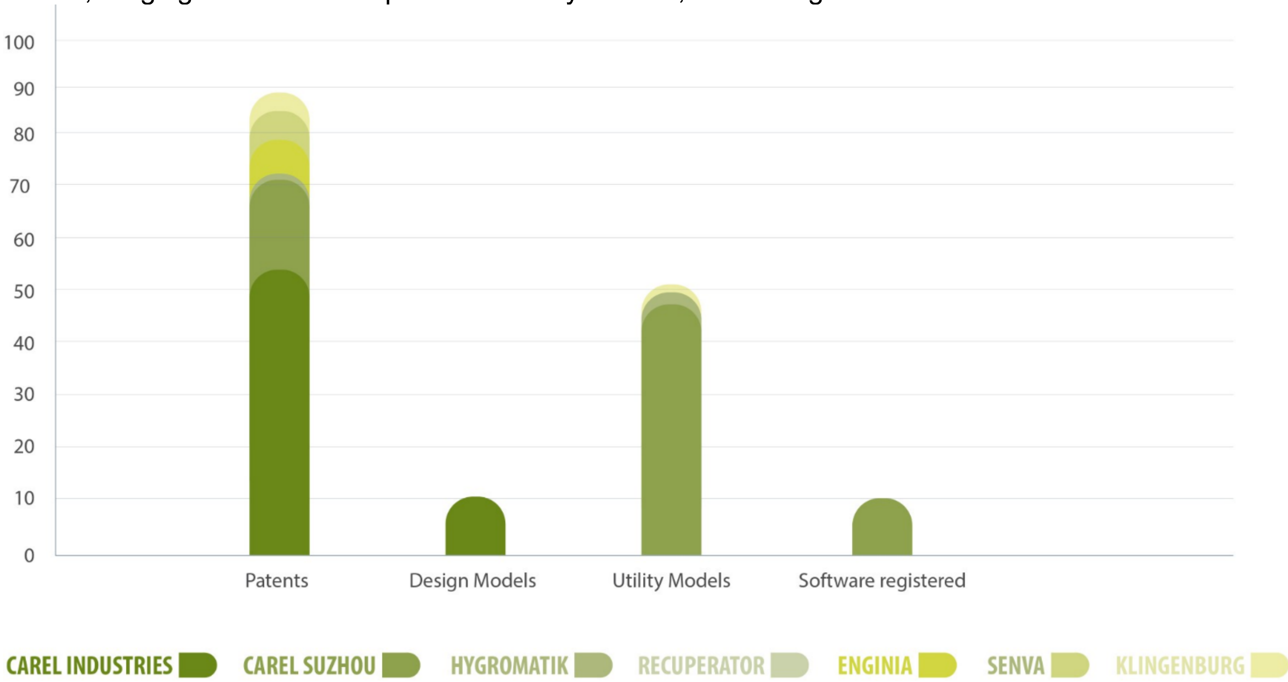
Carel developed the new family of supervisors (Boss and Boss Mini) to evolve the previous generation by introducing a higher-performance, more modern platform. In addition to improved usability (a major market demand), new features help to better interpret consumption data (new Thermodebug and new Energy Plugin), as well as packages for energy management. The BOSS operates as an intelligent layer of the control pyramid, applying optimisation logic based on field data and integrating strategies from cloud services. It thus becomes the link between local control and remote intelligence, providing business continuity and advanced diagnostic capabilities.
This family's excellence in its field was rewarded with the **German Design Award 2026**, which acknowledged the boss system's superior user experience and functional integration. It is not just about aesthetics, but the ability to make complex energy analyses usable through intuitive HMIs, reducing the cognitive load for plant operators.

Cybersecurity and resilience: Compliance with the Cyber Resilience Act

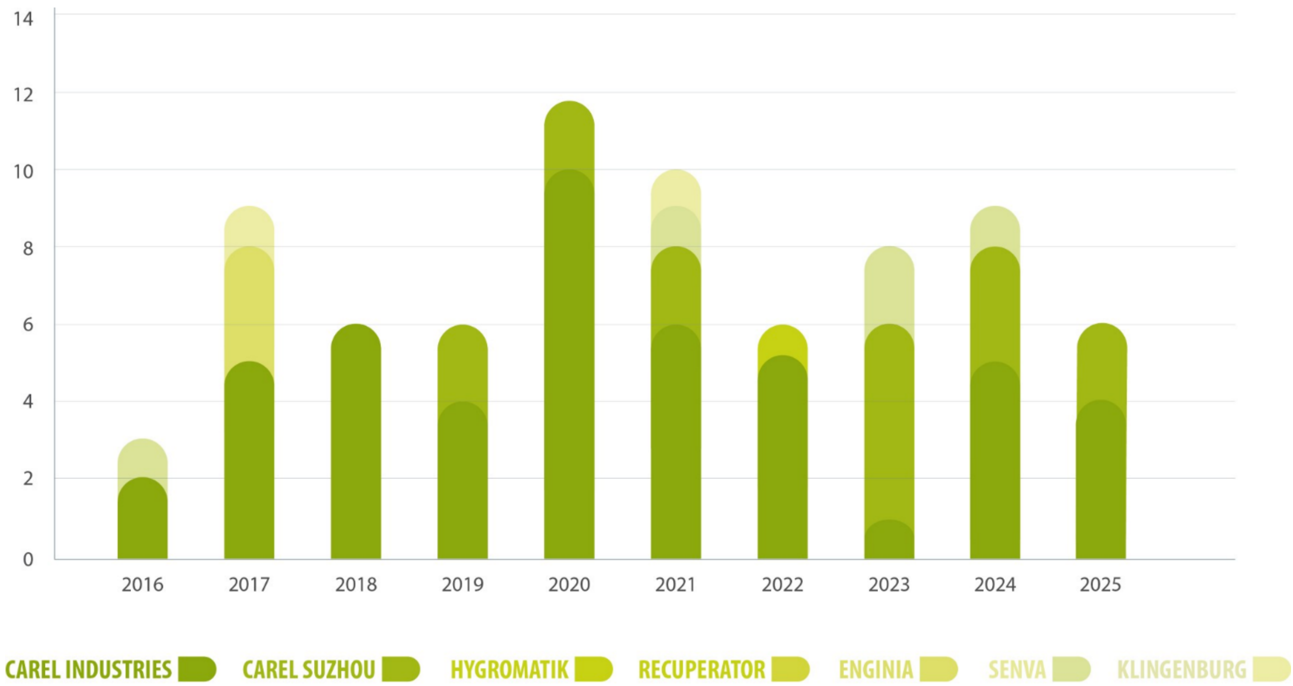
Product cybersecurity is an essential design prerequisite for Carel, as well as a competitive and customer retention lever. Carel adopts the "**Security by Design**" principles at both the hardware and firmware levels. During 2025, it began the path towards adoption of the provisions of the European Union's **Cyber Resilience Act (CRA**), which will require great significant development and review efforts, in order to arrive at the December 2027 deadline in full compliance, and assist our customers in the journey, providing robust building blocks suitable, with rigorous **risk analysis by use case** approach, to protect the integrity of customer data and the continuity of the critical infrastructure in which we operate.

Focus on IP assets as a strategic value lever

The innovation assets developed by the group over the years include 160 protected industrial property assets, ranging from invention patents to utility models, from design models to software.



Specifically, in 2025, the group had 88 active invention patent families, including both granted and pending applications.



Thanks to its innovation activities carried out during 2025, the group met its target set at the beginning of the year, with the filing of 6 new invention patent applications: four for Carel Industries and two for Carel Suzhou. These applications cover both completely innovative solutions and improvements related to new projects in the pipeline and specific customer requests.
In addition, the group presented an additional 12 patent applications for their granting in various parts of the world during the year.
Finally, additional initiatives are being developed to support Carel's more effective management of intellectual property, starting with the successful launch of a dedicated decision-making committee, which will oversee all IP decisions by evaluating the most suitable and beneficial deposit and retention strategies for the group.

SUSTAINABILITY STATEMENT

ESRS 2: GENERAL DISCLOSURES

BASIS FOR PREPARATION

ESRS 2 BP-1, ESRS 2 BP-2

This sustainability statement (the “statement”) has been prepared on a consolidated basis for 2025. The scope of consolidation is the same as that used to prepare the consolidated financial statements of the Carel Group’s (the “group” or “Carel”), headed by Carel Industries S.p.A. (the “parent”, or “Carel Industries”).

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

The sustainability statement covers the value chain with reference to the policies and actions presented below enforced by Carel to manage the impacts, risks and opportunities connected with its upstream and downstream activities, as identified in the double materiality assessment (presented in the “Impacts, risks and opportunities” section of this chapter), and in relation to the calculation of GHG Scope 3 emissions (presented in chapter E1 - Climate change).[18]

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

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

In this statement, “Significant” operational expenditures (OpEx) and capital expenditures (CapEx) are those exceeding €10 thousand in the year.

No metrics presented in the document are validated by an external body other than the party issuing the assurance report. No reporting errors in prior periods were identified. Changes to metrics and/or targets, compared to the 2024 statement, are appropriately indicated alongside the corresponding values.

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

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

- short-term: from zero to one year. The short-term time horizon is aligned with the planning period of the financial budget;
- medium-term: from one to four years. The medium-term time horizon is aligned with Carel’s business plan and sustainability plan;
- long-term: from five years to 2050. The long-term time horizon is in line with Carel’s climate transition plan, which includes 2050 emission reduction targets.

[18] Please refer to chapter E1 - Climate change for disclosure on Scope 3 emissions measured using inputs from specific activities along the entity’s upstream and downstream value chain.

The sustainability statement includes information required to be disclosed by Regulation (EU) 2020/852 of the European Parliament and of the Council and information on management systems certified in accordance with the following standards: ISO 14001 (Environmental Management System), ISO 50001 (Energy Management System), (Chapter E1 - Climate change) ISO 45001 (Occupational Health and Safety Management System), UNI/PdR 125:2022 (Gender Equality Management System) (Chapter S1 - Own workforce). It also includes entity-specific metrics, some of which make reference to the GRI Standards.
The disclosure requirements *SBM-1 40 (a) i.* and *SBM-1 42 (b)* are reported on page 32 of the sustainability statement and supplemented with the information from page 11 onwards in the directors' report.

BUSINESS MODEL AND VALUE CHAIN

ESRS 2 SBM-1, ESRS 2 SBM-2

The Carel Group[19] has always been known for advanced control systems and innovative solutions for the heating, ventilation, air conditioning and refrigeration (HVAC/R) sector. Its high efficiency solutions are a certainty for environmental protection thanks to their optimised and integrated control systems, which allow for significant energy savings and, in turn, a smaller environmental impact.
The areas of application of Carel Group products and services are listed in the "Activities and markets" section of the directors' report to which reference should be made for further details.

DOWNSTREAM VALUE CHAIN

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

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

UPSTREAM VALUE CHAIN

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

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

The procurement strategy is differentiated depending on the supplier's segment, considering business impact criteria and difficulty in replacing or restoring supply. Carel establishes relationships (including long-term agreements) and escalation mechanisms with senior management of strategic suppliers and periodically evaluates the supplier relationship through strategic alignment meetings. Strategic suppliers are those which are high impact and difficult to replace. For its medium-impact suppliers that are difficult to replace (bottleneck suppliers), Carel implements multi-sourcing and localisation policies and monitors that the supplier's production capacity can meet the group's future demand. Leverage suppliers, with low

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

supply risk, are managed through frequent calls for tenders. Finally, Carel adopts consolidation strategies for suppliers with a low economic impact and low supply risk.

The management of suppliers also includes monitoring their financial soundness and assessing their delivery and quality performance. Carel has an internal measurement tool to quantify the risk of supply disruption for each component in terms of potential damage to its business, starting from the turnover that the products containing it are able to generate and the timeframes needed to activate alternative sources.

SUSTAINABILITY STRATEGY

ESRS 2 SBM-1, ESRS 2 SBM-2, ESRS 2 SBM-3, ESRS S1 SBM-2

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

The strategy that drives product innovation within the group relies on environmental sustainability as its main target. This strategy has been pursued for some years through two different but converging paths: on the one hand, maximising energy efficiency with increasingly smart and interconnected products and, on the other, the use of natural refrigerant gases and fluids with a low environmental impact, thus encouraging end users' energy transition. This is particularly important since approximately 32%[20] of the energy consumed every year in Europe refers to the group's main uses and traditional refrigerant gases (HFCs) which, if released into the atmosphere, can produce a greenhouse effect thousands of times more harmful than that created by carbon dioxide. Please refer to chapter E1 - Climate change for more specific information on developments in energy efficiency and the reduced environmental impact of Carel products.

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

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

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

The Carel culture code (the "CCC"), described below, is a fundamental part of the strategy and aims to create a strong and shared corporate identity to foster cohesion between people and alignment towards

[20] Source: Energy Performance of Building Directive.

the achievement of the strategic goals. Carel’s approach therefore focuses on the active involvement of its people, ensuring that their interests are integrated into the corporate strategy; only in this way can a solid and lasting relationship be built, where the well-being of employees is the key to long-term sustainable success. As part of this, a new performance development process was introduced in 2025, based on competencies that supplement the pillars of the CCC and which will be disseminated throughout the group as from 2026 (see chapter ESRS S1 - Own workforce for additional information).

2025-2028 SUSTAINABILITY PLAN AND CLIMATE TRANSITION PLAN

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

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

The planned sustainability targets and actions were defined by considering feedback from sustainability rating agencies, which take into account the interests of different stakeholder categories (e.g. employees, workers in the value chain, etc.)[21], the findings of benchmarking against best market practices regarding the management of sustainability matters, as well as existing and emerging regulations that have a connection to ESG matters.

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

Between the end of 2023 and the beginning of 2024, Carel also defined its climate transition plan, identifying near-term emission reduction targets, validated in early 2025 by the Science-Based Target iniative (SBTi), in order to align the group’s strategic path with the broader international climate objectives (please refer to chapter E1 - Climate change for more information). The decarbonisation levers and specific actions in the transition plan have been integrated into the new sustainability plan, which sets out their implementation in the 2025-2028 period. Between the end of 2025 and the beginning of 2026, the group updated its climate transition plan with even more ambitious targets, so that its strategy and business model can contribute not only to limiting global warming to 1.5°C in line with the Paris Agreement, but also to achieving a key European Union objective of climate-neutrality by 2050.

THE CAREL CULTURE CODE

In the pursuit of a strong and shared corporate identity able to foster cohesion between people and alignment in the achievement of its strategic objectives, Carel formally defined its Vision in 2021. It published the Carel culture code at the same time, outlining the guiding principles of the group’s corporate culture. These both express Carel’s desire for continuity with its cultural identity, and an ideal and objective set of values for the future, helping its people to put the corporate Vision into practice;

Be open! Valuing people’s diversity and new approaches, looking at experiences and knowledge outside of the group, questioning the status quo and operating with a global perspective;

Experiment! Innovating by adopting short cycles in collaboration with customers, turning failure into a learning opportunities;

Care! Asking for and listening to the opinions of others, while remaining transparent and taking into account how our own actions affect the work of others, while at the same time defending our ideas;

Think customer first! Putting the customer’s viewpoint in the centre, offering them the best possible solution and service;

Make the difference! Setting ambitious, clear, and shared objectives and evaluation criteria, taking responsibility and risks for our own actions, and embodying the principles of the Carel culture code.

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

INTERESTS AND VIEWS OF STAKEHOLDERS

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

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

STAKEHOLDER ENGAGEMENT TOOLS AND CHANNELS

Stakeholder	Engagement tools and channels	Engagement objectives
Shareholders, investors and analysts	• Shareholders' meeting • Press releases • Financial disclosures to the market • Company website • Telephone calls and emails • Conference calls • Road shows	• Ensure transparency and access to information about the group's sustainability strategies, performance and commitments • Promote an in-depth understanding of the integration of ESG criteria into the group's strategy • Consolidate market and shareholder confidence
Financial institutions	• Financial disclosures to the market • Regular meetings with banks	• Ensure transparency and access to information about the group's sustainability strategies, performance and commitments • Promote an in-depth understanding of the integration of ESG criteria into the group's strategy • Consolidate the financial sector's confidence • Facilitate access to financial capital
Customers	• Liaise with sales personnel and commercial company employees • Interaction with regional and group functions (e.g., senior management, S&M, R&D, etc.) • Company website • Trade fairs, events, seminars • Trade associations • Customer satisfaction surveys (Voice of Customer, Net Promoter Score) • Online analysis of the brand's reputation and social media • Blogs	• Promote product co-development • Ensure alignment of the group's objectives with the needs and interests of customers • Understand short-term market trends
Own workforce and workers' representatives	• Onboarding programme (Carel Group induction Process and Carel Compass) • Training and skills development (performance development) • Intranet • Internal magazine (Display – CAREL People Magazine) • Internal communication via meetings, email and web media • Regular meetings, involvement and discussions with trade union representatives	• Understand own workers' needs and interests • Create a stimulating working environment that is attentive to people's well-being • Ensure the professional development of own workers • Increase talent attraction and retention
Suppliers and business partners	• Circulation of the suppliers' code of conduct	• Establish lasting business relations

	• Ongoing dialogue and transfer of good practices and skills • Definition and agreement of standards • Regular visits to production sites • Certification and auditing of suppliers (Carel supplier audit check-list) • Liaising with quality control personnel • Order management software • Vendor evaluation procedure	• Include social and environmental aspects in the selection and evaluation of suppliers • Mitigate potential negative impacts associated with the supply chain, including in connection to value chain workers • Minimise the impacts of disruptions to the supply chain
Social media and influencers	• Interviews with senior management • Press area of the company website • Social media, blogs • Liaise with sales personnel and commercial company employees • Company website • Trade fairs, events, seminars • Analysis of the brand's online reputation and social media	• Spread brand awareness • Establish new business relations • Understand stakeholders' views about the brand • Ensure continuous communication of the group's objectives
Bodies and institutions (local bodies, public administration, regulators, sector associations)	• Meetings with representatives of local institutions	• Understand local bodies' interests • Ensure compliance with local regulations
Communities and future generations (local communities and NGOs, schools and universities)	• Support and sponsor social initiatives • Dialogue with universities and schools	• Understand local communities' needs and interests • Promote development of the territory
Sector associations	• Membership of national and international trade associations	• Understand medium/long-term market trends • Monitor emerging regulations impacting the HVAC/R sector

Continuous dialogue with stakeholders enables the group to integrate their concerns into its commitment policies, strategy and business model, ensuring that they are aligned with their interests and expectations. Specifically, Carel takes stakeholders' interests into consideration both to assess the impact of its own operations on them and to integrate these interests into its sustainability strategy. To this end, the materiality assessment in 2022 involved the direct engagement of internal and external stakeholders while, like in the previous year, the materiality assessment activities performed in 2025 involved a work group composed of corporate functions representing several key stakeholders, ensuring an inclusive analysis of their interests. In addition, suppliers are actively involved through the sustainability assessment conducted in the phase-in stage (see chapter G1 – Supply chain for additional information), allowing Carel to better understand the impacts of its procurement choices. Stakeholder interests are also considered when the corporate strategy is defined, as demonstrated by the process of constructing the 2025-2028 sustainability plan, which is a tool that reinforces the existing strategy, whose objectives and initiatives were developed taking into account feedback from sustainability rating agencies, which reflect the priorities of different stakeholder categories (for more details, please refer to the "Group sustainability strategy" paragraph in this chapter).

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

SUSTAINABILITY GOVERNANCE

ESRS 2 GOV-1, ESRS 2 GOV-2, ESRS 2 GOV-3, ESRS E1 GOV-3

CAREL'S CORPORATE GOVERNANCE STRUCTURE

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

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

Carel has applied diversity criteria (including for gender) in the composition of its board of directors, with due regard for the key objective of ensuring adequate expertise and professionalism among its members. In their meeting on 18 April 2024, the shareholders resolved, inter alia, on the renewal of the board of directors.

Given the company's structure and size, as well as its ownership structure and list voting mechanism provided for by the by-laws, which guarantees transparent elections and a balanced composition of the board of directors, in its meeting of 25 February 2026, the board of directors did not deem it necessary to adopt specific diversity policies and/or practices with respect to the composition of the boards of directors and statutory auditors and the age, gender and educational and professional background of the various members.

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

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

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

COMPOSITION OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND THE BOARD OF STATUTORY AUDITORS[22]

	2025			
	Board of directors	**Audit, risk and sustainability committee**	**Remuneration committee**	**Board of statutory auditors**
No. of members	9	3	3	5
Executive	4	3	3	-
Non-executive	5	-	-	-
(of whom, independent)	(5) (55%)	-	-	-
Female	4 (44%)	2 (67%)	2 (67%)	2 (40%)
Male	5 (56%)	1 (33%)	1 (33%)	3 (60%)
Gender diversity ratio[23]	0.80	2	2	0.67
< 30 years	-	-	-	-
30-50 years	1 (11%)	-	-	-

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

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

> 50 years	8 89%)	3 (100%)	3 (100%)	5 (100%)

ROLE OF GOVERNANCE BODIES IN MANAGING SUSTAINABILITY ISSUES

The group has set up specific bodies and roles to monitor impacts, risks and opportunities. The BoD defines the strategies of the parent and the group in line with the pursuit of sustainable success and monitors their implementation. It also establishes the most appropriate corporate governance system for the parent's business and the pursuit of its strategies, taking into account the degree of autonomy offered by the regulation. If necessary, it assesses and promotes the appropriate amendments, submitting them to the approval of the shareholders when they fall under their remit. The BoD defines the nature and level of risk in line with the group's strategic objectives, considering all aspects relevant to its sustainable success. Furthermore, it approves the commitment policies[24], the long-term sustainability plan and the annual sustainability statement. In 2025 and 2026, the BoD reviewed the double materiality assessment carried out for sustainability reporting purposes. In addition to the tasks assigned to the BoD, sustainability is also part of the annual self-assessment process, in which members are invited to assess whether, during their term of office, initiatives were organised aimed at providing adequate knowledge of the sector in which the parent operates and of its trends and evolution, also with a view to sustainable development. In order to promote and implement sustainable development policies internally, in 2021, the BoD entrusted a board member, the sustainability executive director, with specific sustainability operating powers to:

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

The ARSC is part of the parent's board of directors[25]. The ARSC carries out relevant investigations in order to support the BoD in performing assessments and making decisions related to internal controls and risk management and in approving the sustainability statement pursuant to Legislative decree no. 125/2024. It also assists the BoD in overseeing sustainable development issues, including climate change, through inquiries, assessments and decisions regarding the management of risks related to adverse events which have come to the BoD's attention, including environmental, social and governance

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

[25] The functions and role of the ARSC, including the methods for the management of the sustainability impacts, risks and opportunities discussed in this section, are governed by the ARSC regulation.

risks. Moreover, it assists the BoD with its research, consulting and advisory functions, in performing assessments and making decisions about sustainability, also monitoring the performance of group activities and dynamics with stakeholders, defining and suggesting guidelines about sustainability and monitoring compliance with codes of conduct adopted by the group and its subsidiaries. Lastly, it ensures that amendments to laws and regulations pertaining to sustainability are suitably understood and assessed in terms of the potential impact on business, assigning specific tasks and responsibilities for their implementation. It monitors international sustainability initiatives and keeps the board of directors up to date, in order to consolidate the group's international reputation. Periodically, the ARSC reports to the BoD on the activities within its remit. The ARSC regularly liaises with the ESG team, guaranteeing consistency throughout activities underway, developments in the sustainability plan and the results achieved.
Indeed, Carel has an inter-departmental ESG team, which integrates sustainability management into all the group's areas. The team, which is led by the group CFO, meets weekly and reports directly to the CEO and the sustainability executive director. It also supports the parent's BoD in defining the targets and initiatives to be included in the long-term sustainability plan, in addition to monitoring the progress towards achieving such goals. In addition to liaising periodically with the ARSC and the board of statutory auditors, the ESG team also meets periodically with senior management for updates on the sustainability plan and on ESG issues in general (including regulatory developments and ratings).
Furthermore, the ESG team:

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

Thanks to the diverse skills of the team members (i.e., the HSE manager, the HR controller, the IR manager, the head of financial consolidated statements, the head of corporate communication, the HVAC/R corporate business manager and the general services manager), sustainability matters are addressed and managed from different perspectives, considering all sustainability-related impacts, risks and opportunities. The BoD draws on the expertise and knowledge of the ESG team to address sustainability issues. In 2025, the BoD was involved in a training programme covering environmental topics, which provided an overview of the current situation, the group's sustainability path (through the sustainability plans and the climate transition plan) and the strategic importance of analysing the environmental impact of Carel products on the market. The programme was repeated in 2026 and involved all the parent's management team, with a greater focus on the environmental impact of the group's products, and sharing the findings of the analyses conducted in 2025. Over two meetings held in 2025, the ESG team updated the ARSC on the progress on the initiatives of the 2025-2028 sustainability plan. One meeting was dedicated to environmental topics and the other to social initiatives. During the year, the HR department also updated the remuneration committee twice on the progress on the pay transparency project. During the meeting to update the ARSC on environmental issues, the plan to expand the group's climate transition plan approved by the BoD in February 2026 was also presented see chapter E1 – Climate change for additional information).

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES

The group's remuneration policy for 2025, subject to the shareholders' approval on 22 April 2026, has been designed with the aim of maintaining, in line with the past, a responsible operating approach, oriented towards the principles of expertise, performance and sustainability. The parent's ongoing commitment to these objectives has led to, in particular, more weight being given to not only the traditional targets related to the business' financial performance but also to ESG parameters, linked to the assessment of the impact of the group's activities on the environment, social aspects and governance.
Carel's remuneration policy hinges on the following principles: equality, diversity and inclusion, competitiveness, sustainability and transparency.

The pursuit of a better pay mix balance continued in 2025, which is consistent with the long-term sustainability vision. The remuneration policy provides for ESG indicators for both the short-term (MBO) and long-term incentive (LTI) schemes, with measurable and quantitative targets.
The 2024-2028 LTI schemes provide that 30% of the nominal amount of the awards is tied to a sustainability target, which is the mathematical average of two indicators used to measure the parent's ESG commitments. Specifically, 15% of the award is linked to the decarbonisation plan (reduction of CO_2e emissions from Carel's production sites[26] in line with the decarbonisation strategy and the emission reduction targets validated by SBTi), while 15% is linked to the reduction of the gender pay gap of the parents' white collars[27]. All executive directors are beneficiaries of the LTI schemes.
In the case of the MBO schemes (short-term incentives, at least 30% of the nominal amount of the award is tied to achievement of specific internal sustainability indicators, as assessed by the remuneration committee with the support of the HR department. The individual ESG targets are generally assigned in relation to a beneficiary's role, responsibilities and/or specific strategic projects/activities. In 2025, the individual ESG performance target assigned to the chief executive officer was the reduction of Scope 1, 2 & 3 emissions in line with the decarbonisation plan.

RISK MANAGEMENT SYSTEM

ESRS-2 SBM-3, ESRS E1 SBM-3, ESRS E1 IRO-1

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

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

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

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

[26] The production plants include: CAREL Industries, Enginia, Recuperator, CAREL Adriatic, Hygromatik, CAREL Sud America, CAREL USA, CAREL Suzhou, Arion, Senva, Klingenburg International, Klingenburg GmbH, Sauber.

[27] The method for calculating the gender pay gap for the LTI is not the same as required by the ESRS: the calculation for the LTI is defined in a more precise and specific way, based on applicable homogeneous classifications, so that it can be more easily analyzed.

RISK IDENTIFICATION

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

RISK ASSESSMENT

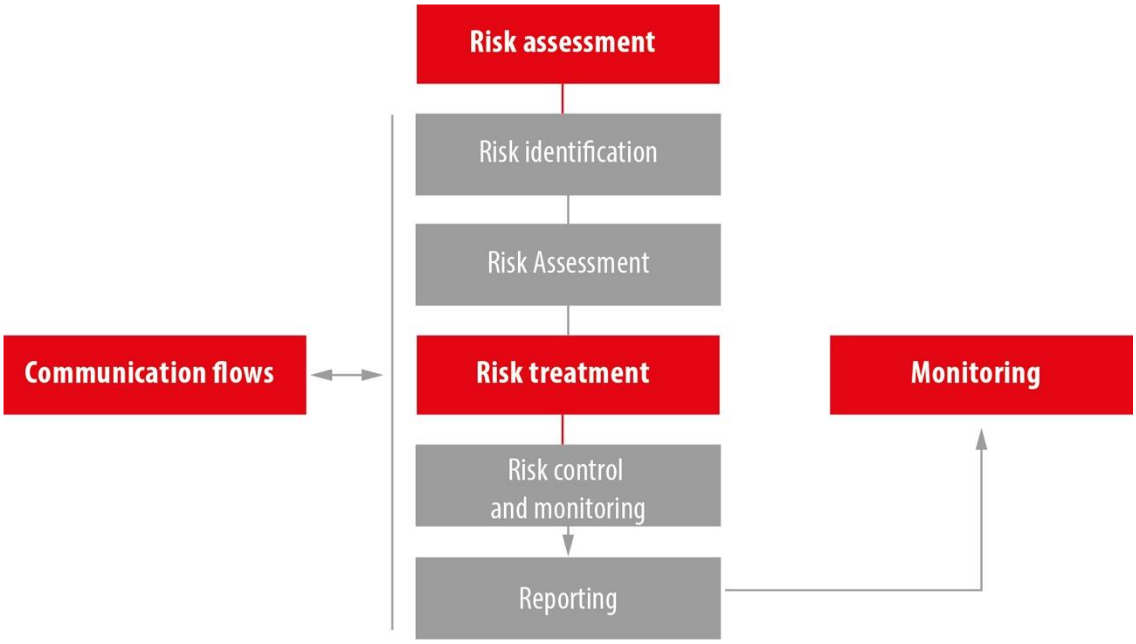
- Risk assessment by management using assessment tools and considering the impact and probability of the adverse event.
- The impact of risks was assessed both quantitatively (economic/financial) and qualitatively (reputational, regulatory and procedural compliance), with an additional focus on ESG and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

RISK CONTROL AND MONITORING

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

REPORTING

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



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

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

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

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

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

During the year, four audits were conducted on the parent's processes and two audits on the group's foreign companies, in addition to several follow-up activities related to the audits carried out in previous years. The audit activities in 2025 focused on certain aspects relating to the parent's HSE, ICT/ICS, product compliance (with specific focus on the compliance risks of Carel products both in regulatory/legal terms and in terms of compliance with market and/or end application requirements) and international sanctions/custom compliances areas and processes. The group companies audited in 2025 were subject to a general review of the procedures governing the current main processes. Specific activities were also carried out to check compliance with corporate principles and values, focusing, in particular, on the content set out in the group's policies and other relevant documentation including, inter alia and where applicable, the anti-corruption procedure, the human rights policy, the code of ethics and the 231 model.

ANALYSIS OF CLIMATE CHANGE-RELATED RISKS AND OPPORTUNITIES

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

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

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

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

Transitioning to a low-carbon economy may entail extensive legal, economic, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature and speed of these changes, transition risks may pose varying levels of financial, operating and reputational risk to organisations.

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

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

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

While transition risks were analysed at group level, physical risks were considered by individual production site/commercial company (considering their actual location). The different approach is due to the fact that physical risks vary by geographical area, while transition risks are usually applicable on a global scale (with a few exceptions, such as the risks arising from current/emerging regulations).[28]

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

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

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

Transition risks and opportunities

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

The scenarios covered by the transition risk analysis include[29] [30]:

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

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

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

TRANSITION RISKS RELATED TO CLIMATE CHANGE

Category	Risk	Description	Potential impacts
Policy and legal	Regulation of existing products	Refrigerant gas restrictions and energy efficiency regulations are among the main regulatory changes underway. These regulations could lead to phase-outs and bans on the use of some products, in addition to energy performance improvement requirements. Carel constantly monitors emerging regulations and invests in research and development to bring its products and services into line with new regulations and mitigate potential negative impacts, such as a decrease in sales and loss of competitiveness.	Increased operating costs (OpEx) Need to adapt products to regulations Penalties for non-compliance Decrease in sales

[29] The NZE, APS and STEPS scenarios were developed by the International Energy Agency (IEA) and presented in the World Energy Outlook 2021.
[30] No assumptions related to climate change have been made in the financial statements.

Category	Risk	Description	Potential impacts
	CBAM and ETS	The EU Emissions Trading Scheme (ETS), which imposes payment of an allowance based on company emissions, and the ETS 2 and the Carbon Border Adjustment Mechanism (CBAM), which introduce similar measures for products imported into the EU, may result in an increase in direct and indirect procurement costs for Carel (according to the IEA, in an NZE scenario, carbon prices could reach USD250/tonne in 2050). In addition to constantly monitoring regulations, the group is developing a decarbonisation strategy in order to mitigate the impacts of these regulations.	Increased operating costs (OpEx) Increased procurement costs Penalties for non-compliance
	Exposure to litigation	Changes in the regulatory compliance applicable to natural resource management and increased litigation and penalties related to environmental protection could increase the risk of facing higher penalties and legal fees as well as reputational damage. Consequently, Carel closely monitors environmental regulations, uses ISO 14001 and ISO 50001 certified management systems, and is considering performing a Life Cycle Analysis (LCA) on various products.	Increased operating costs (OpEx) Penalties for non-compliance Reputational damage
Market	Changing stakeholder behaviour	Stakeholder expectations vis-à-vis ESG matters are on the rise: business partners demand increasingly better performance in terms of supplier evaluation, customers and institutions demand increasingly efficient and environmentally friendly products, and investors demand greater transparency about companies' environmental performance. To mitigate the risk of losing market share and appeal, Carel is investing heavily in product energy efficiency and minimising its environmental impact, as well as communicating these efforts through the various ESG ratings it participates in (e.g., CDP, MSCI and Ecovadis).	Increased operating costs (OpEx) Loss of market share Failure to attract capital Reputational damage
	Increased cost of raw materials and energy	In recent years, Carel has faced major challenges, such as rising prices and supply disruptions affecting certain critical raw materials and components, which, coupled with the instability of energy resource prices, could result in reduced productivity and increased operating costs. The group is working to sign long-term agreements with suppliers in order to ensure stable prices and supplies. Accordingly, it is reviewing the design of its products to diversify sources of supply, and is investing in self-generation of energy from renewable sources to reduce its dependence on external energy sources and the impact of energy price fluctuations.	Increased operating costs (OpEx) Supply disruption Inability to adjust production to increased demand
Technology	Replacing products and services with more environmentally-friendly products	Carel mitigates the risk arising from its competitors offering better performing and more environmentally innovative products by adopting innovation processes that stimulate the pursuit of increasingly competitive and unique solutions, and by adapting its value proposition to the needs of new competitive scenarios. Indeed, competitors that can better respond to new market needs, increasingly connected to climate change mitigation, could take away market share.	Loss of market share
	Transition to low impact technology	In order to respond to the requests of institutions and reduce its carbon footprint, Carel must allocate the right resources to the transition of its production structure. These investments are necessary in order to meet the international net zero goals and future compliance requirements. Carel commenced its decarbonisation journey years ago (e.g., by installing heat pumps and photovoltaic panels).	Increased operating costs (OpEx) Increased capital expenditure (CapEx)
Reputation	Failure to meet emission reduction targets	Failure to meet the set goals - or failure to meet them on schedule - could result in a loss of market share and compromise the group's reputation. Therefore, Carel is actively committed to defining a decarbonisation strategy and communicating its efforts to reduce its environmental impact. To this end, it plans to invest heavily in the transition of its production processes to a low-carbon system.	Reputational damage Failure to attract capital Penalties for non-compliance

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

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

Carel has identified the following main opportunities:

TRANSITION OPPORTUNITIES RELATED TO CLIMATE CHANGE

Category (TCFD)	Opportunity	Description	Potential impacts
Resource efficiency	Increased efficiency of its buildings and processes	Implementing resource efficiency strategies provides multiple opportunities to mitigate the environmental impact and ensure compliance with respect to emerging regulations. By optimising the energy efficiency of its buildings and production processes and by renewing its fleet, Carel is working to significantly reduce the consumption of natural resources and GHG emissions. As described in the "Environmental information" chapter, these initiatives aim to mitigate climate change and cut operating costs, ensuring Carel meets stakeholder expectations and increasingly stringent environmental regulations.	Reduced operating costs (OpEx) Adaptation to emerging regulations Reduced exposure to fossil fuel price increases
Energy source	Green energy supply and self-generation of electricity	Carel is aware of the impact that generating energy from fossil fuels has in terms of contributing to climate change. Therefore, for some time now, the group has been increasing the share of certified energy from renewable sources on the one hand, while implementing, where possible, electricity self-generation systems via the installation of photovoltaic panels (for additional information, reference should be made to the "Environmental information" chapter). Accordingly, Carel is able to increase its energy independence and is less exposed to energy market volatility, while significantly reducing its direct carbon footprint.	Reduced operating costs (OpEx) Reduced exposure to future fossil fuel price increases
Market	Increased sales due to rising temperatures	According to the IEA, the rise in average temperatures due to climate change will lead to a significant increase in CDDs (cooling degree days) around the world, albeit at different rates depending on the area. It is estimated that a 1°C increase in global average temperatures by 2050 (compared to today) will lead to a 25% increase in CDDs on average across regions. Therefore, this will generate a higher demand for air conditioning and cooling systems, especially in tropical and subtropical areas, where rising temperatures, combined with humidity, will make these systems necessary.	Increased demand for products and services
Products & Services	Selling products in line with national and international energy efficiency and decarbonisation policies	Thanks to the distinctive qualities of Carel's products, the group is a business partner that can assist its customers along their journey to reducing their carbon footprint. Therefore, demand is expected to increase, especially for more energy-efficient products, including for data centres. Carel's product range is highly efficient and capable of reducing energy consumption. Furthermore, its solutions significantly reduce the environmental impact by providing an alternative to the use of fossil fuels in heating. Specifically, thanks to the integration with Kiona, Carel can benefit from the opportunities offered by the increased digitilisation and servitisation of the HVAC/R industry, in particular by strengthening its positioning in the energy efficiency-oriented digital services sector. The group is also investing in research into products that use alternative refrigerant gases, in line with national and international policies.	Increased demand for products and services Increased competitiveness

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

Physical risks

As part of the process to identify and assess the physical risks (acute and chronic) resulting from climate change, in 2023, the group conducted a quantitative analysis in order to understand the degree of exposure of all its facilities (production sites, warehouses and commercial companies[31]) to climate risk factors and quantify the potential negative impacts should the risk events occur. The analysis will be updated when new IPCC scenarios are published. Five acute physical risks (coastal flooding, river flooding, extreme rainfall, storms and heat wave) and three chronic ones (wildfire, drought and heat stress) were considered.

Carel's resilience to the climate risk factors considered was assessed against the results of global climate models, which reflect the different climate scenarios developed by the Intergovernmental Panel On Climate Change (IPCC)[32], and which indicate different forecast climate-altering gas concentrations related to an expected temperature increase from 1.5°C (RCP 2.6) to about 5°C (RCP 8.5 - worst case scenario) by 2100 compared to pre-industrial levels. Each risk factor was analysed for all climate scenarios considered (RCP 2.6, RCP 4.5, RCP 7.0 and RCP 8.5) and over different time horizons (short-, medium- and long-term: 2025, 2030, 2040, 2050 and 2080). The years selected for analysis cover the time horizons of the medium- and long-term strategies formalised in the group's sustainability plan and climate transition plan, and are extended to assess the effects of physical risks on property, plant and equipment, such as production sites and warehouses.

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

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

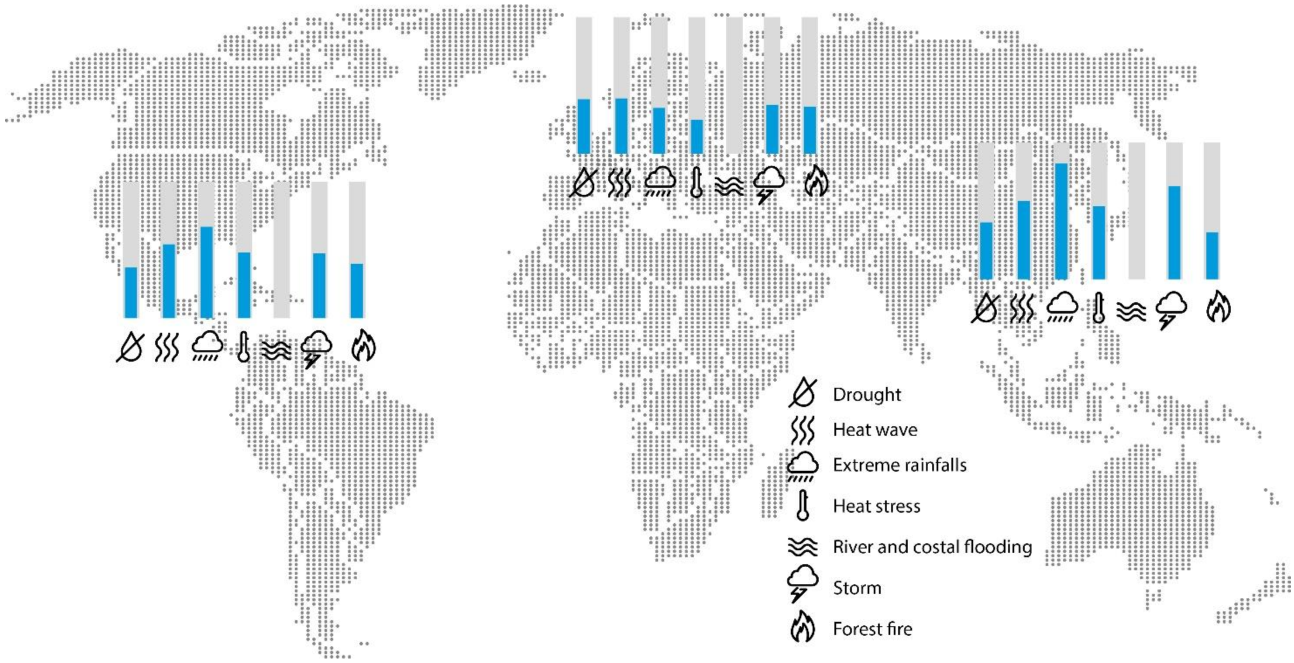
The image below shows the average risk exposure of all Carel's production sites[33], broken down by geographical area, to the different risk factors, considering RCP 4.5 (business as usual scenario)[34], which the experts consider as the most likely scenario by 2030.

[31] Kiona and its commercial companies, Carel Kazakhstan and Carel System S.p.z.o.o, are excluded from the analysis as they were acquired or set up after it was performed. As they are commercial companies, the analysis performed remains representative of the scope of the group's overall physical risk. These companies will be included in the updated analysis of physical risks that will be performed when new IPCC scenarios are published.

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

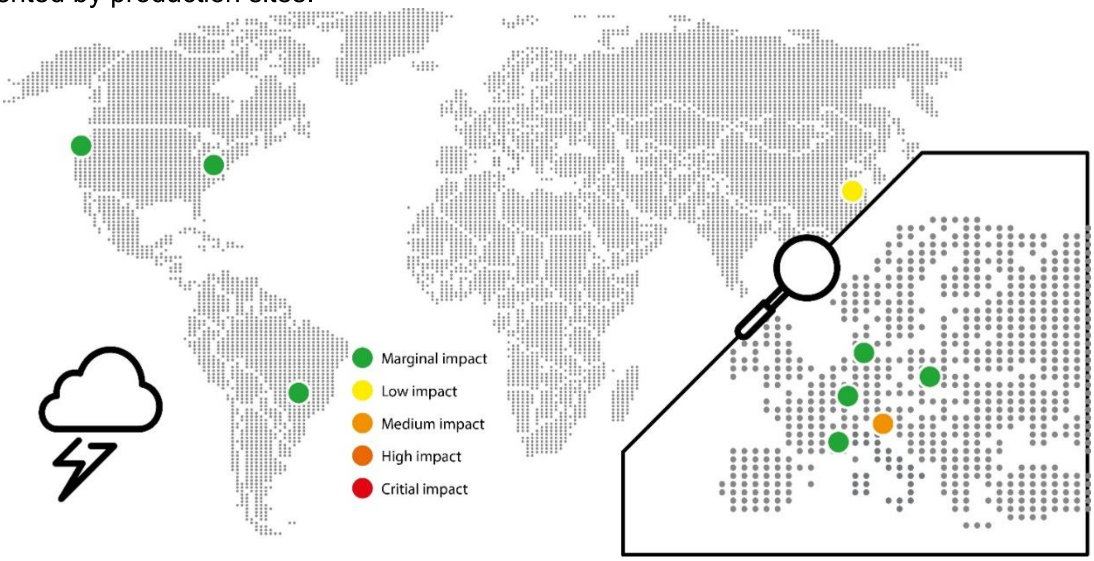
[33] This only covers production sites and not the commercial companies or companies that only provide services.

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

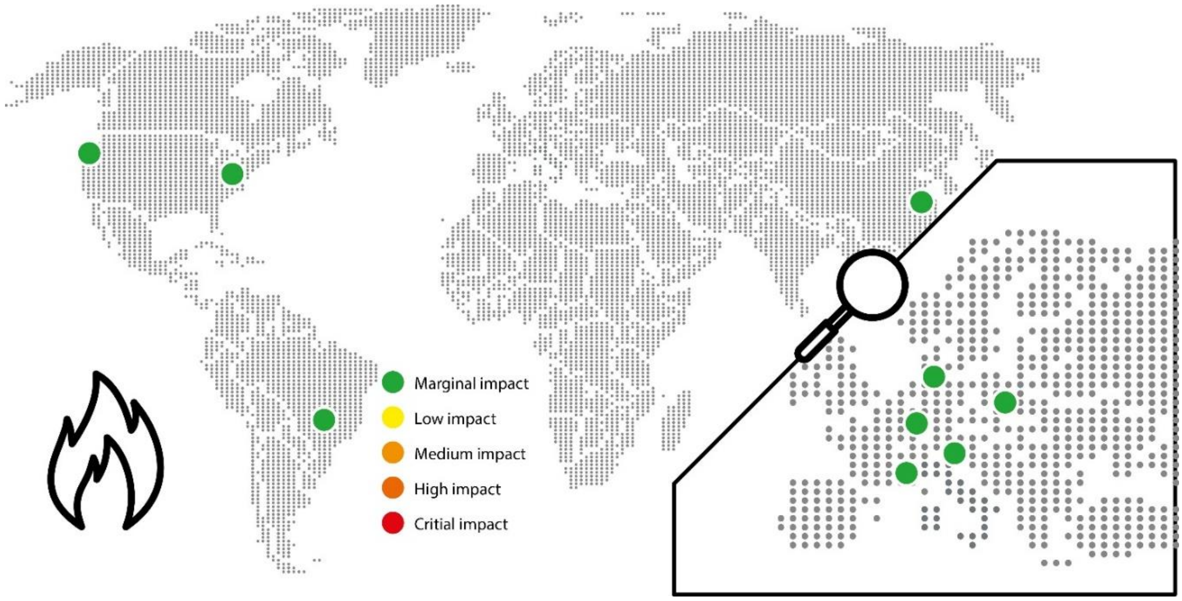


As mentioned earlier, extreme rainfall is the risk factor to which the group's sites are most exposed. In contrast, no production site is exposed to the risk of river or coastal flooding. The exposure for all other climate risk factors is medium to moderate. Therefore, the production sites' overall exposure is not deemed critical. This positive result is also confirmed in terms of the economic impact resulting from storm and wildfire risk classes.

Indeed, the images below show that the financial impact (defined using a scale from marginal to critical impact) should the above acute weather events occur, considering the RCP 8.5 scenario - which provides projections for all three risk categories analysed - to 2030[35], ranges from medium/low to marginal. This is an extremely good result since the assessment does not include the adaptation measures already implemented by production sites.



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



The group takes into account the identification of these risks and the determination of the possible financial impacts of their occurrence when defining its strategy and investments in terms of adaptation activities, with the aim of increasing the resilience of the group's own operations. In recent years, the group has developed a strategy focused on identifying disaster recovery centres and mirroring the production of core products. The group is currently defining appropriate improvement plans to ensure that the existing or planned mitigation measures (i.e., generator sets) for the various areas are adequate based on the degree of exposure to climate risk factors and the resulting potential financial impacts identified. The parallel expansion of the group's management systems to the group's production sites – a goal included in the 2025-2028 sustainability plan – will allow a greater understanding of risks and opportunities linked to climate change, strengthening prevention capacity and the identification of targeted mitigation actions.

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

ESRS 2 SBM-3, ESRS E1 SBM-3, ESRS S1 SBM-3, ESRS S2 SBM-3, ESRS 2 IRO-1, ESRS E1 IRO-1, ESRS E2 IRO-1, ESRS E3 IRO-1, ESRS E4 IRO-1, ESRS E5 IRO-1, ESRS G1 IRO-1

During 2025, Carel integrated and updated the double materiality assessment performed in 2024, which included direct engagement with internal and external stakeholders initiated in 2022. Following on from the activities conducted in 2024, the update was carried out adopting a methodological approach in line with the principles contained in Commission Delegated Regulation (EU) 2023/2772, issued on 31 July 2023 and set out in the ESRS. The double materiality assessment is generally carried out in the previous year or at the time the sustainability plan is prepared.
It involved the identification and subsequent assessment of impacts, risks and opportunities (IROs), including those connected with Carel's own operations and the upstream and downstream value chain, including through its products and services, as well as through its business relationships.
The outcome of the double materiality assessment was the identification of the topics and sub-topics that exceeded the impact materiality threshold and/or the financial materiality threshold; this assessment is

therefore the basis for the identification of the material topical standards, which are therefore reported on in this sustainability statement.
A description of the double materiality assessment updated in 2025 is provided below.

UNDERSTANDING THE CONTEXT

The analysis of the company context, business model, business relationships and value chain was conducted through a study of the activities, markets served and products and services offered by Carel, key stakeholders and the nature of the group's business relationships. This process also included the mapping of the value chain, which highlighted the main activities carried out by the various group companies, their geographical areas of operation and the actors in the group's value chain, upstream and downstream, including, where known, those beyond tier 1 suppliers (e.g., raw material extractors and smelters). Gaining an understanding of the context was also based on the results of the analysis of emerging and developing climate change regulations, carried out in 2023 and updated in 2025, as part of the climate risk assessment. Moreover, the context analysis was integrated by a study of sustainability aspects for the sector, to check alignment and completeness with regard to the key focus areas for the sector, the long list of impacts, risks and opportunities identified by Carel and the findings of the double materiality assessment.

IDENTIFYING IMPACTS, RISKS AND OPPORTUNITIES

Identifying impacts
The existence of impacts was examined for each sub-topic and sub-sub-topic provided by the ESRS, considering not only the Group's own operations but also, where known, the upstream and downstream value chain operations (as shown by the value chain mapping). The fact that Carel operates through production sites (some involving mechanical or electronic processing) and through trading companies located on all continents was taken into account in the analysis of own operations. To identify impacts in the upstream and downstream value chain, the impact of the entire life cycle of the products/services purchased and sold by the group (e.g., extraction of raw materials, disposal of finished products by the end user, etc.) was considered.
The impacts identified in the 2022 materiality assessment were used as the starting point. Internal and external stakeholders directly affected by the impacts were involved in the assessment through interactive workshops and dedicated online surveys. In 2024, additional impacts were also identified, related either to emerging sustainability topics or to segments of the value chain that had not been considered in the 2022 materiality assessment. The list of impacts was revised and updated again in 2025 to include the findings of the context analysis.
Identifying risks and opportunities
The identification of financial risks related to sustainability matters was based on the risks contained in the Group's ERM risk register, which also includes ESG risks, including the physical and climate risks and transition risks identified by the qualitative-quantitative analysis of climate scenarios described in the "Analysis of climate risks and opportunities" section and by the specific compliance risks mapped within the Compliance Risk Assessment (CRA) risk register. Some of the identified risks are generated in the group's upstream or downstream value chain and have an economic, financial, operational and/or reputational impact on Carel. When identifying risks, consideration was also given to risks arising from identified potential negative impacts which could expose the group to risks of penalties and/or could trigger consequences of a reputational nature and/or higher costs, as well as in relation to the environmental and social resources that Carel needs, directly or indirectly, to operate, and which could negatively impact its continuity, profitability and/or financial stability.
To date, most sustainability matters are considered to be a source of risk for the group, as any opportunities arising from mitigation actions taken in response to certain risks were not considered opportunities for the purposes of this analysis.
The above-mentioned qualitative-quantitative analysis of the climate scenarios linked to climate change also gives rise to the opportunities considered in the analysis.
The list of risks and opportunities was revised and updated in 2025 to include the findings of the context analysis.

ASSESSMENT OF IMPACT MATERIALITY AND FINANCIAL MATERIALITY

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

Assessment of impacts

The assessment of impacts took into account the following two dimensions:

- Severity/Benefit, which considers the following aspects:
  - Scale: how grave the negative impact is or how beneficial the positive impact is for people or the environment;
  - Scope: how widespread the negative or positive impacts are;
  - [In the case of negative impacts] Irremediable character: whether and to what extent the negative impacts can be remediated.
- Likelihood of occurrence[36].

Both dimensions were assessed using a scale from 1 to 5.

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

The assessment of potential impacts did not take mitigation actions into account. The management of these impacts, including mitigation actions, is in fact part of the policies, actions and targets, extensively described in the chapters on the topics. In this way, a comprehensive understanding is provided, both of the impacts resulting from the group's operations and its value chain net of mitigation measures, and of how the group is addressing these impacts. Potential negative human rights impacts were assessed by prioritising severity over likelihood of occurrence, adding a 10% loading to the severity.

Assessment of risks and opportunities[37]

The assessment of ERM and CRA risks and opportunities was based on the respective risk registries. The assessment of climate risks and opportunities was based on the qualitative-quantitative analysis of climate scenarios, described in the "Analysis of climate risks and opportunities" section of this chapter. Risk assessments were performed using assessment tools and in accordance with the impact and likelihood of adverse events. Risk assessments consider the inherent risk, i.e., the risk level in the absence of any control activity. The "Risk management system" section of this chapter provides more information about the assessment metrics. These assessments are being reviewed by the work group to confirm their validity. The group performed a dedicated assessment of the risks and opportunities identified during the update of the double materiality assessment and not included in the above tools. Specifically, the risks were assessed considering the ERM assessment scales, while opportunities were assessed taking into consideration, as a whole and in qualitative terms, the resulting financial, reputational, compliance and business continuity impacts.

DETERMINING THE MATERIALITY THRESHOLDS

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

In line with the choices made for the purposes of the ERM, a materiality threshold was defined for financial materiality at tier 2, so risks and opportunities in tiers 1 and 2 were considered material[38]. This is because risks classified as tier 1 represent risks that exceed the "risk tolerance", i.e., the theoretical level of risk that the group is unable and/or unwilling to bear, because the occurrence of such a risk would threaten its continuity. Risks that exceed the "risk appetite", i.e., the level of risk that the group is willing to take in pursuit of its strategic objectives, are placed in tier 2. Risks classified as lower level are business risks that the group is able to bear without them significantly affecting its operations.

A materiality threshold was defined for financial materiality at tier 3 (equivalent to a significance of impact of 9, determined as the product of likelihood of occurrence and severity), so risks and opportunities in

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

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

[38] The tiers and related materiality thresholds are based on adjusted EBITDA.

tiers 1, 2 and 3 were considered material. This more conservative approach makes it possible to take into account not only impacts that are quite severe and have a medium likelihood of occurrence, but also impacts that may have, on the one hand, a very limited likelihood of occurrence but high severity, and on the other hand, impacts with a low severity but a high likelihood of occurrence.
The outcomes of the financial and impact materiality assessments were consolidated to obtain the list of material sustainability topics, which were then used to define the content of this sustainability statement. A sustainability topic is considered material if it is material from the financial materiality perspective, the impact materiality perspective, or both. A topic, sub-topic or sub-sub-topic was considered material if at least one IRO within it was found to be material.

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES

The table below presents the impacts, risks and opportunities assessed as material for each of the sustainability matters identified as material as a result of the materiality assessment.
Each topic chapter describes the policies, actions (current and future) and targets that enable the group to manage and monitor material IROs and their current and expected effects, while the "Group sustainability strategy" section of this chapter describes the associated strategy.

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES[39]

ESRS[40]			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[41]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[42]	+/-, C/P[43]	U, O, D[44]			
ESRS E1 | Climate change	Climate change adaptation	-	R	Risk that due to adverse weather conditions or a power outage, one of more Carel systems or devices might stop working, thus disrupting production. These events could also increase costs for investments in resilient infrastructure, such as advanced drainage systems, emergency generators, etc.		O	Long-term	-	-
	Climate change adaptation	-	R	Risks that the group incurs higher operating costs (e.g., higher compliance costs, fines, etc.) due to changes in policies enacted to promote the transition to a low-carbon economy (e.g., CSRD, Montreal Protocol, Kigali Amendment, Regulation (EU) no. 517/2014, product eco-design, energy efficiency requirements, carbon tax, CBAM, etc.)		O	Medium-term	-	-
	Climate change mitigation	-	I	GHG emissions generated directly by Carel Group-controlled production sites, offices and employee mobility in company or mixed-use vehicles (Scope 1 and 2), and indirectly by Carel Group operations in the upstream and downstream value chain (Scope 3)	-, C	U, O, D	Short-term	• E1-6 – Gross Scopes 1, 2, 3 and Total GHG emissions - Custom KPIs (emission intensity per m2 and total employees)	• Health, safety, environmental and sustainability policy • Suppliers' code of conduct
	Energy	-	I	Consumption of energy in production directly and indirectly controlled by the group to process raw materials and produce finished goods	-, C	U, O, D	Short-term	• E1-5 (Energy consumption and mix) • Entity-specific energy metric per m2 and total employees)	• Health, safety, environmental and sustainability policy • Suppliers' code of conduct

[39] Compared to the assessment carried out in 2024, the risk and opportunity related to resource flows and the risk related to corporate culture were material following the failure to achieve the sustainability targets. The risk of atmospheric pollution was no longer deemed material given Carel's activities.

[40] No entity-specific IROs were identified, i.e., impacts, risks and opportunities not covered by the topical ESRS.

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

[42] There are no current significant financial impacts as a result of the material risks and opportunities identified.

[43] Positive impacts are marked with a "+" and negative impacts with a "-". Current impacts are marked with "C" and potential impacts with "P".

[44] U", "O" and "D" denote the IROs in the upstream value chain, own operations and downstream value chain, respectively.

ESRS[40]			**Impacts, risks and opportunities**		**Impact characteristics**	**Value chain**	**Time horizons**	**Associated metrics**	**Associated policy(ies)**
Topic[41]	**Sub-topic**	**Sub-sub-topic**	**IRO**	**Description of IRO[42]**	**+/-, C/P[43]**	**U, O, D[44]**			
	Climate change mitigation / Energy	-	R	Risk that changes in demand and supply of certain raw materials, products and services due to changes in customer behaviour or an increase in the cost of raw materials due to the transition to a low-carbon economy lead to a drop in demand for Carel's goods and services or a rise in production costs		U, O, D	Medium-term	-	• Health, safety, environmental and sustainability policy • Suppliers' code of conduct
	Energy	-	O	Increased business opportunities and reputation capital through the development of energy-efficient products and services - including IoT solutions - that enable end users to reduce their energy consumption		O, D	Medium-term	• Entity-specific metric (reduction of electricity consumption by product family)	• Health, safety, environmental and sustainability policy
ESRS E2 - Pollution	Pollution of air	-	I	Air pollution caused by chimney stacks and burners of the Carel Group's production sites	-, C	O	Short-term	• E2-4 (Pollution of air, water and soil)	• Health, safety, environmental and sustainability policy
	-Pollution of water -Pollution of soil	-	I	Air, water and soil pollution caused by the typical activities of companies that extract/manufacture raw materials and semi-finished products	-, C	U	Short-term	-	• Suppliers' code of conduct
	Substances of concern and substances of very high concern	-	I	Production and/or use along the upstream value chain of components and materials that contain chemicals that are hazardous and/or extremely hazardous for human health, animal health and the environment	-, C	U	Short-term	-	• Suppliers' code of conduct
ESRS E3 - Water and marine resources	Water	Water withdrawal, water consumption	I	Water withdrawal and consumption in upstream and downstream activities in the value chain, with potential intensification of water stress in vulnerable regions	-, C	U, D	Short-term	• E3-4 (Water consumption)	• Suppliers' code of conduct
	Water	Water discharges	I	Discharges of contaminated and inadequately treated water into surface and non-surface waters with potential soil and groundwater pollution	-, P	U	Short-term	-	• Suppliers' code of conduct
ESRS E5 - Circular economy	Resource inflows, including resource use	-	I	Use of raw materials or resources related to products and their packaging, contributing to their depletion and over-consumption	-, C	U, O	Short-term	• E5-4 (Resource inflows)	• Health, safety, environmental and sustainability policy • Suppliers' code of conduct
	Resource inflows, including resource use		O	Greater competitive advantage in public calls for tender thanks to LCAs on the group's solutions		O	Short-term	-	• Health, safety, environmental and sustainability policy
	Resource inflows, including resource use		R	Risk that Carel could incur production delays and inefficiencies due to difficulties in procuring the raw materials used in the production process, including critical raw materials (CRM)		U	Medium-term	-	• Code of conduct
	Waste	-	I	Production of hazardous and non-hazardous waste, potentially polluting the environment	-, C	U, O, D	Short-term	• E5-5 (Resource outflows)	• Health, safety, environmental and sustainability policy • Suppliers' code of conduct
	- Working conditions	- Secure employment	I[46]	Contribution to socio-economic development through the creation of stable employment	+, C	O	Short-term	• S1-6 (Characteristics	• Diversity policy

[46] The positive impacts on own workforce derive, for instance, from stable, long-term employment relationships, with a high percentage of employees hired with permanent contracts, competitive remuneration policies, programmes to encourage inclusiveness in the workplace, technical training programmes and soft skills development pathways. See chapter S1 – Own workforce for additional information. All the workers in the own workforce are already or may in the future be affected by the identified positive impacts.

ESRS[40]			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[41]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[42]	+/-, C/P[43]	U, O, D[44]			
ESRS S1 - Own workforce[45]	- Equal treatment and opportunities for all	- Employment and inclusion of persons with disabilities		opportunities, fostering inclusion in employment and the economic security of its own workforce				of the undertaking's employees) • S1-7 (Characteristics of non-employees in the undertaking's own workforce) • S1-12 (Persons with disabilities)	• Human rights policy
	Working conditions	- Adequate wages - Social dialogue - Collective bargaining including the rate of workforce covered by collective agreements	I	Employee dissatisfaction due to inadequate wages, also as a result of poor social dialogue and/or collective bargaining	-, P	O	Short-term	• S1-10 (Adequate wages) • S1-8 Collective bargaining coverage and social dialogue	• Gender equality policy • Human rights policy
	Working conditions	Health and safety	I	Occurrence of work-related illnesses, accidents and/or damage to health due to employee exposure to the main risks present in the group (e.g., risks of manual handling of loads, noise, incorrect use of equipment, etc.) not correctly managed by the group through the correct prevention measures	-, C	O	Short-term	• S1-14 (Health and safety metrics) • Entity-specific metric (injury severity rate)	• Health, safety, environmental and sustainability policy
	Working conditions	Health and safety	R[47]	Risk of incidents involving Carel Group personnel caused by unsafe behaviour, ineffective or missing procedures or monitoring, or inadequately assessed workplace hazards for which inadequate preventive and protective measures have been taken. In the event of a serious injury, this risk may lead to criminal liability for the employer, impacts on the planning and performance of activities and penalties or bans for the group, as well as increased costs, including those for outsourced work		O	Short-term	• S1-14 (Health and safety metrics) • Entity-specific metric (injury severity rate)	• Health, safety, environmental and sustainability policy
	Working conditions	Health and safety	R[47]	Failure to assess or inadequate assessment of risks such as noise, work-related stress, microclimate, manual handling of loads, chemical and		O	Short-term	• S1-14 (Health and safety metrics)	• Health, safety, environmental and

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

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

ESRS[40]			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[41]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[42]	+/-, C/P[43]	U, O, D[44]			
				mechanical risks can be a cause of work-related ill health. The group may incur penalties, suspensions and increased costs as a result of such ill health. This risk can also affect governance if the employer does not demonstrate a firm commitment to protecting the health of its employees and preventing dangerous environments and activities				• Entity-specific metric (injury severity rate)	sustainability policy
	Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity	I	Incidents of discrimination based on, for example, gender identity, ethnic origin, sexual orientation, disability, age, religion and political opinions in the group's workforce, due to lack of attention to equal opportunities and equal treatment, generating distress among employees	-, P	O	Short-term	• S1-12 (Persons with disabilities) • S1-9 (Diversity metrics) • S1-16 (Remuneration metrics: pay gap and total remuneration) • S1-17 (Incidents, complaints and severe human rights impacts)	• Diversity policy • Human rights policy
	Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity - Training and skills development	R[48]	Risk that the group is unable to ensure an adequate level of retention due to poor internal personnel enhancement or an inadequate diversity and human rights management model. This could lead to the loss of personnel if the retention activities (e.g., assessments, incentives and development, succession/replacement plans, training/redeployment, management of employment contracts, management of mandatory/complementary pension schemes, management of remuneration and corporate well-being plans) implemented are not in line with those currently applied in other companies		O	Short-term	• S1-12 (Persons with disabilities) • S1-9 (Diversity metrics) • S1-16 (Remuneration metrics: pay gap and total remuneration) • S1-13 (Training and skills development metrics) • S1-17 (Incidents, complaints and severe human rights impacts)	• Gender equality policy • Diversity policy • Human rights policy
	Working conditions/Equal treatment and opportunities for all/Other	- Freedom of association - Collective bargaining agreements - Health and safety - Diversity - Gender	R[47]	Risk that the Carel Group may be involved in potential violations of human rights policies, procedures, code of ethics or external regulations, exposing the group to possible penalties, reputational damage and negative impacts on the business		O	Short-term	• S1-12 (Persons with disabilities) • S1-9 (Diversity metrics) • S1-16 (Remuneration metrics: pay	• Diversity policy • Human rights policy

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

ESRS[40]			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[41]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[42]	+/-, C/P[43]	U, O, D[44]			
	work-related rights	equality and equal pay for work of equal value - Measures against violence and harassment in the workplace - Child labour - Forced labour						gap and total remuneration) • S1-17 (Incidents, complaints and severe human rights impacts)	
	Equal treatment and opportunities for all	Training and skills development	I[46]	Encouragement of creativity and innovation, development of transversal and technical expertise that expand employees' hard and soft skills.	+, C	O	Short-term	• S1-13 (Training and skills development metrics)	• Gender equality policy • Human rights policy
	Equal treatment and opportunities for all	Training and skills development	R[47]	Increased operating costs as a result of upgrading skills, hiring new staff or replacing employees, as well as due to ineffective training.		O	Short-term	• S1-13 (Training and skills development metrics)	• Gender equality policy • Human rights policy
ESRS S2 - Workers in the value chain[49]	Working conditions	Health and safety	I	Work-related injuries and incidents impacting workers in the value chain, due to inadequate monitoring of safety measures by business partners.	-, P	U, D	Short-term	-	• Suppliers' code of conduct • Human rights policy
	Equal treatment and opportunities for all	- Gender equality and equal pay for work of equal value - Employment and inclusion of persons with disabilities - Measures against violence and harassment in the workplace - Diversity	I	Incidents of violence and harassment in the workplace, discrimination on the grounds of gender and unequal pay or discrimination against persons with disabilities involving value chain workers	-, P	U, D	Short-term	-	• Suppliers' code of conduct • Human rights policy • Diversity policy
	Other work-related rights	- Child labour - Forced	I	Episodes of violations of basic human rights such as child labour, forced labour, lack of adequate housing and	-, P	U	Short-term	• Entity-specific metric (% of 3TG	• Suppliers' code of conduct

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

ESRS[40]			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[41]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[42]	+/-, C/P[43]	U, O, D[44]			
		labour - Adequate housing - Water and sanitation		lack of sanitation facilities along the supply chain, particularly in the context of the conflict minerals				suppliers compliant with the CMRT)	• Diversity policy • Gender equality policy • Human rights policy
ESRS G1 - Business conduct[50]	Corporate culture	-	R	Risk that the group may incur penalties/administrative sanctions due to a change and/or non-compliance with the national and international regulatory framework		O	Short-term	Not applicable	• Code of ethics • Anti-bribery policy
	Corporate culture	-	R	Customer dissatisfaction and loss of opportunities and socio-economic development due to the Group's failure to meet sustainability targets, also considering stakeholders' increased focus on sustainability		O, D	Medium-term	-	• Health, safety, environmental and sustainability policy
	Corporate culture	-	R	Risk that the group may not adopt an effective sustainability communication strategy, reflected in various documents such as the sustainability plan, non-financial reporting, the CDP rating and sustainability-related press releases. This risk could affect its reputation.		O	Short-term	Not applicable	-
	Protection of whistleblowers	-	I	Incidents of retaliation, of any kind, against those who raise concerns, following the reporting of alleged wrongdoing, due to a lack of protection, legal or otherwise, and the failure to guarantee anonymity by the group.	-, P	U, O, D	Short-term	Not applicable	• Whistleblowing procedure
	Political engagement and lobbying activities	-	I	Through involvement in international organisations and associations, promotion of innovative regulations for sustainable development and the energy transition.	+, C	O	Medium-term	• G1-5 (Political influence and lobbying activities)	-
	Management of relationships with suppliers including payment practices	-	I	Promotion of a responsible supply chain thanks to the dissemination, management and oversight of good environmental and social practices through supplier engagement activities (e.g., sharing of the Suppliers' code of conduct, implementation of training activities, start-up of partnerships, etc.)	+, P	U, O	Medium-term	Not applicable	• Suppliers' code of conduct • Code of ethics
	Corruption and bribery	Incidents	R	Risk that the Carel Group may be sued for unlawful acts committed by employees/members of the organisation/consultants/suppliers/customers who become perpetrators of unlawful practices/corrupt behaviour in favour of the group, exposing Carel to the consequences of their actions. This could result in the group incurring financial, administrative and criminal penalties, loss of profits (e.g., giving or promising to give money or anything else to public or similar officials to obtain an undue advantage for the group, altering accounting records to create resources		U, O, D	Short-term	• G1-4 (Incidents of corruption or bribery)	• Whistleblowing procedure • Anti-bribery policy • Suppliers' code of conduct

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

ESRS[40]			Impacts, risks and opportunities		Impact characteristics	Value chain	Time horizons	Associated metrics	Associated policy(ies)
Topic[41]	Sub-topic	Sub-sub-topic	IRO	Description of IRO[42]	+/-, C/P[43]	U, O, D[44]			
				that can be used for corruption purposes, etc.)					

ADDITIONAL INFORMATION

Pollution

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

Water

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

Resource use and circular economy

The group regularly purchases electronic and mechanical components as well as finished products, including packaging materials to produce its goods, thus contributing to the depletion of natural resources. The group's activities also generate waste during the production and assembly processes, including a small amount of hazardous waste. To identify and understand its negative impacts and risks related to the use of resources, as well as the opportunities offered by the circular economy, the group uses various tools, which interface closely with those adopted to analyse emissions along the value chain. With respect to resource inflows, the annual analysis conducted to calculate Scope 3 emissions related to purchased goods and products (category 1) makes it possible to examine resource inflows, identifying the different types of materials and their impacts in terms of GHG emissions and to plan actions to reduce environmental impacts, such as the purchase of recycled materials. As far as waste is concerned, the annual analysis of Scope 3 emissions from waste generated in operations (category 5) allows the composition of waste to be examined and the environmental impacts of its management to be assessed. The analysis of waste is also extended to the downstream value chain, in line with the calculation of Scope 3 emissions related to the end-of-life treatment of sold products (category 12), albeit with a different level of detail.

Biodiversity and ecosystems

As stated in the health, safety, environmental and sustainability policy, Carel is committed to limiting impacts on land and biodiversity, also in order to preserve natural resources. To this end, it updated the proximity analysis in 2025 to understand the group's potential direct impacts on biodiversity. The analysis, which focused specifically on the group's production sites, was conducted using the Protected Planet tool. As a result of the analysis, none of the locations considered were located within biodiversity-sensitive areas; however, it should be noted that certain Group sites are in proximity of these areas. In this regard, the activities associated with these sites are not considered to have an adverse impact on these areas. Therefore, no specific mitigation measures to protect biodiversity are deemed necessary at present.[51]
Although the topic of biodiversity was not material, the group is committed to updating and extending the analysis, in order to also identify and assess potential dependencies, physical and transitional risks, and systemic risks related to biodiversity and ecosystems.

[51] Consultations were not held with affected communities.

STATEMENT ON DUE DILIGENCE

ESRS 2 GOV-4

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

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

DUE DILIGENCE KEY ELEMENTS AND REFERENCE IN THE SUSTAINABILITY STATEMENT

Due diligence key element	Reference in the sustainability statement
Incorporation of due diligence into governance, strategy and business model	• ESRS 2 SBM-2 Sustainability strategy • ESRS 2 GOV-2: Role of governance bodies in managing sustainability issues • ESRS 2 SBM-3: Material impacts, risks and opportunities • ESRS E1: Environmental management system • ESRS E1, E2, E3, E5: Health, safety, environmental and sustainability policy, suppliers' code of conduct • ESRS S1: Human rights policy, diversity policy, gender equality policy and health, safety, environmental, and sustainability policy • ESRS S2: Human rights policy, conflict minerals policy, suppliers' code of conduct • ESRS G1: Management of relationships with suppliers, suppliers' code of conduct
Stakeholder engagement in all key phases of the due diligence	• ESRS 2 SBM-2: Interests and views of stakeholders • ESRS S1: Involvement of own workforce • ESRS S2: Whistleblower reporting channel for workers in the value chain
Identification and assessment of negative impacts	• ESRS 2 IRO-1: Description of the process to identify and assess material impacts, risks and opportunities • ESRS S1: Whistleblower reporting channels • ESRS S2: Due diligence on conflict minerals, whistleblower reporting channel for workers in the value chain • ESRS G1: Assessment of supplier sustainability
Address negative impacts	• ESRS E1: Transition plan for climate change mitigation, decarbonisation levers • ESRS E2: Pollution management in own operations and supply chain, management of hazardous substances contained in products • ESRS E3: Water resource management in own operations, water resource management in the value chain • ESRS E5: Resource inflows and circular economy, waste management • ESRS S1: Whistleblower reporting channels • ESRS S2: Due diligence on conflict minerals, whistleblower reporting channel for workers in the value chain • ESRS G1: Whistleblowing procedure
Monitoring the effectiveness of these efforts	Targets: • ESRS E1: E1-4 Targets related to climate change mitigation • ESRS E2: Pollution-related future initiatives and targets • ESRS E3: Water-related future targets • ESRS E5: Future targets related to resource inflows, future targets related to waste management • ESRS S1: Workers' rights (in relation to the adaptation of the human rights due diligence process) • ESRS S2: Future targets for workers in the value chain

	• ESRS G1: Future targets related to supply chain management (in relation to the implementation of the due diligence process) Metrics • ESRS E1: E1-5: Energy consumption, E1-6: GHG emissions • ESRS E2: E2-4 Pollution of air • ESRS E3: E3-4 Water consumption • ESRS E5: E5-4 Resource inflows, E5-5 Resource outflows (in relation to waste management) • ESRS S1-17: Incidents, complaints and severe human rights impacts

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

Moreover, as from 2025, the group is rolling out a broader, structured due diligence process related to social and environmental issues in the supply chain, which will enable the more precise identification of impacts, dependencies and risks and, consequently, the implementation of specific prevention and mitigation actions. See chapter G1 - Business conduct (supply chain section) for additional information.

INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING

ESRS 2 GOV-5

As discussed earlier, the Carel Group has developed and implemented an internal control and risk management system, which enables the correct identification and management of business risks. The group's ERM risk register, a core tool of the integrated risk management model, includes the risk that the group has identified the risk that non-financial information prepared for stakeholders could contain material misstatements (data incompleteness, data inaccuracy or non-compliance with legal requirements), the omission of material facts or non-compliance with sustainability reporting regulations.[52]

The group monitors that risk using a structured reporting process formalised in line with a specific internal procedure, updated during 2025, that defines the roles, duties and operating methods of the employees at the parent and its subsidiaries to ensure the correct management of the qualitative information and quantitative data necessary to prepare this sustainability statement.

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

The person in charge of sustainability reporting is the chief financial officer, who coordinates the entire reporting process through the process owners, whose duties include collecting, consolidating and verifying the quantitative and qualitative sustainability information provided by the data owners. Typically, the process owners are the heads of the parent's departments, such as the HR manager or the HSE manager, who coordinate a specific process to collect data from the individual companies included in the reporting boundary. Each in-scope company has one or more data owners, i.e., local people identified by each department head, who are responsible for collecting information related to their activities. These assignments are managed through a matrix that identifies the data owner and the related process owner who validates the transmitted data for each KPI to be reported. This approval matrix also reflects the hierarchical tree for the segregation, collection and validation of information within the IT reporting system. The data owners receive a handbook containing methodological and operating guidelines to ensure the accuracy and completeness of the data provided, thus enhancing the reliability of the data collection

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

process. Moreover, they are involved in training activities whenever there are material changes to data collection, in order to ensure an adequate understanding of the changes. The process owners are assigned first-level control duties, i.e., controls aimed at checking the adequacy of the data collected (e.g., consistency checks, including comparisons with other IT tools used by the group, historical trend analyses, etc.) and the completeness of the data received from the individual data owners. The data owners, on the other hand, are responsible for archiving the documentary evidence underlying the transmitted data. Each commercial company involved in the reporting process must also send a representation letter with which the commercial company's managing director and finance manager confirm the correctness and completeness of the information provided.

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

CONTENT INDEX

ESRS 2 IRO-2

TABLE 7: CONTENT INDEX

Topic	Disclosure requirement	Chapter	Section (subsection)
ESRS E2 - General Disclosures	BP-1 General basis for preparation of sustainability statements	ESRS 2: GENERAL DISCLOSURES	Basis for preparation
	BP-2 Disclosures in relation to specific circumstances	ESRS 2: GENERAL DISCLOSURES	Basis for preparation
	GOV-1 The role of the administrative, management and supervisory bodies	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Carel's corporate governance structure, role of governance bodies in managing sustainability issues)
	GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Role of governance bodies in managing sustainability issues)
	GOV-3 Integration of sustainability-related performance in incentive schemes	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Integration of sustainability-related performance in incentive schemes)
	GOV-4 Statement on due diligence	ESRS 2: GENERAL DISCLOSURES S2: WORKERS IN THE VALUE CHAIN	Statement on due diligence Due diligence on conflict minerals
	GOV-5 Risk management and internal controls over sustainability reporting	ESRS 2: GENERAL DISCLOSURES	Internal controls over sustainability reporting
	SBM-1 Strategy, business model and value chain	ESRS 2: GENERAL DISCLOSURES S1: OWN WORKFORCE	Business model and value chain Sustainability strategy Own workforce - Introduction Employment stability and well-being

Topic	Disclosure requirement	Chapter	Section (subsection)
	SBM-2 Interests and views of stakeholders	ESRS 2: GENERAL DISCLOSURES	Interests and views of stakeholders
	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2: GENERAL DISCLOSURES	Sustainability strategy Risk management system Material impacts, risks and opportunities
	IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Description of the process to identify and assess material impacts, risks and opportunities Material impacts, risks and opportunities
	IRO-2 Disclosure requirements in ESRS covered by the undertaking's sustainability statement	ESRS 2: GENERAL DISCLOSURES	Content index
E1 – Climate change	ESRS 2 GOV-3 Integration of sustainability-related performance in incentive schemes	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Integration of sustainability-related performance in incentive schemes)
	E1-1 Transition plan for climate change mitigation	E1: CLIMATE CHANGE	Transition plan for climate change mitigation Decarbonisation levers
	ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2: GENERAL DISCLOSURES	Sustainability strategy Sustainability governance (Analysis of climate change-related risks and opportunities)
	ESRS 2 IRO-1 Description of the processes to identify and assess material climate-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Sustainability governance (Analysis of climate change-related risks and opportunities)
	E1-2 Policies related to climate change mitigation and adaptation	E1: CLIMATE CHANGE	Climate change mitigation policies and processes (Environmental policy, suppliers' code of conduct)
	E1-3 Actions and resources in relation to climate change policies	E1: CLIMATE CHANGE	Decarbonisation levers
	E1-4 Targets related to climate change mitigation and adaptation	E1: CLIMATE CHANGE	Transition plan for climate change mitigation Decarbonisation levers Future targets related to climate change mitigation
	E1-5 Energy consumption and mix	E1: CLIMATE CHANGE	Energy consumption
	E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions	E1: CLIMATE CHANGE	GHG emissions Emission reduction targets
E2 - Pollution	ESRS 2 IRO-1 Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information - Pollution)
	E2-1 – Policies related to pollution	E2: POLLUTION	Pollution management in own operations and supply chain Management of hazardous substances contained in products
	E2-2 – Actions and resources related to pollution	E2: POLLUTION	Pollution management in own operations and supply chain Management of hazardous substances in products Pollution-related future initiatives and targets
	E2-3 – Targets related to pollution	E2: POLLUTION	Pollution-related future initiatives and targets

Topic	Disclosure requirement	Chapter	Section (subsection)
	E2-4 – Pollution of air, water and soil	E2: POLLUTION	Pollution management in own operations and supply chain
	E2-6 – Anticipated financial effects from material pollution-related impacts, risks and opportunities	E2: POLLUTION	Pollution management in own operations and supply chain
E3 – Water and marine resources	ESRS 2 IRO-1 Description of the processes to identify and assess material water and marine-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information - Water)
	E3-1 – Policies related to water and marine resources	E3: WATER	Water resource management in internal operations Water resource management in the value chain
	E3-2 – Actions and resources related to water and marine resources	E3: WATER	Water resource management in internal operations Water resource management in the value chain
	E3-3 – Targets related to water and marine resources	E3: WATER	Water-related future targets
	E3-4 – Water consumption	E3: WATER	Water resource management in internal operations
E4 – Biodiversity and ecosystems	ESRS 2 IRO-1 — Description of the processes to identify and assess material biodiversity and ecosystem-related impacts, risks, dependencies and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information - biodiversity and ecosystems)
E5 – Resource use and circular economy	ESRS 2 IRO-1 — Description of the processes to identify and assess material resource use and the circular economy-related impacts, risks and opportunities	ESRS 2: GENERAL DISCLOSURES	Material impacts, risks and opportunities (Additional information - Resource use and circular economy)
	E5-1 — Policies related to resource use and circular economy	E5: RESOURCE USE AND CIRCULAR ECONOMY	Commitment policies Resource inflows and circular economy
	E5-2 — Actions and resources related to resource use and circular economy	E5: RESOURCE USE AND CIRCULAR ECONOMY	Resource inflows and circular economy Waste management
	E5-3 – Targets related to resource use and circular economy	E5: RESOURCE USE AND CIRCULAR ECONOMY	Resource inflows and circular economy (Future targets related to resource inflows) Waste management (Future targets related to waste management)
	E5-4 – Resource inflows	E5: RESOURCE USE AND CIRCULAR ECONOMY	Resource inflows and circular economy
	E5-5 – Resource outflows	E5: RESOURCE USE AND CIRCULAR ECONOMY	Waste management
S1 - Own workforce	ESRS 2 SBM-2 Interests and views of stakeholders	ESRS 2: GENERAL DISCLOSURES	Sustainability strategy Interests and views of stakeholders
	ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model	ESRS 2: GENERAL DISCLOSURES S1: OWN WORKFORCE	Sustainability strategy Material impacts, risks and opportunities Working conditions and worker well-being Training and professional development of employees Equal treatment and opportunities for all

Topic	Disclosure requirement	Chapter	Section (subsection)
	S1-1 Policies related to own workforce	S1: OWN WORKFORCE	Commitment policies Involvement of own workforce Working conditions and worker well-being Training and professional development of employees Equal treatment and opportunities for all
	S1-2 Processes for engaging with own workers and workers' representatives about impacts	S1: OWN WORKFORCE	Involvement of own workforce Occupational health and safety (Risk assessment and involvement of workforce) Equal treatment and opportunities for all Involvement of own workforce
	S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns	S1: OWN WORKFORCE G1: BUSINESS CONDUCT	Involvement of own workforce (Whistleblower reporting channels)
	S1-4 Taking action on material impacts on own workforce and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	S1: OWN WORKFORCE	Working conditions and worker well-being Training and professional development of employees (Hard and soft skills training, professional development of employees) and Equal treatment and opportunities for all (Future initiatives and targets for equal treatment and opportunities for all) Occupational health and safety (Risk assessment and involvement of workforce, Health and safety training, Company doctor, Future initiatives and targets linked to occupational health and safety) Commitment policies Involvement of own workforce
	S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	ESRS 2: GENERAL DISCLOSURES S1: OWN WORKFORCE	Group sustainability strategy (Interests and views of stakeholders) Training and professional development of employees (Future targets for the training and professional development of employees) Equal treatment and opportunities for all (Future initiatives and targets for equal treatment and opportunities for all) Occupational health and safety (Future initiatives and targets for occupational health and safety)
	S1-6 Characteristics of the undertaking's employees	S1: OWN WORKFORCE	Own workforce Working conditions and worker well-being (Employment stability and well-being)
	S1-7 Characteristics of non-employee workers in the undertaking's own workforce	S1: OWN WORKFORCE	Own workforce
	S1-8 Collective bargaining coverage and social dialogue	S1: OWN WORKFORCE	Working conditions and worker well-being (Collective bargaining and freedom of association)
	S1-9 – Diversity metrics	S1: OWN WORKFORCE	Equal treatment and opportunities for all (Gender equity management system)
	S1-10 Adequate wages	S1: OWN WORKFORCE	Working conditions and worker well-being (Adequate and competitive wages)
	S1-12 Persons with disabilities	S1: OWN WORKFORCE	Own workforce
	S1-13 Training and skills development metrics	S1: OWN WORKFORCE	Training and professional development of employees (Professional development of employees)
	S1-14 Health and safety metrics	S1: OWN WORKFORCE	Occupational health and safety (Accidents)
	S1-15 Work-life balance metrics	S1: OWN WORKFORCE	Working conditions and worker well-being (Employment stability and well-being)
	S1-16 Compensation metrics: pay gap and total compensation	S1: OWN WORKFORCE	Working conditions and worker well-being (Adequate and competitive wages) Equal treatment and opportunities for all (Equal pay)

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

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

Disclosure Requirement and related datapoint	SFDR[53] reference	Pillar 3[54] reference	Benchmark regulation[55] reference	EU climate law[56] reference	Reference section
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		ESRS 2: GENERAL DISCLOSURES - Sustainability governance (Carel's corporate governance structure)
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		ESRS 2: GENERAL DISCLOSURES - Sustainability governance (Carel's corporate governance structure)
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex I				ESRS 2: GENERAL DISCLOSURES - Statement on due diligence
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicator number 4 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex I		Delegated Regulation (EU) 2020/1818, Art 12 (1) Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Art 12 (1), Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	E1: CLIMATE CHANGE - Transition plan for climate change mitigation
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book –	Delegated Regulation (EU) 2020/2018, Article 12.1(d) to (g), and Article 12.2		E1: CLIMATE CHANGE - Transition plan for climate change mitigation

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

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

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

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

Disclosure Requirement and related datapoint	SFDR[53] reference	Pillar 3[54] reference	Benchmark regulation[55] reference	EU climate law[56] reference	Reference section
		Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity			
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		E1: CLIMATE CHANGE - Transition plan for climate change mitigation (Emission reduction targets)
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 and Indicator number 5 Table #2 of Annex I				E1: CLIMATE CHANGE - Energy consumption
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex I				E1: CLIMATE CHANGE - Energy consumption
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex I				E1: CLIMATE CHANGE - Energy consumption (Energy intensity)
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1) 6 and 8(1)		E1: CLIMATE CHANGE - GHG emissions
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicator number 3 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453, Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		E1: CLIMATE CHANGE - GHG emissions (Emissions intensity)
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not applicable
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II, Delegated Regulation (EU) 2020/1816, Annex II		Phased-in Disclosure Requirement
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)		Article 449a Regulation (EU) 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk			Phased-in Disclosure Requirement
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation			Phased-in Disclosure Requirement

Disclosure Requirement and related datapoint	SFDR[53] reference	Pillar 3[54] reference	Benchmark regulation[55] reference	EU climate law[56] reference	Reference section
		(EU) 2022/2453, Template 2: Banking book – Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Phased-in Disclosure Requirement
ESRS E2-4 Amount of each pollutant listed in Annex II of the EPRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil paragraph 28	Indicator number 8 Table #1 of Annex I; Indicator number 2 Table #2 of Annex I; Indicator number 1 Table #2 of Annex I; Indicator number 3 Table #2 of Annex I;				E2: POLLUTION - Pollution management in own operations and supply chain
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex I				E3: WATER - Water resource management in own operations, water resource management in the value chain
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table #2 of Annex I				Not applicable
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex I				Not material for Carel
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex I				E3: WATER - Water resource management in internal operations
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex I				E3: WATER - Water resource management in internal operations
ESRS 2 – SBM-3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex I				Not material for Carel
ESRS 2 – SBM-3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex I				Not material for Carel
ESRS 2 – SBM-3- E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex I				Not material for Carel
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex I				Not material for Carel
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex I				Not material for Carel
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex I				Not material for Carel

Disclosure Requirement and related datapoint	SFDR[53] reference	Pillar 3[54] reference	Benchmark regulation[55] reference	EU climate law[56] reference	Reference section
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex I				E5: RESOURCE USE AND CIRCULAR ECONOMY - Waste management
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex I				E5: RESOURCE USE AND CIRCULAR ECONOMY - Waste management
ESRS 2 – SBM3 – S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I				ESRS 2: GENERAL DISCLOSURES - Material impacts, risks and opportunities
ESRS 2 – SBM3 – S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I				ESRS 2: GENERAL DISCLOSURES - Material impacts, risks and opportunities
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table # 1 of Annex I				S1 OWN WORKFORCE - Commitment policies (Human rights policy, Diversity policy)
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8 paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		S1 OWN WORKFORCE - Commitment policies (Human rights policy)
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I				S1 OWN WORKFORCE - Commitment policies (Health, Safety, Environment and Sustainability policy)
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I				S1 OWN WORKFORCE - Occupational health and safety
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I				G1: BUSINESS CONDUCT - Corporate culture (Whistleblowing procedure)
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		S1 OWN WORKFORCE - Occupational health and safety (Accidents)
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I				S1 OWN WORKFORCE - Occupational health and safety (Accidents)
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Section: Equal treatment and opportunities for all, sub-section: Equal pay
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I				S1 OWN WORKFORCE - Working conditions and worker well-being (Adequate and competitive wages)
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I				S1 OWN WORKFORCE - Working conditions and worker well-being (Worker rights)

Disclosure Requirement and related datapoint	SFDR[53] reference	Pillar 3[54] reference	Benchmark regulation[55] reference	EU climate law[56] reference	Reference section
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 and Indicator number 14 Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Art 12 (1)		S1 OWN WORKFORCE - Working conditions and worker well-being (Worker rights)
ESRS 2 – SBM-3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (g)	Indicators number 12 and 13 Table #3 of Annex I				ESRS 2: GENERAL DISCLOSURES - Material impacts, risks and opportunities S2 OWN WORKFORCE - Due diligence on conflict minerals
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator number 11 Table # 1 of Annex I				S2: WORKERS IN THE VALUE CHAIN - Commitment policies G1: BUSINESS CONDUCT - Corporate culture, Supply chain
ESRS S2-1 – Policies related to value chain workers paragraph 18	Indicators number 11 and 4 Table #3 of Annex I				Section: Commitment policies, subsection: Suppliers' code of conduct
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Art 12 (1)		S2: WORKERS IN THE VALUE CHAIN - Commitment policies (Whistleblower reporting channel for workers in the value chain)
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8 paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		S2: WORKERS IN THE VALUE CHAIN - Commitment policies (Whistleblower reporting channel for workers in the value chain)
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex I				S2: WORKERS IN THE VALUE CHAIN - Whistleblower reporting channel for workers in the value chain
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table # 1 of Annex I				Not material for Carel
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material for Carel
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex I				Not material for Carel
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table # 1 of Annex I				Not material for Carel
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II, Delegated Regulation (EU) 2020/1818, Art 12 (1)		Not material for Carel

Disclosure Requirement and related datapoint	SFDR[53] reference	Pillar 3[54] reference	Benchmark regulation[55] reference	EU climate law[56] reference	Reference section
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex I				Not material for Carel
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex I				G1: BUSINESS CONDUCT - Corporate culture (Anti-corruption procedure)
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex I				Not applicable
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		G1: BUSINESS CONDUCT - Corporate culture (Anti-corruption procedure)
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1				Not applicable

In this document, Carel reports all the information prescribed by the disclosure requirements related to sustainability issues found to be material by the double materiality assessment, i.e. assessed above the impact materiality and/or financial materiality threshold, as described in the “Determining the materiality thresholds” section in this chapter. In particular, with regard to metrics, Carel reports all information required by the disclosure requirements when the topic is deemed material to the group’s own operations and, where appropriate, provides additional entity-specific disclosures to provide a more complete representation of the group’s impacts, risks and opportunities on sustainability issues. In compliance with Delegated Regulation (EU) 2025/1416 of 11 July 2025, which amended Delegated Regulation (EU) 2023/2772. The reporting takes into account the transitional provisions set out in Regulation (EU) 2025/1416 (“Quick-fix”), published in the Official Journal of the European Union on 10 November 2025, which defers the application date of phase-in disclosures for undertakings already required to prepare Sustainability Reporting. It should be noted that the group adopts phase-in provisions for the reporting of the following material related disclosure obligations: E1-9, E2-6, S1-8 (for non-EEA countries) and S1-11. The group adopts phase-in provisions for the reporting of the following disclosure obligations unrelated to the double materiality assessment: SBM-1 40 (b), (c) and SBM-3 48 (e) (quantitative information).

E1: CLIMATE CHANGE

CLIMATE CHANGE MITIGATION POLICIES AND PROCESSES

ESRS E1-2

ENVIRONMENTAL POLICY

At the end of 2025, Carel updated its health, safety, environmental and sustainability policy (the "environmental policy" or "policy") approved by the board of directors in February 2026. The policy was updated in light of Carel's journey since 2018 - the year the document was last revised - to today, creating an organic framework for formalising new targets and identifying the tools and methods to achieve them, with particular regard to the management systems. The contents of the revised policy have been expanded in order to better respond to the latest regulatory changes and stakeholders' growing interest in these issues.

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

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

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

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

- adopt and maintain a transition plan applicable to the entire group, for climate change adaptation, prevention and mitigation;
- periodically analyse the physical risks resulting from climate change and their potential impact on group operations, resources and strategies, in order to identify critical situations at an early stage and implement preventive climate change adaptation measures;
- pursue sustainable scientific and technological development at both organisational and product level, adopting a life-cycle perspective and scientific tools to assess environmental impacts and identify strategies for their management and reduction;
- focus efforts, including those of employees, on improving the management of greenhouse gas emissions to the atmosphere;
- reduce the use of fossil fuels by promoting the electrification of processes;
- rationalise energy consumption in own operations and, to the extent of its influence, within the value chain, by striving to develop more energy-efficient products;
- increase the share of green energy through the installation of photovoltaic panels and, where this is not possible, through the purchase of electricity with guarantees of origin.

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

- the Kyoto Protocol and the Paris Agreement;
- the 2030 Sustainable Development Goals;

- the international standards ISO 14001 on environmental management systems and ISO 50001 on energy management systems;
- the laws, regulations and guidelines of each country in which Carel operates.

The policy was made available to recipients and other relevant parties through publication on the company intranet and website. In addition to providing information about the policy, Carel recognises employee training as a fundamental tool for its implementation and is therefore committed to its dissemination, including through mandatory training during the onboarding phase and regular training afterwards. Carel also participates in associations, industry roundtables and events that enable the sharing of best practices, experiences and innovative ideas related to the areas covered in its policy.

ENVIRONMENTAL MANAGEMENT SYSTEM

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

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

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

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

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

In December 2025, the second surveillance audit was successfully passed, thanks to which it was possible to develop the progress in energy efficiency, mainly related to the plan to gradually replace traditional gas air-conditioning systems with modern heat pumps, as well as awareness-raising initiatives.

SUPPLIERS' CODE OF CONDUCT

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

Through the code and in relation to climate change, Carel requires its suppliers not only to comply with existing environmental regulations and requirements, but also to implement initiatives to improve their environmental performance, including, for example, programmes to reduce energy consumption and GHG emissions. Specifically, the code of conduct requires suppliers to minimise their GHG emissions by monitoring and reducing consumption and sourcing energy from renewable sources.[57] Finally, the code specifies that all parties working with the group collaborate in the calculation of the environmental impact of the entire value chain in order to ensure proper reporting (e.g., collection of data for the calculation and reporting of Scope 3 GHG emissions) and to minimise its negative effects.

TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION

ESRS E1-1, ESRS E1-4

Carel is aware of the urgent need to mitigate the effects of climate change. Reports published by authoritative international institutions offering climate scenario frameworks, such as the IPCC (International Panel on Climate Change), and the IEA (International Energy Agency), highlight the need for a rapid and profound change in the economic system, so as to at least halve the emissions generated by 2030 and achieve net zero by 2050.

Accordingly, in response to the growing challenges related to climate change, and in line with European commitments and the objectives of the Paris Agreement[58], Carel adopted its own climate transition plan in 2024, which is part of the group's broader strategic path to transform its business model in line with a low-carbon economy. The group's transition plan defines emission reduction targets validated by the Science Based Targets initiative (SBTi), with a time horizon to 2033. Between the end of 2025 and the beginning of 2026, the group updated its climate transition plan with even more ambitious targets, so that its strategy and business model can contribute not only to limiting global warming to 1.5°C in line with the Paris Agreement, but also to achieving a key European Union objective of climate-neutrality by 2050. It has identified specific decarbonisation levers to achieve the defined targets, along with concrete actions which leverage process and product innovation with the aim of progressively reducing the environmental impact of the group's activities, in terms of emissions from its own operations (i.e., Scope 1 and 2 emissions) and emissions generated along the entire value chain (i.e., Scope 3 emissions).

The main decarbonisation levers identified for the abatement of Scope 1 and 2 emissions include the electrification of heating systems, the renewal of the car fleet, the purchase of an increasing share of certified renewable electricity and the expansion of photovoltaic installations[59]. Scope 3 emissions, which account for more than 99% of the group's carbon footprint, will be reduced first and foremost by reinforcing the business strategy that the group has been pursuing for several years now, i.e., the commitment to energy efficiency in Carel products and the reduction - or elimination, where possible - of the use of traditional refrigerant gases in favour of solutions with a lower environmental impact. In addition, Carel plans to increase the share of recycled materials used and to steer incoming and outgoing transport activities towards modes with a lower environmental impact, such as switching from air to sea transport wherever possible. The "Actions (decarbonisation levers)" section of this chapter provides more details of the decarbonisation levers and their effect on climate change mitigation, as well as Carel's progress on the achievement of its targets.

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

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

[59] Scope 1 and 2 emissions are not assessed as locked-in, given the group's energy consumption (see the "Energy consumption" section). Therefore, they are not considered to be a significant constraint to achieving the Scope 1 and 2 GHG emission reduction targets.

Emissions from the use of Carel products over their entire lifetime account for 98% of the group's carbon footprint[60]. Carel is aware that its ability to reduce these emissions and to achieve its Scope 3 GHG emissions reduction targets is profoundly linked both to greater product energy efficiency (which it has based its strategy on for several years now) and to the global energy mix. In order to obtain a forecast of the trend in emissions from the use of its products, Carel referred to the trends forecast in the climate scenarios provided by the IEA[61] about the evolution of the energy mix at a global level[62], to which it added the group's business growth estimates.

In order to implement the plan and achieve the decarbonisation targets, the group has estimated an average annual expenditure of around €545 thousand, which it will adjust depending on its annual financial resources.

The board of directors and board of statutory auditors have approved the technical and financial aspects of the transition plan prepared to achieve both the original and updated targets, and the plan has become part of the group's future development strategies. In addition, the integration of the transition plan with the corporate development strategies is also demonstrated by the financial development plan underpinning the transition plan and the annual authorisation process for the corporate investment plan.

EMISSION REDUCTION TARGETS

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

Between the end of 2024 and the beginning of 2025, the group was involved in the "Target Validation" process by SBTi, which validated the group's near-term targets, shown below:[63] [64]

- Carel Industries commits to reducing absolute Scope 1 and 2 emissions by 54.6% by 2033 from the base year 2023;
- Carel Industries commits to reducing absolute Scope 3 emissions from the purchased goods and services (category 1), fuel and energy-related activities (category 3), upstream and downstream transportation and distribution (categories 4 and 9), employee commuting (category 7) and use of sold products (category 11) by 32.5% by 2033 from the base year 2023.

The targets were defined on an annual basis on the basis of the group's operations and also considering external conditions. They were identified and validated using the tools provided by SBTi, and are therefore based on sound scientific data. The Scope 1 and 2 (market-based) reduction target is aligned to limiting the increase in the global average temperature to 1.5°C above pre-industrial levels, in line with the Paris Agreement, while the Scope 3 target is aligned to limiting global warming to well below 2°C above pre-industrial levels.

Conscious of the importance of outlining a future development path, also to contribute to the European goal of climate neutrality by 2050, between the end of 2025 and the beginning of 2026, the group supplemented its climate transition plan by identifying: (i) a net-zero target to 2050 for Scope 1 and Scope 2 (market-based) emissions, and (ii) a target to 2033 compatible with limiting global warming to 1.5 °C for Scope 3 emissions, in line with the reductions required by SBTi (reduction of 54.6% compared to the base year). This reflects a strategic choice to accelerate the group's journey towards climate neutrality. The group's intention is to submit these objectives for validation by SBTi, based on the updates to the framework, which are being defined at the time of preparation of this document.

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

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

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

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

[64] The Carel Group's emission reduction targets refer to the cross-sector decarbonisation pathway.

ENERGY CONSUMPTION

ESRS E1-5

The group's energy consumption is derived from:

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

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

DIRECT AND INDIRECT CONSUMPTION[65,66]

ENERGY CONSUMPTION	m.u.	2025	2024
Fuel consumption from crude oil and petroleum products[67]	MWh	4,643	4,922
Fuel consumption from natural gas		5,039	4,185
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources		1,540	2,171
Total fossil energy consumption	MWh	11,223	11,279
Share of fossil sources in total energy consumption	%	42%	43%
Fuel consumption for renewable sources, including biomass	MWh	0[68]	0[68]
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources		14,021	13,869
Consumption of self-generated non-fuel renewable energy		1,207	905
Total renewable energy consumption	MWh	15,228	14,775
Share of renewable sources in total energy consumption	%	58%	57%
Total energy consumption	MWh	26,451	26,054
ENERGY PRODUCTION	**m.u.**	**2025**	**2024**
Non-renewable energy production[69]	MWh	0	0
Renewable energy production		1497	905

In 2025, the group's total energy consumption (Scope 1 and 2 emissions) approximated 26,451 MWh.

[65] In 2025, there was no consumption of nuclear energy or energy from coal.

[66] The conversion factors used for the 2025 calculation taken from the "Conversion Factor 2025: full set" document published by the Department for Energy Security and Net Zero (the "DESNZ 2025"), previously known as the Department for Business, Energy & Industrial Strategy (DEFRA). For the calculations for previous years, the corresponding factors in the same document published in previous years were used.

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

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

[69] Refers to non-renewable electricity production

Confirming the increasingly efficient use of energy resources, normalising the consumption of electrical energy per surface area unit shows a consumption of 131 kWh/m2, a reduction of 1.5% compared to 2024 (133 kWh/m2). In addition, the self-generation of electricity using photovoltaic panels reached 1,497 MWh in 2025, an increase of 65% on the self-generation of 2024 and tripling that of 2023. Reference should be made to the “Decarbonisation levers” paragraph for additional information on the decarbonisation levers implemented by the group.

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

ENERGY INTENSITY

As from 2024, Carel has adopted the calculation methodology required by the ESRS to monitor the energy intensity of its activities. Energy intensity, calculated as the ratio of the total energy consumption from activities in high climate impact sectors (in MWh) to the net revenue from these activities, is 52 MWh/€m, a 9% decrease on 2024. Since several group companies carry out more than one activity (each associated with a different NACE code), in order to identify the companies included in the high climate impact sectors, it was decided to associate the NACE code representative of the main activity carried out with each of them. As a result, the only company excluded from the high climate impact sectors was Kiona (NACE 62.10 “computer and programming activities”)[70]. Total revenue of about €503.5 million[71] was recorded for the companies included in the energy intensity calculation, plus revenue of about €28.2 million from non-high-impact NACE codes and of about €97.3 million from products purchased and resold. To more effectively monitor energy use trends, in line with previous years, Carel also calculates energy intensity by comparing total energy consumption to the gross surface area of its facilities and the number of employees. In 2025, Carel recorded an energy intensity ratio per surface area unit of 0.21 MWh/m² (in line with 2024), while a comparison of energy consumption to the number of employees gave an intensity ratio of 9.07 MWh/emp.[72] (down 4% on the previous year). The energy intensity ratio is particularly relevant as it allows the group to consider consumption in relation to the reporting boundary and activities performed during the year, reinforcing its commitment to energy efficiency in its processes and facilities.

[70] KIONA’s energy consumption in 2025 came to 360 MWh.

[71] This expenditure is included in the balances shown in note 22 to the statement of profit or loss in the consolidated financial statements.

[72] Both own workers and non-employee workers were considered.

GHG EMISSIONS

ESRS E1-4, ESRS E1-6

SCOPE 1, 2 AND 3 EMISSIONS (TCO_2EQ) [73] [74] [75]

	Retrospective				Goals and target years			
	Base year (2023)	Comparative figure (2024)[76]	2025	% 2025/2024	2033	Annual target %[77]	2050	Annual target %[77]
Scope 1 GHG emissions								
Gross Scope 1 GHG emissions (tCO_2eq)	2,293	2113	2,223	5%	1,891[78]	5.46%	416.60[78x]	3.33%
Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (tCO_2eq)	6,288	6,335	5,404	-15%	NA	NA	NA	NA
Gross market-based Scope 2 GHG emissions (tCO_2eq)	1,873	1,048	526	-50%	NA	NA	NA	N/A
Scope 3 GHG emissions								
Gross indirect (Scope 3) GHG emissions (tCO_2eq)	6,599,321	6,266,064	6,531,958	4%	2,067,065 [79] [80]	5.46%	NA	NA
1. Purchased goods and services	126,412	106,299	111,802	5%	NA	NA	NA	N/A
2. Capital goods	3,190	4,818	3,850	-20%	NA	NA	NA	N/A
3. Fuel and energy-related activities (not included in	674	597	565	-5%	NA	NA	NA	N/A

[73] There are no Scope 1 GHG emissions covered by regulated emissions trading schemes.

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

[75] Source of conversion factors used to calculate direct emissions (Scope 1): DESNZ 2025, DEFRA 2024 and DEFRA 2023. The calculation includes the following greenhouse gases: CO_2, CH_4, N_2O and HFC.

Source of conversion factors used to calculate indirect emissions (Scope 2):

- 2025: Location-based: Terna 2024; Market-based: European residual mix 2024 (AIB 2025), where available, otherwise Terna 2024;
- 2024: Location-based: Terna 2019; Market-based: European residual mix 2023 (AIB 2024), where available, otherwise Terna 2019;
- 2023: Location-based: Terna 2019; Market-based: European residual mix 2022 (AIB 2023), where available, otherwise Terna 2019;

The emission factors for calculating Scope 2 emissions do not include GHG other than CO_2 and do not identify the percentage of biogenic CO_2.

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

[77] A linear reduction from the base year to the target year is assumed.

[78] The emissions value in the target year takes into account that the target is set at 100% of Scope 1 and Scope 2 (market-based) emissions (base value: 4,165 tCO_2eq)

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

[80] The Scope 3 target approved by SBTi and aligned with temperature maintenance well below 2°C is 3,073,281 tCO_2eq; the average annual percentage reduction for achieving this target is 3.25%.

	Retrospective				Goals and target years			
	Base year (2023)	Comparative figure (2024)[76]	2025	% 2025/2024	2033	Annual target %[77]	2050	Annual target %[77]
Scope 1 or Scope 2)								
4. Upstream transportation and distribution	3,833	3,202	4,394	37%	NA	NA	NA	N/A
5. Waste generated in operations	50	14	43	201%	NA	NA	NA	N/A
6. Business travelling	2,644	1,843	1,578	-14%	NA	NA	NA	N/A
7. Employee commuting	2,404	2,741	2,982	9%	NA	NA	NA	N/A
9. Downstream transportation	7,604	5,902	5,061	-14%	NA	NA	NA	N/A
11. Use of sold products	6,452,295	6,140,554	6,401,577	4%	NA	NA	NA	N/A
12. End-of-life treatment of sold products	227	93	106	14%	NA	NA	NA	N/A
Total GHG emissions								
Total GHG emissions (location-based) (tCO_2eq)	6,607,902	6,274,512	6,539,585	4%	NA	NA	NA	NA
Total GHG emissions (market-based) (tCO_2eq)	6,603,486	6,269,225	6,534,707	4%	NA	NA	NA	NA

DIRECT EMISSIONS (SCOPE 1 AND 2)

A point analysis of the group's energy consumption made it possible to calculate the relevant direct Scope 1 and 2 emissions, which totalled 2,749 tCO_2eq in 2025: 2,223 tCO_2eq (Scope 1) and 526 tCO_2eq (Scope 2) (market-based method which only considers emissions from non-renewable sources). The reduction in Scope 1 and 2 emissions compared to the previous year was 13%. The largest reduction is in Scope 2 (50% reduction), resulting from the increase in the share of electricity purchased with energy allocation certificates (EAC), as well as the increase in self-generated electricity from photovoltaic panels installed by the group. Specifically, 14,021 MWh (90% of purchased electricity) was purchased with energy allocation certificates: GO (Guarantees of Origin) in Italy, Germany, Norway and Croatia, REC (Renewable Energy Certificates) in the US and I-REC (International Renewable Energy Certificates) in China.

The following table shows Scope 1 and 2 emissions (market-based) by geographical.

BREAKDOWN OF SCOPE 1 AND 2 (MARKET-BASED) GHG EMISSIONS BY GEOGRAPHICAL REGION

Region	Scope 1 tCO_2eq	Scope 2 tCO_2eq
North America	191	185
South America	36	17
Western Europe	1,537	64
Rest of Europe	354	177
Asia North Pacific	32	31
South Pacific Asia	72	51
Total	**2,223**	**526**

The trend in Scope 1 and 2 emissions over recent years confirms the group's commitments to decarbonisation and how its focus on sustainability is a core value underpinning both the decisions concerning the products launched on the market and the management of production processes.

INDIRECT EMISSIONS (SCOPE 3)

Carel started to calculate its indirect Scope 3 emissions in 2022 in order to continuously refine the calculations for all applicable categories. Between the end of 2024 and the beginning of 2025, the group presented its Scope 3 emissions reduction targets to SBTi for validation. In 2025, the group continued to annually update its Scope 3 emissions, and a summary of the emission values and calculation methodologies for each applicable category[81] is provided below.

Category 1: Purchased goods and services

In 2025, emissions generated by the purchase of goods and services totalled 111,802 tCO_2eq, of which 7% was attributable to the purchase of services.

The "average-data method" is applied to capital goods, considering the weight of the goods purchased[82], while the "spend-based method" is applied to the services, based on the amount of the expenditure for the purchase of these services[83].

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

The category 1 emissions increased slightly over 2024 (by around 5%), mainly as a result of the increased production of the year and consequently in the weight of goods purchased.

Category 2: Capital goods

In 2025, emissions from the purchase of capital goods amounted to 3,850 tCO_2eq, down 20% on the previous year. In line with the GHG Protocol guidelines, category 2 fluctuations are closely linked to company investment cycles and changes in purchases of equipment, plant or infrastructure. These emissions were calculated using the "spend-based method", considering the expenditure incurred to purchase these goods[84].

Category 3: Fuel and energy-related activities

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

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

Overall, upstream emissions from purchased fuels and electricity are equal to 564 tCO_2eq (down 5% on 2024, in line with the decrease in fossil fuel consumption). Emissions were calculated using the average-data method[85].

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

Overall, in 2025, emissions from transportation totalled 9,454[86] tCO_2eq as follows:

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[81] The following categories are considered not applicable to the Group: 8 – Upstream leased assets, 10 – Processing of sold products, 13 – Downstream leased assets, 14 – Franchises, 15 – Investments. It should be noted that the emission factors used do not allow for the distinction of biogenic CO_2 emissions arising from the combustion or biodegradation of biomass.

[82] Source of emission factors used: years 2023, 2024 and 2025 Ecoinvent (IPCC 2021).

[83] Source of emission factors used: year 2023 EEA (European Environmental Agency), years 2024 and 2025 DEFRA 2022.

[84] Source of emission factors used: year 2023 EEA (European Environmental Agency), years 2024 and 2025 DEFRA 2022.

[85] Source of emission factors used: years 2023, 2024 and 2025 DEFRA/DESNZ.

[86] Source of emission factors used: years 2023, 2024 and 2025 DEFRA/DESNZ. The data on goods shipped is extracted from the enterprise information system (Oracle). For shipments not included in the company's information system, the means of transport was estimated.

- 4,394 tCO_2eq from upstream transportation (category 4): 67% emissions from air transport and 27% and 6% from road and marine transport, respectively;
- 5,061 tCO_2eq from downstream transportation (category 9): 84% emissions from air transport and 8% and 8% from road and marine transport, respectively.

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

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

SCOPE 3 EMISSIONS, CATEGORIES 4 AND 9 (UPSTREAM AND DOWNSTREAM TRANSPORTATION AND DISTRIBUTION) (TCO_2EQ)

Modes of transport	2025	2024
Road	1,638	1,623
Air	7,194	7,014
Sea	623	466
Total	**9,454**	**9,103**

Shipments to customers, as well as purchases of goods used in production, generally take place by road transport for the domestic market and by sea transport for other continents. Air transport, which most contributes to the emissions produced (76%), is rarely a default option (only 5% of the goods are transported by air) and it is affected by geopolitical situations or material shortages, as was the case in the past few years.

Category 5: Waste generated in operations

The analysis of waste in 2025 showed that the emission impact from the treatment of waste generated is 43 tCO_2eq, almost triple that of the previous year. This is partly due to an increase in the DESNZ 2025 factors and, at the same time, to an increase in the tonnes of waste produced, which is linked both to increased production and to specific disposals (e.g., related to construction sites). Chapter E5 - Resource use and circular economy provides more information about the actions introduced for waste management.
Emissions were calculated using the waste type-specific method.[87]

SCOPE 3 EMISSIONS, CATEGORY 5 (WASTE) (TCO_2EQ)

Treatment	2025	2024
Open-loop recycling	4	5
Closed-loop recycling[88]	4	5
Incineration with energy recovery	1	1
Landfilling	34	4
Total	**43**	**15**

Category 6: Business travelling

In 2025, emissions generated by business travelling made by the employees of the entire group[89] using air and/or rail travel amounted to 1,578 tCO_2eq, down 14% on the previous year. Specifically, air travel

[87] Source of emission factors used: years 2023, 2024 and 2025 DEFRA/DESNZ.

[88] Emissions from wastewater treatment are included in this category.

[89] Source of emission factors used: years 2023, 2024 and 2025 DEFRA/DESNZ.

accounted for 8,041,000 km, generating emissions close to 1,542 tCO_2eq, while rail travel accounted for 899,500 km, generating emissions of approximately 37 tCO_2eq.

For the companies that provided data, emissions were calculated using the distance-based method. For companies for which no data on business travel were available, average values were considered, in terms of number of business trips made and kilometres travelled. These figures were calculated based on the data provided by other group companies. The calculation was refined in 2025, due to the greater availability of primary data, which decreased overestimates. In line with the GHG Protocol guidelines, Well To Tank (WTT) emissions of the fuel used were also calculated.

Category 7: Employee commuting

In 2025, the calculation of the emissions generated by employees' home-work commute was updated based on the survey conducted for all employees in 2024. Emissions from employee commuting amount to 2,982 tCO_2eq[90].

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

Like in 2024 the survey showed that remote work facilitates the reduction of emissions. Indeed, emissions were 23% lower than they would have been without remote work-days. The savings generated by the hybrid work mode is an important step in reducing the group's environmental impact, as well as promoting work/life balance.

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

Category 11 accounts for 98% of the group's total Scope 3 emissions, in line with figures reported by industry peers. This stems from the fact that Carel products consume energy and tend to have a very long service life. In addition, some products contain refrigerant gases, which, if dispersed in the environment, have a major impact on climate change due to their high levels of GWP (global warming potential). As already noted, energy efficiency and the use of natural refrigerant gases is the basis of the group's strategy, which is constantly working to further improve the performance of its products.

The analysis showed that the approximately 19,700,000 products placed on the market in 2025 will generate emissions of 6,401,577 tCO_2eq[91] over their entire useful life (estimated to be from six months to ten years depending on the type of product). The category shows an increase of about 4% compared to the 2024 value (6,140,554 tCO_2eq), due to an increase in products sold.

In line with 2024, again in 2025, the impact of all the Carel products sold that consume energy was assessed in terms of consumption and emissions, considering the primary and secondary energy source used (electricity and/or gas), the average power of use (kW), and the number of hours per year the product was in use. Furthermore, in 2025, the calculation was refined by the results of the LCAs conducted to date. Please refer to chapter E5 – Resource use and Circular economy for additional information on the LCAs.

In 2025, in order to further improve the accuracy of the estimate, emissions from product use were also calculated using country-specific emission factors. This approach results in emissions of 5,249,738 tCO_2eq, a lower value than that obtained by applying the global emission factor, as the method takes into account the different energy mixes of individual countries, some of which have a lower carbon intensity than the global value. This method provides a more representative value, as it takes into account the actual quantity and type of products sold in each country.

In 2025, total emissions from end-of-life treatment of sold products (category 12), including packaging materials, amount to 106 tCO_2eq, a 14% increase on 2024 in line with the increase in the materials exported.

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90 Source of emission factors used: years 2023, 2024 and 2025 DEFRA/DESNZ.

91 Source of emission factors used: years 2023, 2024, 2025 IEA (with respect to electricity) and DEFRA/DESNZ (with respect to natural gas).

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

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

DEGREE OF ACCURACY OF SCOPE 3 CATEGORIES

Category	Degree of accuracy	% of emissions calculated from primary data[94]
Category 1 (Purchased goods)	High	0%
Category 1 (Purchased services)	Low	0%
Category 2 (Capital goods)	Low	0%
Category 3 (Fuel and energy-related activities)	High	0%
Category 4 (Upstream transportation and distribution)	Average	94%
Category 5 (Waste generated in operations)	Average	100%
Category 6 (Business travelling)	Average	89%
Category 7 (Employee commuting)	Average	50%
Category 9 (Downstream transportation)	Average	95%
Category 11 (Use of sold products)	High	100%
Category 12 (End-of-life treatment of sold products)	Low	0%

Definition of degree of accuracy:

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

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

EMISSIONS INTENSITY

Like with energy intensity, in 2025, Carel also monitored its emissions intensity calculated as the ratio between total GHG emissions recorded in 2025 and net revenue from its operations (€629,028 thousand[95]): this value is 10,389 tCO_2eq/€m and 10,396 tCO_2eq/€m considering the location-based and market-based method respectively. Unlike in the methodology used for energy intensity, the indicator based on net revenue includes both high and low impact sectors. The reduction in emissions intensity shows an improvement in the group's carbon efficiency: although total emissions increased, revenue growth was proportionally higher, leading to lower emissions per unit of revenue and indicating a greater ability to generate economic value with a lower relative emissions impact.

In line with previous years, Carel also monitors its emissions intensity by analysing the Scope 1 and Scope 2 (market-based) tCO_2eq emitted per employee and per surface area unit, which are 0.94 tCO_2eq/employee[96] (-18% compared to 2024) and 0.02 tCO_2eq/m2 (-15% compared to 2024), respectively.

[92] Source of emission factors used: years 2023, 2024 and 2025 DEFRA/DESNZ.

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

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

[95] This expenditure is included in the balances shown in note 22 to the statement of profit or loss in the consolidated financial statements.

[96] The figure includes both employees and non-employees whose work is controlled by the organization.

DECARBONISATION LEVERS

ESRS E1-1, ESRS E1-3, ESRS E1-4

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

SCOPE 1

Electrification of heating systems - heat pumps

In order to reduce natural gas consumption at the group's buildings, Carel has planned large investments to replace gas heating systems with high-efficiency heat pumps wherever possible. The replacement started in 2023 at the parent's buildings - leading to emission savings of 128.35 tCO_2eq in 2024 - and continued in 2025, with a further reduction of 40.29 tCO_2eq. It will be extended to other buildings of the parent and other production sites (Enginia, Recuperator, HygroMatik and Carel USA) between 2026 and 2028.

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

Continuation of this project has required CapEx of approximately €330 thousand[97] in 2025, while investments for the next four years have been estimated, based on current scenarios, at approximately €3,000 thousand, which will be factored into the budgeting process for each year of the plan.

Company car fleet

In order to reduce the consumption of fuel used by the company fleet (which includes both vehicles for exclusive company use and vehicles for mixed use), Carel began to map the car fleet in 2025, to be completed in 2026, after which a policy will be drawn up for the entire group that includes specific requirements for the selection of vehicles to promote the transition to low-emission vehicles. The parent has already set a challenging diesel car transition target (more information is provided in the "Future targets" section), along with the issue of an ad hoc "car policy" updated in 2025. The new version is available to all the parent's employees via the group intranet and defines the rules for the use and maintenance of company cars assigned to employees and governs their use. It also regulates the purchase and/or rental of cars by the group, which prefers to buy/rent electric or hybrid models in order to reduce the environmental impact of the car fleet. The proper application of the car policy is the responsibility of all organisational levels, from senior management down to all employees.

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

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

SCOPE 2

Purchase of renewable energy

For several years, the group has steadily increased its supply of renewable electricity through the purchase of Energy Allocation Certificates (GO, i-REC and RECs). In 2025, the group reached an important milestone of 91% of energy from renewable sources as a percentage of total electricity consumption for the year. The following sites currently use electricity that is 100% from renewable sources: Carel Industries, Recuperator, Enginia, Carel Adratic, HygroMatik, Carel USA, Carel Electronic, Klingenburg Germany, C.R.C., Arion, Klingenburg International, and partly, Kiona (60% of this company's consumption is certified as deriving from renewable sources).

[97] This expenditure is included in the balances shown in note 1 to the statement of financial position in the consolidated financial statements.

In 2025, the CO2 emissions avoided thanks to the use of green electricity amount to 7,192.13[98] tCO2eq, greater than the group's total Scope 1 and 2 emissions.

For the next three-year period (2026-2028), the group plans to increase the purchase of energy allocation certificates by Sauber, Senva, Carel South America and some commercial offices. Accordingly, the sustainability plan includes OpEx of about €20 thousand, which will be included in the budgeting process for each year of the plan, and which will also depend on the availability of reliable energy allocation certificates.

The planned action will avoid approximately 700 tCO2eq over the next three years.

Energy efficiency of buildings and processes

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

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

Relamping: Between 2021 and 2023, replacement of lighting systems with new LED technology at the Carel Adriatic, HygroMatik and Klingenburg (Germany) sites generated energy savings of approximately 409,863.53 kWh. The initiative continued in 2024, with a further saving of 38,380 kWh, and in 2025 with a saving of 3,352 kWh, thanks to the relamping carried out at Carel Adriatic. Overall, the group has avoided the emission of 212 tCO2eq by relamping activities since 2021. For the coming years, the group intends to complete the mapping of the group's lighting systems in order to continue to replace the traditional lamps with LED lamps between 2026 and 2028. Completion of the activity is not expected to require significant OpEx.

Rationalising the energy use of equipment and plants: a major project to rationalise the use of production lines has been carried out at the Chinese site in recent years. Over the 2022-2024 three-year period, the initiative has enabled energy consumption savings for a total of 348,933 kWh, with an estimated saving of approximately 210 tCO2eq. It did not require the allocation of any financial resources, as it was completed solely thanks to internal management and optimisation processes. The process continued in 2025, enabling annual savings of around 81,000 kWh. The same initiative was implemented at the Carel Industries site, where the switch-on and switch-off times of production machines were analysed in order to introduce good equipment management practices. In 2024, the initiative resulted in savings of 13,158 kWh. The good practices were maintained in 2025. In addition, the parent replaced a number of obsolete heat pumps with high-efficiency models in 2024, saving 31,725 kWh or 16 tCO2eq. CapEx of approximately €100 thousand[99] was earmarked for this initiative.

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

Self-generation of electricity - installation of photovoltaic panels

Since 2022, the group has started to authorise investments for the installation of photovoltaic systems in order to self-generate clean electricity, thus reducing the share purchased from the grid. In 2023, the first systems were rolled out at Carel Electronic and Carel Adriatic, and subsequently also at HygroMatik, Carel Industries and Carel Controls Iberica. Specifically, thanks to the earmarking of CapEx of €330

[98] Calculated using Market-based methodology - European residual mix 2024 (AIB 2025) / TERNA 2024.

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

thousand[100], the parent rolled out an additional photovoltaic system in 2024 which, in addition to the existing system, enabled a peak power output of 420 kWp. In line with the 2025-2028 sustainability plan, an additional 40 kWp photovoltaic system was installed at Arion. The installation of these systems at the group's various sites has enabled the generation of a total of 1,496,723 kWh in 2025, of which 1,207,202 kWh consumed in own operations, which translates into approximately 666 tCO_2eq[101] avoided per year.

The 2025-2028 sustainability plan includes the installation of additional photovoltaic panels. Specifically, Carel Electronic commenced the design and installation of photovoltaic panels on the roof of the carpark in 2025 and, after a feasibility study to be conducted between 2026 and 2027, the group plans to upgrade existing photovoltaic systems at the parent and to install new photovoltaic systems at Klingenburg International and Carel USA. The group has estimated CapEx of around €930 thousand for this project, which will be included in the budgeting process for each year of the plan. Furthermore, the project will depend on the outcome of the above-mentioned feasibility studies.

SCOPE 3

Product efficiency

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

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

- optimisation of refrigeration systems and circuits with new control algorithms, monitoring and design of the refrigeration circuit;
- consolidation of variable speed compressors using direct current (DC) technology, facilitating greater efficiency in applications like heat pumps;
- the promotion of indoor air quality (IAQ) through optimised ventilation control and, in particular, air-to-air heat exchangers for energy recovery in ventilation systems;
- consolidation of the use of electronic expansion valves, which have enabled energy optimisation and increased reliability in many applications, including heat pumps.

Carel not only optimises systems but also designs solutions that allow system optimisation, including by completely modifying the technological architecture, like the HEOS (High Efficiency Showcase) system, where supermarket refrigeration is radically transformed from a centralised refrigeration system to a distributed chilled water system (water-based, without refrigerant) in which each cabinet can be optimised to minimise the system's consumption and refrigerant charge, together with the related direct emissions into the atmosphere.

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

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

The efficiency of Carel solutions is also the result of the work performed by the IoT division and Kiona (a recent acquisition) which has allowed the group to concentrate on solutions that allow more evolved system optimisation solutions alongside the traditional monitoring of systems and alarm management. The system functioning data provide the energy managers with additional information about the system's

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[100] This expenditure is included in the balances shown in note 1 to the statement of financial position in the consolidated financial statements.

[101] Calculated using Market-based methodology - European residual mix 2024 (AIB 2025) / TERNA 2024.

performance. It also allows for the assessment of any drops in performance which is essential to activate scheduled maintenance systems. The group also has system monitoring and optimisation services, where data from other similar systems are compared to bring them into line with the performances of the less efficient systems with those of the best-performing systems. System optimisation can also be achieved by coordinating the devices making up the system depending on its use, the environmental conditions or use of the system. Introduction of an advanced control system in even the most simple cases allows significant savings in the machines' and systems' energy requirements thanks to functions like, for example, optimisation of switching on and off rather than using it only when strictly necessary.

In addition to the LCAs conducted in 2025 on iJ controllers and EEV electronic expansion valves (see chapter *E5 - Resource use and circular economy* for additional information), work began during the year on the feasibility study of a tool for data collection to estimate targets for reducing the intrinsic consumption of electronic and other electromechanical products. OpEx of about €85 thousand[102] was invested to perform the LCA and the feasibility study. An additional OpEx of around €170 thousand is planned for 2026 in order to complete these projects, which will be included in the budgeting process.

During the year, Carel's customers saved 8,176 GWh. The same calculation method was used for all the products considered, selected from Carel's entire product portfolio for their excellent energy efficiency. The group modelled the reference working conditions for each selected product to calculate the average energy performance obtainable with equivalent traditional technologies and the energy saving achievable. The calculation was updated in 2025 to include the findings of the LCA on certain product families, making them more consistent with actual conditions. In line with the previous year, in 2025, about 70% of energy savings were achieved by electronic expansion valves (ExVs), including electronic modulating ejectors.

Both electronic expansion valves and DC drives and Heez have benefited from the expansion of some 15% in the HVAC/R market internationally. This offset the small decrease in heat exchangers and the stable trend of adiabatic systems. The table below summarises the energy savings over the 2023-2025 three-year period.

REDUCTION OF ELECTRICITY CONSUMPTION BY PRODUCT FAMILY[103]

		2025		2024	2023
PRODUCT	**Application**	**Total savings (GWh/yr)**	**Total savings (%)**	**Total savings (GWh/yr)**	**Total savings (GWh/yr)**
Electronic expansion valve (ExVs)	HVAC/REF	5,730	70%	4,882	5,221
DC Drive and Heez	REF	811	10%	521	1,043
Adiabatic system	HVAC	30	0.4%	31	42
Heat exchangers	HVAC	1,605	19.6%	1,674	856
Total		**8,176**	**100%**	**7,108**	**7,162**

Natural refrigerants

The effects of traditional refrigerants (produced by chemical synthesis) on the environment and their banning in some geographical areas has made it fundamental for Carel to use low environmental impact natural refrigerants like propane (R-290), carbon dioxide (R-744: CO_2) and ammonia (R-717), sometimes in tandem with variable speed compressor technologies and electronic expansion valves.

Carel has focused on developing industrial and commercial and industrial refrigeration systems that can use natural refrigerants in each application niche served with its main compressor manufacturer partners in recent years.

Another R&D unit deals with comprehensive solutions based on the use of carbon dioxide (R-744: CO_2) as a refrigerant in commercial refrigeration systems. These innovative solutions can manage the system's complexity due to pressure involved, climatic conditions, the required cooling capacity and this

[102] This expenditure is included in the balances shown in note 25 to the statement of profit or loss in the consolidated financial statements.
[103] The table shows, on a voluntary basis, the reduction of electricity consumption resulting from the use of specific categories of products sold by the group

refrigerant's characteristics. CO_2 is an economical widely-available refrigerant that is easily obtained from hydrocarbon combustion. It is completely environmentally-friendly: it has an ozone depleting potential (ODP) of zero and a global warming potential (GWP) of 1 and is used as a factor in assessments of GHG effects. Its use is crucial because it is replacing synthetic refrigerants with GWP values of up to 4,000 (i.e., an emissions impact of up to 4,000 times that of CO_2). In sustainability terms and considering the same system solution, the use of CO_2 is the most environmentally-friendly choice compared to any other CFC/HCFC/HFC/HFO refrigerant. Compared to other natural refrigerants, it is non-flammable, unlike hydrocarbons (e.g., R-290), nor is it toxic (unlike NH3) but it is potentially less efficient in warm climates. Thanks to the Kigali Agreement and the consequent steady elimination of HFC/HFO gases, CO_2 will gradually become the standard refrigerant in certain sectors. Experience, know-how and innovation are the linchpins of Carel's solutions. Its control technology is characterised by reliability and efficiency for this type of system, especially in warmer climates where energy savings are affected by the low critical temperature of CO_2 (≈31°C) and operating pressures, 4 or 5 times higher than other natural refrigerants. Carel's commitment is shown by the progress made on its projects for refrigeration systems in the retail food sector which are steadily transitioning towards CO_2 solutions and, especially, from the traditional technologies to the more efficient variable speed solutions. Installations with natural refrigerants continue to gain in popularity throughout the world, mainly led by the trends in Europe, but with strong impetus in Japan, New Zealand, Australia and South Africa too. In recent years, Carel has considerably increased the number of its CO_2 projects using the DC inverter technology which guarantees high efficiency with the use of natural refrigerants.

The Hecu system is Carel's high efficiency solution for condensing units in commercial refrigeration systems with a move towards natural refrigerants, integrating the management of DC inverter compressors for CO_2 refrigerants. This system uses DC inverter compressors to provide effective modulation of the cooling capacity, thus allowing low energy consumption, especially in the case of partial loads. The excellent performances that can be achieved with CO_2 comply with the Ecodesign for Sustainable Products Regulation for energy performances and exceed the limits set by the F-Gas Regulation on the use of fluorinated synthetic refrigerants.

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

The financial resources that have enabled and will continue to enable the decarbonisation levers of energy-efficient products and the use of natural refrigerant gases take the form of the OpEx that the group invests each year in R&D activities. In 2025, Carel allocated 5.2% of its turnover to R&D activities. Specifically, €32,708 thousand[104] was earmarked for R&D activities aimed at designing solutions that reduce the environmental impact of machines and systems and generate energy savings through more efficient customer systems (€32,652 thousand in 2024, equal to 5.6% of the turnover for the year).

Purchase of lower-impact materials

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

On the one hand, the group is engaging with class A suppliers105 in order to obtain more primary data (such as the results of LCA studies, preferably accompanied by EPD certificates) useful to fine-tune the calculation of category 1 with reference to the purchase of goods, and consequently identify the most impactful types of materials for which it will develop purchasing strategies that can lead to an effective reduction in emissions.

This initiative is of great importance in order to not only reduce the impact of GHG emissions but also other environmental impacts, such as pollution, the use of hazardous substances and, above all, the

[104] This expenditure is included in the balances shown in note 25 to the statement of profit or loss in the consolidated financial statements.

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

consumption of natural resources, as well. It is supported by the suppliers' code of conduct, which explicitly states the need to collaborate in calculating the environmental impact of the entire production chain in order to ensure proper reporting and minimise its negative effects, and which requires the active participation of suppliers in the training, communication and development initiatives on opportunities to improve its environmental performance implemented by Carel. The initiative, which is planned for the 2026-2028 period, with an estimated OpEx of about €20 thousand per year (to be included in the budgeting process for each year of the plan), will be integrated into the various activities involving the supply chain in the coming years (more information is available in chapter G1 - Business conduct)).

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

Transition from air to sea transportation
Emissions from upstream and downstream transportation of products (categories 4 and 9) together represent the third largest category. Most of the emissions come from the transport of goods by air, which is why the group is gradually (and where possible) replacing air transportation with sea transportation. Transporting one tonne for 1,000 km by air emits more than 98% more than the same route by sea106.

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

FUTURE TARGETS RELATED TO CLIMATE CHANGE MITIGATION

ESRS E1-4

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

FUTURE TARGETS RELATED TO CLIMATE CHANGE MITIGATION[107]

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Reduce natural gas consumption at Carel Industries, Enginia, Recuperator, HygroMatik and Carel USA sites by 80% by 2028.	Scm of natural gas consumed	2023 | 325,000	2025 | 322,000[108]	The reduction of natural gas consumption, and the move towards the use of certified renewable electricity, will reduce the group's Scope 1 emissions, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target.
Replace 70% of the diesel cars in the parent's fleet (6 pooled, 5 assigned) with low-	% of cars replaced out of total diesel cars in the company fleet	2024 | 0%	2025 | 50%[110]	Replacing the diesel cars in the fleet with models with a reduced environmental impact will reduce the group's Scope 1 emissions, in line with the commitments expressed in the environmental policy, contributing to the achievement of the SBTi target.

106 Obtained by comparing the emission factors provided by DESNZ 2025 for "Freight flights, international, with RF" for air travel and "Cargo ship, Container ship, 8000+ TEU" for sea travel.

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

108 The process to replace gas water heaters continued at the parent in 2025, enabling a saving of 19,506 cubic metres of gas.

110 8 of the initial 23 diesel cars have been replaced in 2025.

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
emission vehicles[109] by 2027.				
Achieve 100% of electricity purchased by production sites certified as renewable (through the purchase of energy allocation certificates) by 2028.	% of electricity purchased by production sites that is certified as renewable	2024 | 91%	2025 | 95%	Increasing the percentage of certified renewable electricity will reduce the group's Scope 2 emissions, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target.
Have 69%[111] of the group's production sites covered by an ISO 14001-certified environmental management system by 2028.	% of sites covered by a certified environmental management system	2024 | 38%	2025 | 38%	Extending the coverage of the ISO 14001-certified environmental management system will allow the environmental impacts of each stage of the production process to be monitored and managed, so as to minimise emissions of GHG and pollutants, optimise the use of natural resources and improve waste management, in line with the commitments expressed in the environmental policy.
Have 62%[111] of the group's production sites covered by an ISO 50001-certified energy management system by 2028.	% of sites covered by a certified energy management system	2024 | 15%	2025 | 15%	Extending the coverage of the ISO 50001-certified energy management system will facilitate greater energy efficiency of buildings and all production process phases, so as to minimise consumption and reduce Scope 2 emissions, in line with the commitments expressed in the environmental policy, contributing to the achievement of the SBTi target.
Achieve contribution of 10% of electricity used from photovoltaic panels installed at Carel Industries, Klingenburg International, Arion, Carel USA and Carel Electronic by 2027.	% of self-generated kWh from photovoltaic panels out of total kWh of electricity used	2023 | 3%	2025 | 10%	Increasing the percentage of self-generated renewable electricity will reduce the group's Scope 2 emissions, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target. A greater share of self-generated electricity also leads to a reduction in the risk of increased energy purchase costs, including the cost of purchasing renewable energy certificates.
Involve a selection of suppliers to be identified after the due diligence process in order to obtain useful information to fine-tune the Scope 3 calculation by 2028.[112]	No. of suppliers involved	2024 | 0	2025 | 0	Involving suppliers in the Scope 3 calculation will engage them in the group's journey towards climate transition, specifically through the identification of opportunities for improvement in terms of the emissions impact of purchased products, which will lead to a reduction in indirect Scope 3 emissions, in line with the commitments expressed in the environmental policy, contributing to the achievement of the SBTi target.
Gradually reduce the share of air freight in inbound and outbound transport (categories 4 and 9) of the CAREL	% of weight transported by air	2023 | 3%	2025 | 3%	Converting transport by air to by sea allows a reduction in indirect Scope 3 emissions deriving from transportation, in line with the commitments set out in the environmental policy, contributing to the achievement of the SBTi target.

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

[111] The baseline value and the defined target level, 57% and 29% respectively in 2024,were recalculated to exclude Eurotec, which does not have operations such to be considered within the group of production sites, and therefore does not contribute to increasing the amount of companies that will obtain the certification. Irrespective of this change, the target is in line with what was originally defined. Carel Adriatic and Enginia are the next production facilities that will adopt the environmental management system, with implementation scheduled for completion in 2026.

[112] The target was revised from that reported in 2024 to align with the timing of the due diligence process on the supply chain (see chapter G1 - Supply Chain for additional information), which is a prerequisite for effective supplier involvement.

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Group by 5% annually until 2028.[113]				

CAREL AND THE EUROPEAN TAXONOMY

CHECKING ELIGIBILITY AND ALIGNMENT OF ACTIVITIES AGAINST REGULATIONS

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

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

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

The regulation provides for the calculation and reporting of the following indicators (KPIs): the proportion of turnover derived from products or services, the proportion of capital expenditure (CapEx) and the proportion of operating expenditure (OpEx) associated with economic activities that potentially contribute to the achievement of the environmental objectives; so-called "Taxonomy-eligible" activities, i.e. taxonomy-eligible; and the proportion of the same that contribute substantially to the achievement of the environmental objectives of climate change mitigation and/or climate change adaptation; so-called "Taxonomy-aligned" activities, i.e. taxonomy-aligned as they meet the technical screening criteria. Carel updated the analysis of the group's KPIs related to the Taxonomy to include 2025, the fifth year of application of the Regulation. The scope of analysis for 2025 is the entire group. The analysis was conducted by verifying alignment with at least one of the six environmental objectives and compliance with the other requirements (DNSH and Minimum Safeguards). Carel carries out its activities by adopting specific policies of conduct (code of ethics, human rights policy, suppliers' code of conduct); specifically, the human rights policy defines principles in accordance with the United Nations International Charter of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the European Convention on Human Rights. Specifically, it analysed the group's economic activities with reference to climate change mitigation, paragraph "3.5 Manufacture of energy efficiency equipment for buildings" and the goal of the transition to a circular economy, paragraph "1.2. Manufacture of electrical and electronic equipment". The analysis was conducted in three stages, each referring to the three KPIs being reported on, in line with that carried out in 2024 in relation to the "climate change mitigation" objective, as the group's products are designed to reduce direct and indirect emissions related to their use through energy efficiency and by using environmentally friendly refrigerants and therefore meet the substantial criteria of the climate change mitigation objective. The analysis was also extended to the "circular economy" objective for products falling under paragraph 1.2 Manufacture of electrical and electronic equipment.

[113] The target was revised from that reported in 2024 in order to extend it to the whole Group and facilitate KPI monitoring. The target trend reflects a complex geopolitical and commercial environment, requiring faster logistics solutions to maintain delivery schedules.

DISCLOSURE OF THE METHODOLOGY, RESULTS AND ASSUMPTIONS MADE FOR THE CALCULATION OF KPIS[114]

Turnover

Total turnover for 2025, net of intragroup transactions, was considered.

The group's turnover was broken down by platform (or product family) and further divided into product sub-families and product codes. The main product platforms to which turnover relates are listed below: programmable controls, interface terminals (HMI), parametric controls, heat exchangers, isothermal humidifiers, adiabatic humidifiers, power solutions, sensors, electronic expansion valves, inverters and speed controls, compressors, remote control systems and services. The analysis did not cover the turnover generated by purchased and resold products, including compressors, gas detectors and some sensors, which was excluded in accordance with the relevant regulation.

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

The analysis was conducted considering the economic activities included in all six taxonomy objectives, taking care to avoid the risk of double counting. Turnover from non-eligible economic activities for the purposes of climate change mitigation, paragraph "3.5 Manufacture of energy efficiency equipment for buildings" was then analysed with reference to the circular economy objective paragraph "1.2. Manufacture of electrical and electronic equipment". Of the total turnover of €629,028 thousand, €531,697 thousand, or 84.5% of the total, is included in the taxonomy analysis. Indeed, as noted earlier, part of the group's turnover (15.5%) derives from products purchased and resold. With respect to paragraph "3.5 Manufacture of energy efficiency equipment for buildings" associated with climate change mitigation, 69% of turnover is from eligible economic activities (66.5% in 2024), of which 46% is from eligible and aligned economic activities (44% in 2024), and the remaining 16% is from non-eligible economic activities. With respect to the proportion of turnover from non-eligible economic activities for climate change mitigation (16%), Carel analysed fulfilment of the criteria for the circular economy with reference to paragraph "1.2 Manufacture of electrical and electronic equipment": 13% of the turnover is from eligible and non-aligned economic activities while the other 2% is from non-eligible economic activities.

OpEx

With respect to the second indicator required by the Taxonomy, OpEx (i.e., the costs incurred during the year), Carel analysed the consolidated costs, net of intragroup costs, incurred during the year by each production site of the group[115] and the Kiona subgroup. This is because only the production sites and Kiona incur eligible costs as they relate to production and R&D activities carried out in accordance with the EU regulation.

According to Commission Delegated Regulation (EU) 2021/2178, operating expenditure includes direct non-capitalised costs that relate to building renovation, research and development, short-term leases, maintenance and repairs. In order to identify the operating expenditure, Carel analysed and checked all costs in the management accounting system by identifying all items pertaining to the above-mentioned categories. Total identified costs amount to approximately €33,790 thousand (€32,400 thousand in 2024).

[114] In relation to the reporting obligations under the Taxonomy Regulation and related delegated acts, in 2025, the group availed of the option not to apply the provisions introduced by Delegated Regulation (EU) 2026/73, in accordance with the transitional regime permitted.

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

Their eligibility was checked by applying turnover proxies considering the weight of the product platforms developed specifically at each production site and by Kiona. These platforms are also the database used to analyse turnover. This analysis made it possible to estimate and determine the proportion of eligible and possibly aligned operating expenditure. With respect to paragraph “3.5 Manufacture of energy efficiency equipment for buildings” associated with climate change mitigation, 80% of OpEx incurred and analysed is eligible (79% in 2024) and 50% is also aligned (42% in 2024). The remainder of 20% is non-eligible. With respect to the proportion of OpEx not eligible for climate change mitigation (20%), Carel analysed fulfilment of the criteria for the circular economy with reference to paragraph “1.2 Manufacture of electrical and electronic equipment”: 15% of the total identified OpEx is eligible and non-aligned while the other 4% is non-eligible.

CapEx

Finally, with respect to the third KPI, i.e., investments, the group’s consolidated investments, amounting to €30,538 thousand, including lease costs recognised in accordance with IFRS 16, were analysed. Of this amount, investments in the production process and capitalised research and development costs (not included in the second KPI, i.e., OpEx) were analysed, for a total of approximately €21.6 million. The analysis did not consider the investments in the commercial subsidiaries. Like for the second KPI, in order to check whether the investments are eligible, the revenue for each product family produced at each production site was used as a proxy to allocate the investments. With respect to paragraph “3.5 Manufacture of energy efficiency equipment for buildings” associated with climate change mitigation, of the total CapEx, 59% is eligible, of which 41% is both eligible and aligned; 12% is non-eligible and the remainder, as described above, was not analysed. With respect to the proportion of CapEx not eligible for climate change mitigation (12%), Carel analysed fulfilment of the criteria for the circular economy with reference to paragraph “1.2 Manufacture of electrical and electronic equipment”: 11% of the CapEx is eligible and non-aligned while the other 1% is non-eligible.

TEMPLATE: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING 2025

	2025			Substantial contribution criteria						DNSH ("Do No Significant Harm") criteria									
Economic activities	**Code**	**Turnover**	**Proportion of 2025 turnover**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Taxonomy-aligned (A.1) or eligible (A.2) proportion of turnover (2024)**	**Category (enabling activity)**	**Category (transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1 - Manufacture of energy efficiency devices for buildings	3.5	292,428	46%	Yes	N/AM	N/AM	N/AM	N/AM	N/AM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	44%	A	
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		292,428	46%	46%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	44%		
Of which enabling			46%	46%						Yes	Yes	Yes	Yes	Yes	Yes	Yes		A	
Of which transitional			0%																T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 2 - Manufacture of energy efficiency devices for buildings	3.5	140,701	22%	AM	N/AM	N/AM	N/AM	N/AM	N/AM								23%		
Activity 3 - Manufacture of electrical and electronic equipment	1.2	84,137	13%	N/AM	N/AM	N/AM	N/AM	AM	N/AM								14%		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**224,837**	**36%**	**22%**				**13%**									**37%**		
A. Total (A.1 + A.2)		**517,266**	**82%**	**69%**				**13%**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		**111,763**	**18%**																
TOTAL		**629,028**	**100%**																

Environmental objectives	Taxonomy-aligned by objective	Taxonomy-eligible by objective
Climate change mitigation	46%	69%
Climate change adaptation	0%	0%
Water	0%	0%
Circular economy	0%	13%
Pollution	0%	0%
Biodiversity	0%	0%

TEMPLATE: PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2025

		2025		Substantial contribution criteria						DNSH ("Do No Significant Harm") criteria									
Economic activities	**Code**	**CapEx**	**Proportion of CapEx, 2025**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Climate change mitigation**	**Climate change adaptation**	**Water**	**Pollution**	**Circular economy**	**Biodiversity**	**Minimum safeguards**	**Taxonomy-aligned (A.1) or eligible (A.2) proportion of CapEx (2024)**	**Category (enabling activity)**	**Category (transitional activity)**
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1 - Manufacture of energy efficiency devices for buildings	3.5	12,429	41%	Yes	N/AM	N/AM	N/AM	N/AM	N/AM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	45%	A	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**12,429**	**41%**	**41%**						**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**45%**		
Of which enabling			41%	41%						Yes	Yes	Yes	Yes	Yes	Yes	Yes		A	
Of which transitional			0%																T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 2 - Manufacture of energy efficiency devices for buildings	3.5	5,593	18%	AM	N/AM	N/AM	N/AM	N/AM	N/AM								22%		
Activity 3 - Manufacture of electrical and electronic equipment	1.2	3,193	11%	N/AM	N/AM	N/AM	N/AM	AM	N/AM								10%		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**8,786**	**29%**	**18%**				**11%**									**32%**		
A. Total (A.1 + A.2)		**21,214**	**70%**	**59%**				**11%**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		**9,324**	**31%**																
TOTAL		**30,538**	**100%**																

Environmental objectives	Taxonomy-aligned by objective	Taxonomy-eligible by objective
Climate change mitigation	41%	59%
Climate change adaptation	0%	0%
Water	0%	0%
Circular economy	0%	11%
Pollution	0%	0%
Biodiversity	0%	0%

TEMPLATE: PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2025

	2025			Substantial contribution criteria						DNSH ("Do No Significant Harm") criteria									
	Code	OpEx	Proportion of OpEx, 2025	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Taxonomy-aligned (A.1) or eligible (A.2) proportion of OpEx (2024)	Category (enabling activity)	Category (transitional activity)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Activity 1 - Manufacture of energy efficiency devices for buildings	3.5	17,010	50%	Yes	N/AM	N/AM	N/AM	N/AM	N/AM	Yes	Yes	Yes	Yes	Yes	Yes	Yes	42%	A	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		17,010	50%	50%						Yes	Yes	Yes	Yes	Yes	Yes	Yes	42%		
Of which enabling			50%	50%						Yes	Yes	Yes	Yes	Yes	Yes	Yes		A	
Of which transitional			0%																T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Activity 2 - Manufacture of energy efficiency devices for buildings	3.5	10,150	30%	N/AM	N/AM	N/AM	N/AM	N/AM	N/AM								37%		
Activity 3 - Manufacture of electrical and electronic equipment	1.2	5,186	15%	N/AM	N/AM	N/AM	N/AM	AM	N/AM								16%		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**15,336**	**45%**	**30%**				**15%**									**53%**		
A. Total (A.1 + A.2)		**32,346**	**95%**	**80%**				**15%**											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		**1,444**	**4%**																
TOTAL		**33,790**	**100%**																

Environmental objectives	Taxonomy-aligned by objective	Taxonomy-eligible by objective
Climate change mitigation	50%	80%
Climate change adaptation	0%	0%
Water	0%	0%
Circular economy	0%	15%
Pollution	0%	0%
Biodiversity	0%	0%

Nuclear and fossil gas-related activities		
Row	**Nuclear energy activities**	YES/NO
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	Fossil gas activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

E2: POLLUTION

POLLUTION MANAGEMENT IN OWN OPERATIONS AND SUPPLY CHAIN

ESRS E2-1, ESRS E2-2, ESRS E2-4

The group's health, safety, environmental and sustainability policy formalises its commitment to reducing its impact on the environment and to continuously improving its processes to reduce their impact on the environment and the surrounding area. One of the key principles adopted by the group to minimise the negative impacts associated with pollution of the air, water and soil is to guarantee the quality of its work by promptly identifying potential risks using a system to prevent pollution, environmental incidents and environmental emergencies.

Moreover, aware of the environmental impacts of air, water and soil pollution caused by its supply chain activities, Carel has also dedicated a section of its suppliers' code of conduct to environmental issues. The suppliers' code of conduct requires all suppliers to act in accordance with applicable laws and regulations in the performance of their activities and to do their utmost to protect the environment. This includes, first and foremost, obtaining and maintaining all environmental authorisations and approvals to carry out regulated activities.

In 2025, in line with previous years, there were no serious accidents with environmental consequences, nor pollution incidents that led to penalties or compensation with subsequent mitigation and/or remediation actions.

With respect to atmospheric pollution, in line with the commitments declared in the health, safety, environmental and sustainability policy, Carel focuses its efforts on improving the management of pollutants and preventing the risk of hazardous agents and substances entering the environment. These substances can arise directly from production processes, for example, through the release into the atmosphere of substances harmful to human health, the ozone layer and climate change (the hazardous air pollutants, e.g., PM, NOx and refrigerant gases) or from the incorrect use and handling of chemicals and waste (both during production and transport) which may lead to the contamination of liquid or solid environmental matrices. All the group production sites with significant emissions or subject to environmental authorisation implemented and applied a specific procedure to periodically carry out analyses of extraction chimneys to verify compliance with the regulatory limits set for them. This procedure enables the continuous improvement of the management of air pollutants and to fully comply with the limitations imposed by current regulations. In addition, these sites carry out periodic emergency simulations to check the adequacy and proper application of the procedures in place. They include a test for handling environmental emergencies (e.g., acid or chemical spills). The Group compared its air emissions of pollutants with those listed in Annex II of Regulation (EC) No. 166/2006 of the European Parliament and of the Council (European Pollutant Release and Transfer Register, E-PRTR), in order to monitor compliance with the thresholds set by the Regulation. In this regard, in 2025, in line with the previous year, no air emissions were detected that exceeded the thresholds indicated in the Annex.

With respect to water pollution, the parent has implemented a specific procedure for carrying out the chemical analysis and sampling of wastewater from the laboratory where the humidifier tests are carried out, in order to check compliance with the regulatory limits for discharge into the sewerage system. There are also settling tanks and similar systems for cleaning laboratory wastewater. These procedures make it possible to prevent potential negative impacts and related risks related to the release of agents and substances into the environment through discharges, while fully complying with the limits imposed by current regulations.

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

Another initiative activated a few years ago at the Carel Industries, Carel Adriatic sites and, since 2025 also at Carel South America site to further reduce the impact on the environment concerns packaging and, specifically, the decision to use coloured packaging with water-based paints, free of acrylic substances, made using starch glues instead of vinyl glues. Specifically, the red and white colours of the Carel packaging are guaranteed by the GREENGUARD Certification Program which certifies that the products inside the packaging comply with the established chemical emission thresholds. In this way, Carel contributes to creating a healthier environment for its employees and customers.

AIR POLLUTANTS (KG)[116]

Air pollutants in atmosphere (kg)	2025	2024
Nitrogen oxides (NOx)	634.81	537.28
Sulphur oxides (SOx)	316.71	265.59
Persistent organic pollutants (POP)	0.42	0.32
Volatile organic compounds (VOC)	446.37	564.89
Hazardous air pollutants (HAP)	48.44	25.12
Particulate matter (PM)	362.45	318.77

Similarly to previous years, no significant emissions of fluorinated gases from normal usage of air-conditioning systems were recorded at the group's sites. Regular maintenance is carried out at all sites in line with an annual plan to ensure the highest efficiency levels and to reduce the consumption of ozone depleting gases. There was a general increase in emissions from production in 2025, except in VOCs, due mainly to the greater number of days worked by some production sites and the consequent increase in the hours of operation of plant, as well as the start-up of a new small chimney stack at the Carel Industries site. The following aspects must also be considered in reading the results:

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

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

Carel Electronic and the parent regularly replace filters in order to reduce the emission impact and regularly carry out maintenance on extraction systems, as required in Italy by the authorisations for chimney stack emissions. In 2025, the parent incurred OpEx of €18.5 thousand[117] for periodic chemical analysis of pollutants emitted into the atmosphere and insignificant OpEx for filter replacement.

As a result of the process to fine-tune the relevant assessments, a handbook was developed in 2023, updated in 2025, and applied to the group's production sites in order to provide guidance about how to manage and collect data to facilitate the collection of information and compare the different results, which will also reflect local regulatory constraints.

Furthermore, the following should be noted:

[116] The table shows, on a voluntary basis, the atmospheric emissions of the Carel Industries, Carel Electronic, Recuperator and Enginia sites, which are lower than the applicable thresholds indicated in Annex II of Regulation (EC) 166/2006.

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

- in Carel Industries, the analyses of emissions from the production units' chimney stacks show levels well below the limits established by the related authorisations which were updated in 2025;
- at the Carel Adriatic production site, the burners are subject to regular maintenance and emissions are analysed periodically to comply with the legal requirements for environmental protection;
- at the Carel Electronic production site, a competent third party expert was engaged to carry out sample tests and analysis;
- Enginia and Reuperator introduced a voluntary two-year sampling programme for their sites although not obliged to do so by law.

MANAGEMENT OF HAZARDOUS SUBSTANCES CONTAINED IN PRODUCTS

ESRS E2-1, ESRS E2-2, ESRS E2-5

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

In order to minimise the risk of the presence of these hazardous substances in products placed on the market, legislation banning or restricting the use of certain hazardous substances has been enacted by various countries. In order to meet these and other legislative obligations in the field of product safety, Carel issued the product and service compliance policy (also "policy" in this section) in 2023, updated in 2025.

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

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

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

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

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

To ensure the implementation of the targets included in the policy, the latter has been disseminated to all group companies[118], and dedicated training was delivered in 2025 using the internal e-learning platform, which did not require significant OpEx. To date, this activity has involved the management team (CEO and middle management) but the aim is to extend it in the medium term to all internal stakeholders,

[118] Carel Industries, Carel Adriatic, Carel USA, Carel South America, Carel Electronic, Arion, Enginia, Hygromatik, KIONA, Klingenburg DE, Klingenburg PL, Recuperator and Senva.

through to personnel in the operating areas employed in the product development process, and in supply chain management.

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

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

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

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

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

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

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

POLLUTION-RELATED FUTURE INITIATIVES AND TARGETS

ESRS E2-2 ESRS E2-3

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

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

POLLUTION[119] AND MANAGEMENT OF SUBSTANCES OF CONCERN TARGETS

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Have 69%[120] [121] of the group's production sites covered by an ISO 14001-certified environmental management system by 2028.[122]	% of sites covered by a certified environmental management system	2024 | 38%[121]	38%	Introduction of ISO 14001-certified environmental management systems will allow the environmental impacts of each stage of the production process to be monitored and managed, so as to minimise emissions of pollutants, optimise the use of natural resources and improve waste management.
Have 60% of the group's product categories assessed through Life Cycle Assessments (LCAs) by 2028.	% of product categories assessed through LCAs	2023 | 8%	38%[123]	Conducting product-specific LCAs makes it possible to obtain fundamental information on the various environmental impacts of products throughout their life cycle, including GHG emissions from the raw materials/semi-finished products used and the waste generated, in order to make informed strategic decisions to reduce these environmental impacts through ecodesign and the use of alternative materials. These LCAs also raise the awareness of the people involved, which results in life cycle thinking about all projects.

[119] The targets are optional and not mandatory by law. Given the nature of the targets, it is not necessary to indicate if they are based on solid scientific data.

[120] Target percentage referring to the following subsidiaries: CAREL Industries, Recuperator, Enginia, CAREL Adriatic, Hygromatik, CAREL Sud America, CAREL USA, CAREL Electronics, Arion, Senva, Klingenburg International, Klingenburg GmbH, Sauber.

[121] The baseline value and the defined target level were recalculated in 2025 to exclude Eurotec, which does not have operations such to be considered within the group of production sites. Irrespective of this change, the target is in line with what was originally defined. Carel Adriatic and Enginia are the next production sites that will adopt the environmental management system, with implementation scheduled over 2025 and 2026.

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

[123] The target follows the defined plan, with a total of five categories covered to 2025.

E3: WATER

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

WATER RESOURCE MANAGEMENT IN INTERNAL OPERATIONS

ESRS E3-1, ESRS E3-2, ESRS E3-4

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

Despite its limited consumption, the group deemed it appropriate to include the matter of water in its health, safety, environmental and sustainability policy. As defined in the policy, the group pays particular attention to rationalising the use of water, especially in areas where it is scarce, with the aim of reducing the withdrawals of natural resources and reducing the impact on local ecosystems. As indicated in Chapter E2 - Pollution, the group is also committed to maintaining adequate wastewater conveyance systems to facilitate its treatment before it is released back into the environment, minimising the risk of water pollution.

In line with its policy, the group's approach aims to monitor water withdrawals to prevent unusual leaks and protect water resources. Specifically, the water meters in the production sites are checked regularly to ensure the amount of withdrawals matches the amount invoiced, communicating the data to the headquarters.

Starting from 2020, consumption of all the group companies is monitored, including with reference to any water-stressed areas where they are located using the WRI Aqueduct tool. Areas characterized by an overall high water risk level (3–4) and extremely high (4–5) are considered water risk areas, while areas characterized by a high level of water stress (40–80%) and extremely high (above 80%) are considered water-stressed areas.For the majority of the Group's sites, water withdrawal data are collected through utility bill readings; for the others, where direct measurement was not possible, the data were estimated by considering the average withdrawals of sites with similar activities (estimated withdrawals account for less than 4% of the total).

The table below shows data on water withdrawals and consumption. As some changes were made to the methodologies adopted in 2025, the table presents both the data reported in the 2024 Sustainability Report (column "2024 (original data)") and the 2024 data revised according to the methodologies adopted in the current reporting year (column "2024 (2025 restatement)"), in order to assess trends over the two-year period.

WATER WITHDRAWAL AND CONSUMPTION (M³) [124]

	2025	**2024 (2025 restatement)**	**2024 (original data)**	**2024 (Variation original vs restated data)**
Total water withdrawn (m³)	32,369	*26,750*	26,750	0
Including from areas at water risk (m³)[125]	5,976	5,584	n.d.	n.a.
Including from water-stressed areas (m³)	7,487	6,721	*5,663*	+1,058
Total water consumed (m³)[126]	*99*	64	2,623	-2,559
Including from areas at water risk (m³)	*0*	2	n.d.	n.a.
Including from water-stressed areas (m³)	*0*	*2*	536	-534
Total stored water (m3)	*555*	*555*[127]	0	+555
Total water recycled (m³) [128]	*0*	0	150	-150
Water intensity (m³/€m) [129]	*0.16*	0.11	*4.53*	-4.42
Water intensity (m³/number of people[130])	*0.03*	0.02	*0.95*	-0.93

In 2025, 84% of water withdrawals is attributable to the production sites and is directly related to the number of people and hours worked. The withdrawals attributable to water-stressed areas amounted to 7,487 m³, representing approximately 23% of total withdrawals, while withdrawals from areas at water risk amount to 5,976 m³ (18% of total withdrawals). Consequently, particular attention is paid to analysing any deviations during the year in order to identify possible leaks in the system. It should be noted that the difference between the 2024 and 2025 water consumption is due to the change to the calculation methodology, which went from an estimate based on the previous year to the use of primary data in the current year. As a result, the water intensity figures also changed.
The water stored in 2025 - amounting to a total of 555 m³ - corresponds to the amount of water contained in the fire-fighting tanks in some production sites. Since there were no emergencies during the year that required the use of the fire-fighting system, the water remained stored and unused within these tanks.
In line with the group’s commitment to reduce its water consumption, an innovative rainwater collection and reuse project was implemented at the parent’s headquarters in 2023. Specifically, a new building was constructed with a 50 m³ tank to collect rainwater, which is then used for all non-drinking water services. A similar initiative was implemented at the Chinese production site, which is located in a high water-stress area, where a 100 m³ rainwater harvesting tank was set up for irrigation purposes. By reusing water resources in a circular way, these projects help to reduce the withdrawal of drinking water for services that do not need it. In addition to initial testing, regular maintenance and checks are scheduled in order to ensure the system at the parent’s headquarters is functioning properly.

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124 In the two-year period, the Carel Group did not recycle water.

125 The 2024 water withdrawal and consumption data for water-stressed areas (column “2024 (original data)”) included only areas where the percentage of water withdrawn is extremely high (>80%), while withdrawals and consumption in water risk areas were not reported. In order to compare 2025 data with the previous year, the “2024 (2025 restatement)” column includes revised 2024 data that also incorporate areas with high water stress (40–80%) and areas with high (3–4) and extremely high (4–5) water risk.

126 The methodology used to calculate water consumption has changed from last year in order to use primary data and to ensure a more accurate representation of consumption associated with production processes, which were previously estimated. Consumption is only relevant for production sites and is calculated as the quantities of liquid waste disposed of in the year resulting from processes using withdrawn water. In order to ensure comparability, the 2024 figure was recalculated using the new methodology (column “2024 (2025 restatement)” and a comparison between original 2024 data has been provided.

127 The reported value represents a correction compared to the one disclosed in the 2024 Sustainability Report. The value of water stored in 2025 corresponds to the water contained in fire-fighting tanks, which were not used during the year. As these tanks were also present in 2024, this value is also reported in the “2024 (2025 restatement)” column.)”.

128 The value of recycled water was revised in 2025 due to the lack of precise primary data and the inability to make realistic estimates based on the available information.

129 The water intensity values—both per surface area and per number of people—were recalculated for 2024 in order to align with the methodological choices described above.

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

WATER RESOURCE MANAGEMENT IN THE VALUE CHAIN

ESRS E3-1, ESRS E3-2

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

UPSTREAM VALUE CHAIN

In order to reduce the negative impacts of water use in the value chain, Carel has decided to involve its supply chain by promoting the efficient use of water resources in its suppliers' code of conduct. In fact, the code requires suppliers to commit to using the resources necessary for their production cycle responsibly, through production processes that aim to reduce the waste of natural resources (with particular attention to the conservation of energy and water resources) and that promote their recycling and reuse. Suppliers are, therefore, required to implement initiatives to improve their environmental performance, such as water consumption reduction, reuse and recycling programmes.[131] With respect to effluents, the code requires suppliers to adequately manage, measure and control all activities that are potentially harmful to human health or the environment to prevent the release of any substance into the environment. Suppliers must equip themselves with tools to prevent and reduce accidental spills and leaks into the environment.
In addition, the new sustainability survey sent to suppliers as part of the "light" assessment requires suppliers to provide information on initiatives to reduce impacts on water, and to share documentation on environmental policies and/or certifications.

DOWNSTREAM VALUE CHAIN

Putting its policy into practice, the group is working to improve the water efficiency of its products that consume water during operation, as well as other aspects of circularity. In line with its four-year sustainability plans, between 2024 and 2025, the parent conducted a strategic LCA on its isothermal humidifiers with the aim of obtaining EPD certification, in order to understand the environmental impacts, including water consumption, of these products and to be able to subsequently improve their circularity and efficiency (see chapter E5 - Resource use and circular economy for more information on the LCA studies performed and planned).
In addition, the planned technical and economic feasibility study into the group's humidifier water efficiency projects commenced in 2025, to be followed by a technical development phase between 2026 and 2028, which will focus on the refinement of new algorithms for product operation. The financial resources for the implementation of the project's technical development phase will be defined after the completion of the feasibility study.

WATER-RELATED FUTURE TARGETS[132]

ESRS E3-3

The following table summarises the voluntary water-related targets defined by the group in its 2025-2028 sustainability plan, in line with the principles and commitments contained in the policy: Monitoring the progress on these targets makes it possible to assess the implementation and effectiveness of the planned initiatives:

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

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

WATER MANAGEMENT TARGETS

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes[133]
Have 60% of the group's product categories assessed through LCAs by 2028, including one or more assessments of the isothermal and adiabatic humidifier ranges.	% of product categories assessed through LCAs	2023 | 8%	2025 | 38%[134]	Conducting product-specific LCAs makes it possible to obtain fundamental information on the various environmental impacts of products throughout their life cycle, including the water consumption required for their operation, in order to make informed strategic decisions to reduce this environmental impact.
Have a water efficiency of isothermal humidifiers of over 90% by 2028.	water efficiency %	2024 | 70%[135]	2025 | 70%	Improving the efficiency of humidifiers aims to reduce the water consumption resulting from the use of Carel products.

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

[134] The target follows the defined plan, with a total of five categories covered to 2025. In 2024, this percentage was around 15%.

[135] The baseline value for the target, equal to 85% in 2024, was recalculated based on more in-depth, detailed studies on the current water efficiency of the isothermal humidifiers, which were not available when the target was defined. Changing the baseline value does not affect the defined target value. Progress is in line with what was originally defined.

E5: RESOURCE USE AND CIRCULAR ECONOMY

COMMITMENT POLICIES

ESRS E5-1

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

The group's policy commitments also extend to the supply chain. Carel shares its suppliers' code of conduct, requiring all suppliers to put in place initiatives to improve their environmental performance, such as waste reuse, recycling and reduction programmes. Specifically, suppliers must commit to using the resources necessary for their production cycle responsibly, through production processes that aim to reduce the waste of natural resources and that promote their recycling and reuse, as well as procuring their supplies locally as far as possible. Suppliers are encouraged to cooperate by minimising waste production through practices such as the reuse and recycling of materials and the promotion of the circular economy, as well as to responsibly manage the waste they produce. In addition, suppliers are required to identify, label and manage chemicals, wastes and other materials hazardous to humans or the environment, ensuring their safe handling, transport, storage, use, recycling or reuse and disposal, in compliance with applicable regulations. Finally, the group invites its suppliers to actively participate in training, communication and development initiatives it organises about opportunities to improve their environmental performance. In addition, the new sustainability survey sent to suppliers in 2025 as part of the "light" assessment (see chapter G1 – Business conduct for additional information), requires suppliers to provide information on initiatives to reduce impacts on natural resources, and to share documentation on environmental policies and/or certifications.

RESOURCE INFLOWS AND CIRCULAR ECONOMY

ESRS E5-2, ESRS E5-4

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

In 2025, Carel purchased a total of about 14,027.70 tonnes of materials, semi-finished products and finished goods for its production activities. Of these - considering all materials and products for which no detailed data are available to be non-organic and non-recycled- about 2,440 tonnes (17.4%) are considered to be from biological origin (e.g., paper and cardboard, wood, cotton) and about 11,587 tonnes are technical materialstechnical. In addition, some 1,031 tonnes consist of recycled secondary components (7.4%) and 1,978 tonnes of biological materials sustainably sourced (14.1%).[136] The group does not use secondary intermediate products nor secondary materials for its products.There is no overlap between the categories of reused and recycled materials in the inflow of materials.

The bulk of the biological materials purchased by the group is packaging, amounting to about 2,490 tonnes in 2025. In addition, in order to assess the impact of Carel product packaging and identify the areas for improvement to guarantee certified low-impact products, the characteristics of the packaging purchased by the production sites (when detailed primary data are available) were again analysed in 2025. The analysis was extended to the following production sites in 2025: Carel Industries, Carel Electronic, Carel South America, Carel USA, Carel Adriatic, Erginia, Recuperator, Klingenburg International, Hygromatik and Arion. Analysing the packaging inflows shows that the largest contribution by weight is the paper and cardboard category (53.9% of the total packaging purchased), which consists on average of 74.1% recycled material and 74.9% material of certified origin. The second largest material by weight is wood (44.0% of the total packaging purchased), which is 88.8% of certified origin and 2.4% of recycled content. Finally, plastic, which is a residual element as it accounts for around 2.0% by weight of the total packaging, has an average 17.6% recycled component. Overall, this year's analysis again confirmed the minimal proportion of plastic compared to other packaging, in line with the group's goal of its gradual reduction, particularly in the packaging solutions used by Carel Industries and Carel Adriatic.

In line with the policy's objective to include environmental protection aspects in product design and development, assessing the potential impact throughout the entire life cycle, the group has scheduled and is performing in-depth LCAs to progressively analyse the major product categories marketed. The LCAs give the group an understanding of the different impacts generated by products throughout their life cycle, including those arising from the consumption of raw materials, in order to then make informed decisions aimed at reducing these impacts. LCAs are an important tool, as they allow the environmental footprint of a product to be analysed and quantified, from the phase of extraction of raw materials to its disposal or recycling, considering all intermediate stages, such as production, distribution and use. This type of assessment is essential to guide the group's actions aimed at reducing the environmental impact of products, including decisions aligned with circular economy principles.

The process commenced in 2022, with an LCA conducted on an inverter - one of Carel's main products - in order to assess, in particular, the potential environmental benefits and impacts of this inverter using a cradle-to-grave approach. The LCA covered aspects relating to the extraction of raw materials, the production of the various electrical components, the production phase of the inverter and the use and end-of-life phases. Between the end of 2024 and early 2025, the group commenced two new LCAs, covering two ranges of isothermal humidifiers and a heat recovery unit. LCAs were performed on two more products in 2025: a major electronic control device and a solenoid valve representative of the entire category. As formalised within the sustainability plan, LCAs will be progressively extended (to include adiabatic humidifiers, electric panels and dampers) with the aim of obtaining a general mapping of the environmental impacts of the group's main product categories. These assessments will identify critical areas in the entire life cycle of products, not only in relation to GHG emissions generated, but also impacts in terms of pollution, water consumption and waste generation and management. The objective of such assessments is to obtain a baseline value for ecodesign and comparison with subsequent ranges. In order to complete the LCAs, in addition to the internal resources dedicated to the project, Carel has already earmarked OpEx of €45 thousand in 2024, €22.4 thousand[137] in 2025 and plans to spend additional OpEx of around €95 thousand in the next two years. The annual CapEx and OpEx will be included in the budgeting process for each year of the plan.

In its environmental policy, the group states its commitment to pursuing alternative solutions to the use of virgin resources, enabling the use of recycled materials and materials from renewable sources, while respecting the essential requirements of quality and safety. This is confirmed by several initiatives implemented and planned that show the efforts made in this direction. As provided for in the sustainability plan, the parent commenced a feasibility study in 2025 to assess the use of recycled material in products and packaging. This study will continue into 2026 and is aimed at mapping and reorganising the baseline data and selecting key KPIs, for which specific targets will then be identified, such as the increase of

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

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

recycled material used in the following macro-categories: plastics, aluminium and packaging. This initiative, combined with the LCAs carried out and planned at Carel Industries, Enginia and Recuperator, forms the basis of ecodesign, i.e., an approach to product design and development that takes into account various elements such as the environmental impact of the materials used and the recyclability and repairability of products in order to extend their useful life. The analysis will also make it possible to develop internal rates of the disassembly, repairability and remanufacturability of products, to be used as a basis for the continuous improvement of their environmental impact, measurable through the definition of specific targets. The parent has estimated OpEx of €50 thousand to complete the feasibility study in 2026, which will be included in the budgeting process for each year of the plan.

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

FUTURE TARGETS RELATED TO RESOURCE INFLOWS

ESRS E5-3

CIRCULAR ECONOMY-RELATED TARGETS[138]

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Have 60% of the group's product categories assessed through LCAs by 2028.[139]	% of product categories subjected to an LCA	2023 | 8%	38%[140]	Conducting product-specific LCAs makes it possible to obtain fundamental information on the various environmental impacts of products throughout their life cycle, including GHG emissions from the raw materials/semi-finished products used and the waste generated, in order to make informed strategic decisions to reduce these environmental impacts through ecodesign and the use of alternative materials.

WASTE MANAGEMENT

ESRS E5-1, ESRS E5-2, ESRS E5-5

The group's environmental policy sets out its commitment to the reduction of waste and scrap from production activities in order to help keep resources within the system as long as possible, and promotes product design that aims for high rates of reparability, disassembly and recycling at end-of-life. Carel Industries ensures proper waste management as part of its environmental management system, from waste generated at the production departments or offices to storage at the sites' temporary storage facilities and disposal at external storage and treatment facilities, in order to comply with the requirements of legislation and encourage high rates of recycling. Carel has therefore included environmental management systems in its policy, as a key tool to achieve maximum efficiency in waste reduction, management and disposal.

Once a year, the parent collects and analyses data on waste produced by the group's production sites and warehouses[141] in order to calculate the impact of waste management. It does this by contacting each site to obtain data on:

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

For the entire boundary considered, information on the types and quantities of waste generated is collected directly from company management systems or data storage systems, while data on end-of-life destination and treatment are requested directly from the waste management companies to which the waste is consigned.[142]

In 2025, the group generated a total of about 2,594 tonnes of waste. Of this, 2,314 tonnes of waste was sent for recycling, while 280 tonnes (less than 11% of the total) was directed to other disposal operations.

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

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

[140] The target follows the defined plan, with a total of five categories covered to 2025. In 2024, this percentage was around 15%.

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

[142] Where the waste management companies did not provide information about waste managed in 2025, the 2024 recovery/recycling/disposal rates were used.

WASTE GENERATED AND TYPE OF DISPOSAL (TONNE)

	2025					2024				
Type	**Open loop**	**Closed loop**	**Combustion**	**Landfill**	**Total**	**Open loop**	**Closed loop**	**Combustion**	**Landfill**	**Total**
Paper and cardboard	283.53	388.20	31.14	0.00	702.87	301.43	78.36	2.04	0.00	381.83
Plastic	73.41	34.86	57.13	0.50	165.90	141.91	182.06	30.93	0.00	354.90
Metal	679.47	413.92	0.07	4.14	1,097.60	589.22	388.32	176.6	34.61	1,012.33
Wood	197.28	83.73	66.13	0.06	347.20	106.82	147.85	0.00	0.00	254.67
Other (including liquids)	8.20	120.72	36.71	71.89	237.51	47.01	77.92	62.55	7.83	195.30
Electr. equipment/batteries	29.97	0.52	11.70	0.99	43.19	21.39	4.12	7.97	1.96	35.44
Total	**1,271.85**	**1,041.94**	**202.89**	**77.58**	**2,594.26**	**1,207.79**	**878.63**	**103.67**	**44.40**	**2,234.48**

The composition of waste is directly related to the types of products produced in the various sites. The main categories are metal (ferrous and non-ferrous, 42% of the total); paper and cardboard (27%), plastic (6%) and wood (13%), the latter being mostly related to packaging waste from incoming materials. These categories account for almost 90% of the total waste. They are followed (in smaller percentages) by special waste related to specific activities (e.g., construction materials, oils, etc.); mixed waste (such as mixed or multi-layered packaging); washing or process water; batteries and WEEE of various sizes (from small components and cables to complete machinery).

The analysis also showed that just over 3% (about 86 tonnes) of the total waste generated was hazardous waste, much of which is nevertheless directed to recycling[143].

TABLE XX: WASTE GENERATED (TONNE)

	2025	**2024**
Waste diverted from disposal		
Total waste	2,313.79	2,086.41
Hazardous waste	70.08	40.60
Preparation for reuse	0.00	0.00
Recycling	70.08	40.60
Other recovery operations	0.00	0.00
Non-hazardous waste	2,243.72	2,045.81
Preparation for reuse	0.00	0.00
Recycling	2,243.72	2,045.81
Other recovery operations	0.00	0.00
Waste directed to disposal		
Total waste	280.47	148.07
Hazardous waste	15.79	58.61
Incineration	13.26	55.71
Landfill	2.53	2.90
Other disposal operations	0.00	0.00
Non-hazardous waste	264.68	89.46
Incineration	189.63	47.96
Landfill	75.05	41.50
Other disposal operations	0.00	0.00

The trend from 2024 to 2025 shows several significant changes, including a reduction in the share of plastic and a corresponding increase in the share of paper and cardboard, as well as a higher percentage

[143] No radioactive waste was generated in the two-year period.

of hazardous waste diverted from disposal. These deviations are mainly due to changes in the mix of products sold, which are reflected in the various categories of waste generated. Other variables that may impact waste generation include extraordinary and non-recurring activities, such as construction works or the disposal of bulky items (machinery, furniture, etc.).

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

In 2025, the group continued the project launched in 2022 aimed at improving the separation of plastic waste coming from the production activities. Thanks to the separation of plastic waste into three separate streams, it was possible to improve the process for some particular plastics (such as reels and sticks) and reduce the proportion of mixed packaging at the parent. The rate of waste sorting was unchanged from the previous year, with the plastic component accounting for 34% and the mixed component 66% of total packaging. Reels and sticks account for 7% of the plastic component. The process introduced by the parent for the sorting of plastics is part of the strengthening of the waste management processes, with the identification of specific areas such as collection points and temporary storage areas and by using separate waste bins for the various types of waste, in order to avoid potential environmental contamination.

The sustainability plan also includes a zero paper project, which aims to significantly reduce different types of paper waste, through various initiatives that will be implemented between 2025 and 2027.

The following activities were completed at the parent in 2025, resulting in savings of more than 1,000 kg of paper during the year:

- reducing the weight of printing paper;
- completely eliminating non-mandatory transport documents for the route from the parent to the Vescovana hub;
- the parent also commenced a feasibility study in 2025 for the implementation of a system which will enable the digitalisation of work orders which are currently managed in paper form. Taking into account any modifications indentified by the feasibility study, the system will then be tested at the parent, before being expanded to Carel Electronic and Carel Adriatic.

New initiatives related to the zero paper project were identified and integrated into the plan during the year. These initiatives, to be implemented at parent in the medium term, include:

- the elimination of paper towelling used by maintenance workers in favour of washable and reusable cloths;
- the replacement of paper hand towels with electric hand dryers;
- the elimination of tray napkins and paper cutlery bags in the company canteen, opting for solutions that guarantee the same standards of hygiene and safety.

The reduction of paper waste resulting from these actions will be monitored by checking purchases of different types of paper and the volumes of paper and cardboard waste.

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

As well as involving the employees, the zero paper initiatives will require OpEx of around €20 thousand to upgrade the courier fleet and the pilot test for the roll-out of the digitised work orders at the parent. It will also require immaterial amounts for the installation of electricity hand dryers and the replacement of paper used for maintenance with washable and reusable cloths. The OpEx will be included in the budgeting process for each year of the plan.

FUTURE TARGETS RELATED TO WASTE MANAGEMENT

ESRS E5-3

WASTE MANAGEMENT TARGETS[144]

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes[145]
Save at least 1,000 kg of paper per year at the parent between 2026 and 2027[146].	Kg of paper saved	2024 | 0	2025 | 1,055[147]	Reducing the use of paper achieves a twofold objective: on the one hand, the reduction of waste generated, and therefore energy consumption and related atmospheric emissions resulting from its management, and on the other hand, avoiding the consumption of natural resources, land use and energy consumption required for paper production.

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

[145] The target refers to the "prevention" level of the waste hierarchy. Given the nature of the reported targets, it is considered not applicable to indicate whether they are based on robust scientific data.

[146] The paper savings are in line with the defined target and were achieved thanks to the initiatives to reduce the weight of printing paper and the elimination of the paper transport documents from the parent to the Vescovana hub.

[147] The paper savings are in line with the defined target and were achieved thanks to the initiatives to reduce the weight of printing paper and the elimination of the paper transport documents from the parent to the Vescovana hub.

S1: OWN WORKFORCE

ESRS S1 SBM-1, ESRS S1-6, ESRS S1-7, ESRS S1-12

Carel's workforce consists of managers, white collar and blue collar workers. In 2025, the group employed a total of 2,709[148] employees, an increase of 4.5% compared to the previous year. This organic growth, which mainly related to personnel in the operations area, is linked to business growth. 34% of the group's employees are female.
The group also avails of non-employees, specifically temporary ones numbering 208 in 2025 (164 in 2024)[149]. They are mainly employed in production and logistics and warehouse activities. The variation in their number is tied to changes in the work load, as a direct consequence of the group's business development.
A geographical breakdown shows that, in line with the previous years, just over half of the employees are employed in Western Europe (53%), approximately 18% in Eastern Europe, Middle East and Africa, roughly 15% in APAC and the remaining 14% in North and South America[150].

EMPLOYEE HEAD COUNT BY GENDER

	2025					2024				
	Female	Male	Other	Not reported	Total	Female	Male	Other	Not reported	Total
Total employees	916	1,793	0	0	**2,709**[151]	872	1,720	0	0	**2,592**

TOTAL NUMBER OF EMPLOYEES BY AGE GROUP

	2025				2024			
	< 30	30 – 50	> 50	Total	< 30	30 – 50	> 50	Total
Number of employees	382	1,531	796	**2,709**	334	1,524	734	**2,592**

EMPLOYEE HEADCOUNT BY COUNTRY[152]

	2025	2024
	Total employees	Total employees
Italy	977	958
China	296	285
Croatia	294	266
United States	278	258

In 2025, 287 employees left the group for a turnover rate of 11% (331 employees left the group in 2024 for a turnover rate of 13%).
In compliance with Italian law, the parent is planning pathways for the inclusion of individuals in particularly vulnerability conditions in the workforce and staff with disabilities.

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

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

[150] The breakdown of employees by geographical area is provided to put the personnel indicators presented in this chapter into context, taking into account the different regulatory frameworks and market conditions of the areas in which the group operates. The percentages shown are calculated considering all group employees.

[151] The total number of employees at 31 December 2025 matches the number in note 27 to the instatement of profit or loss in the consolidated financial statements.

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

Throughout the group, there is a heightened awareness and proactive focus on the importance of including people with these characteristics.

PERCENTAGE OF EMPLOYEES WITH DISABILITIES	2025	2024
Female	1%	1%
Male	1%	1%
Total	**2%**	**2%**

COMMITMENT POLICIES

ESRS S1-1

To formalise its commitment to disseminating a culture based on respect for rights and valuing diversity, while also managing the impacts, risks and opportunities associated with its workforce as a whole, the group has adopted the following policies: Human rights policy, diversity policy, gender equality policy and environmental, occupational health and safety policy to ensure that its practices do not cause or contribute to significant negative impacts on its own workforce. The board of directors is responsible for supervising the implementation of these policies, while the day-to-day responsibility for implementing each of the commitments envisaged by said policies lies with the HR and the HSE Departments. Finally, the Legal & Corporate affairs department and the Supervisory Body (the "SB") are responsible for checking compliance with these commitments.
During the onboarding process, all group companies' employees who use a digitised personnel management solution[153] receive specific e-learning training about these policies, which are also available on the company intranet. Furthermore, business partners and other third parties are informed and asked to comply with these policies through clauses in the general terms and conditions of purchase and sale agreements and in contracts.

HUMAN RIGHTS POLICY

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

- rejection of any form of child labour, forced labour, harassment or discrimination[154];
- promotion and protection of occupational health and safety;
- encouraging the professional development and growth of each employee, through the promotion of principles of equity and inclusion;
- recognition of proper working conditions (including adequate wages and decent working hours) and freedom of association;
- respect for the privacy of personal information.

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

- the United Nations International Bill of Human Rights, including the UN Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights;
- the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO) and related conventions;

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

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

- the European Convention on Human Rights;
- Legislative decree no. 231/2001.

DIVERSITY POLICY

The policy defines the principles and commitments adopted by the parent and its directly and indirectly controlled subsidiaries to respect diversity, inclusion and equal opportunity commitments, helping to create sustainable value through professionalism, legality, morality, dignity and equality. This policy is binding for all employees, managers, collaborators (e.g., consultants, agents) and representatives, employees and collaborators of all the companies belonging to the Carel Group, as well as the main stakeholders, as defined above, including significant suppliers.
In adopting this Policy, the Carel Group is guided by the same regulatory references and international principles on human rights and labour as those stated above with reference to the Human Rights Policy.
The principles adopted by the Group to promote diversity are as follows:

- non-discrimination: the group does not tolerate harassment or insults or any type of discrimination due to racial and ethnic origin, skin colour, sex, sexual orientation, gender identity, disability, age, religion and political opinion;
- equal opportunities: the group promotes the professional development of each employee, inspired by the principles of fairness and equal opportunities in the face of any kind of diversity, it guarantees non-discrimination in all work environments and acts in accordance with the principles of meritocracy;
- inclusion: the group encourages inclusion and integration of individuals, focusing on their personal capabilities, avoiding any form of discrimination based on mental or physical limitations. It does not tolerate any form of implicit or explicit exclusion based on diversity and individual needs[155];
- work-life balance: the group promotes a working environment based on trust, dialogue, mutual respect and well-being, recognising the different needs related to its employees' life stages and agreeing personalised solutions to reconcile work and home life.

GENDER EQUALITY POLICY

In 2024, as part of the broader project to implement a gender equality management system that complies with the UNI/Pdr 125:2022 reference practice, Carel Industries also adopted a gender equality policy, which formalises the parent's focus on issues of diversity, gender equality, female empowerment and equal opportunities. The policy serves as a guide for the continuous improvement of the implemented management system's performance and provides the framework for the definition and review of the related objectives.
Through the policy, management, supported by the Steering Committee on Equal Opportunities, formalises the cultural and organisational changes that involve each person working in the organisation and the company as a whole.
Through its adoption of the gender equality policy, Carel formalises the strategic and operational approach adopted with respect to the following processes:

- recruitment and selection: recruitment policies and plans are adopted to ensure fairness and meritocracy, promoting diversity and providing training on gender equality, bias and stereotypes;
- training and professional development (career management): development and career opportunities are based on responsibility, skills and results, promoting inclusive leadership styles;
- remuneration: the remuneration policy respects the principles of equal opportunities, enhancement of people's skills and professionalism, fairness and non-discrimination;
- parenting: Carel Industries is committed to protecting, supporting and valuing parenthood, with solutions such as reversible part-time, solidarity leave bank and contributions towards creche costs and education;

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

- inclusiveness and work-life balance: Carel is committed to developing an inclusive working environment that fosters diversity, gender equality, female empowerment and protects the psychological and physical well-being of those who work with the group. It also promotes measures to ensure work-life balance with a diversified corporate well-being plan;
- communication and marketing: the parent's language and the entire communication style are constantly focused on respecting and promoting gender equality, valuing diversity and women's empowerment.

Responsibility for the implementation of this policy is entrusted to the gender equality steering committee, which defines its implementation characteristics by drafting the strategic plan.
The Policy has been disseminated to all group employees via a dedicated communication, with the aim of ensuring that it is widely known and shared. The document can also be consulted in the UNIVERSE section of the group's intranet. UNIVERSE showcases Carel's initiatives dedicated to equality, inclusion and equal opportunities. The gender equality policy, together with other company policies, is also shared with new hires during the Compass onboarding programme.

HEALTH, SAFETY, ENVIRONMENTAL AND SUSTAINABILITY POLICY

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

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

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

- the continuous and effective implementation of the health and safety management system, as a tool to ensure safe workplaces and workstations;
- the periodic definition of safety objectives through company plans for their achievement;
- ongoing improvement of its processes to reduce their impact on health and safety in the workplace;
- implementation and maintenance of processes for emergency management and actions to identify, prevent and mitigate risks and impacts on workers' health and safety;
- the promotion of the active involvement of all workers in the reporting of near-misses and unsafe conditions and in the discussion and proposal of improvement actions;
- continuous vigilance in workplaces and of equipment and processes aimed at implementing improvements that strive towards the highest level of compliance with current regulations.

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

INVOLVEMENT OF OWN WORKFORCE

ESRS S1-2, ESRS S1-3

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

Worker involvement is first and foremost ensured through the instrument of collective bargaining in Italy, Sweden, Croatia, Spain, France and Brazil, where the group companies adhere to national or company contracts. In Italy, in addition to national contracts, second-level agreements with local trade union representatives have been stipulated by Carel Industries, Recuperator and Enginia[156]. A company agreement is in place with the workers' representatives in Croatia. Collective bargaining, which aims to reach mutual agreements that are in the best interests of both employees and the group, ensuring a balanced approach to employee well-being and organisational objectives, also fosters a clearer understanding of the views, needs and conditions of the workforce.

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

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

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

WHISTLEBLOWER REPORTING CHANNELS

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

WORKING CONDITIONS AND WORKER WELL-BEING

ESRS S1-4, ESRS S1-6, ESRS S1-8, ESRS S1-10, ESRS S1-15, ESRS S1-16, ESRS S1-17

With full respect for workers' rights and applicable regulations, Carel promotes safe, fair working conditions that respect personal dignity. In addition, in order to compete in an increasingly dynamic labour market and to enhance the best talents, the group is working on initiatives aimed at further improving the offer provided to its employees in terms of remuneration, reward, work-life balance and well-being.

WORKERS' RIGHTS

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

The 2025-2028 sustainability plan's key actions regarding human rights are summarised below:

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

- **Adaptation of the human rights due diligence process to comply with the CSDDD:** this directive requires companies to carry out a sustainability due diligence process on the entire value chain to address negative impacts on human rights and the environment with regard to own operations and the value chain. The planned initiative, to be carried out by 2028 on the companies included in the group's reporting boundary, will entail the adaptation of the due diligence process on the human rights of the own workforce to comply with the new directive. The ultimate goal is to ensure that all business practices meet the highest standards of human rights, contributing to an ethical and responsible working environment.
- **Update of the human rights policy:** Carel plans to update its human rights policy in order to formalise the group's commitment to combating human trafficking, clarify its position on the employment of migrant workers and define measures to remedy any violations. The aim of the update is to make it possible to adapt the policy to the various requests made by stakeholders by taking an explicit stance on certain issues, as well as to further ensure the alignment of Carel's principles with the highest standards of respect for human rights, helping to strengthen the group's stance against unfair labour practices and engender an ethical and responsible working environment. The update of the policy began in 2025 with feasibility studies and benchmarking; the refreshed policy will be rolled out in 2026.

In 2024, one incident of suspected discrimination was reported. After an investigation, it was not determined to have been discrimination and the case was filed. However, anti-harassment awareness training was renewed for the employees of the company concerned. Four reports were received in 2025. One was submitted to the Pennsylvania Human Relations Commission (PHRC), while the other three were received by local HR departments. Two reports related to inappropriate behaviour and disrespectful comments; in both cases, warnings were given and in one case also a suspension. The other two cases involved discrimination reports which are still being investigated.
No further complaints were filed through the established channels and/or at the National Contact Points for OECD Multinational Enterprises.
The incidents recorded in the 2024-2025 two-year period did not entail any outlays for penalties or compensation.
No serious human rights incidents occurred within the group's workforce in 2024 and 2025. As there were no established cases of human rights violations, no penalties were recorded in the 2024-2025 two-year period.

COLLECTIVE BARGAINING AND FREEDOM OF ASSOCIATION

In 2025, the parent renewed the supplementary company agreement (second-level bargaining) for the 2025-2027 three-year period, which increases the availability of leave and flexibility for employees, and continues to focus on the eligibility criteria for parental leave, advances on post-employment benefits, contributions to the cost of crèches and pre-schools and to school costs and a supplement to allowances for optional maternity leave. The full tax exemption on the entire performance bonus paid to employees was also maintained, which is an additional economic benefit for workers in accordance with current regulations. After negotiations that took place during the second part of 2023, a company agreement geared toward offering greater flexibility and improved treatment compared to the collective bargaining agreement was renewed in early 2024, including at Recuperator, and at Enginia in March 2025. The collective incentives, benefits and well-being initiatives included in this agreement apply to both the permanent and temporary employees. Monitoring the actual use of the available measures makes it possible to assess their actual impact on the workforce and thus the initiative's ability to generate tangible benefits.

In 2025, more than 56% of the group's employees were covered by collective bargaining agreements (57% in 2024), while the remainder are hired with company or individual contracts in line with the local regulations and market practices, the group's code of ethics and its human rights, diversity and health, safety, environmental and sustainability policies.

COVERAGE RATE OF COLLECTIVE BARGAINING AND SOCIAL DIALOGUE[157]

	2025		2024	
Coverage rate	**Collective bargaining agreements**	**Social dialogue[158]**	**Collective bargaining agreements**	**Social dialogue**
0-19%				Croatia
20-39%		Croatia		
40-59%				
60-79%				
80-100%	Italy, Croatia	Italy	Italy, Croatia	Italy

Carel Adriatic and the trade unions signed an annex to the collective agreement, which came into force on 1 July 2025 and introduces various rights and additional benefits aimed at improving employees' quality of life, including greater availability of leave and expanded corporate well-being benefits. The annex confirms the group company's long-term commitment to fostering a positive and inclusive work environment, emphasising that employees are the core of the organisation and that every investment in them is an investment in shared success.

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

EMPLOYMENT STABILITY AND WELL-BEING

Carel prioritises the establishment of stable, long-term working relationships, thus fostering a secure professional environment, as confirmed by the high percentage of employees with permanent contracts (approximately 84%), stable over the three-year period.

TOTAL NUMBER OF EMPLOYEES BY CONTRACT TYPE, BROKEN DOWN BY GENDER

	2025					2024				
	Female	**Male**	**Other**	**Not reported**	**Total**	**Female**	**Male**	**Other**	**Not reported**	**Total**
Number of employees	**916**	**1,793**	**0**	**0**	**2,709**	872	1,720	0	0	**2,592**
Number of permanent employees	740	1,524	0	0	**2,264**	723	1,505	0	0	**2,228**
Number of temporary employees	176	269	0	0	**445**	149	215	0	0	**364**
Number of non-guaranteed hours employees	0	0	0	0	**0**	0	0	0	0	**0**

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

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

TOTAL NUMBER OF EMPLOYEES BY CONTRACT TYPE, BROKEN DOWN BY REGION

	2025				2024			
	Number of employees	Number of permanent employees	Number of temporary employees	Number of non-guaranteed hours employees	Number of employees	Number of permanent employees	Number of temporary employees	Number of non-guaranteed hours employees
Western Europe	**1,431**	1,375	56	0	**1,421**	1,361	60	0
Rest of Europe	**497**	374	123	0	**425**	354	71	0
North America	**307**	307	0	0	**285**	285	0	0
South America	**64**	64	0	0	**63**	63	0	0
Asia North Pacific	**327**	83	244	0	**313**	80	233	0
Asia South Pacific	**83**	61	22	0	**85**	85	0	0

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

In order to provide greater flexibility, in 2025, Carel agreed part-time contracts for 3% of the total workforce, in line with the previous year, the majority of whom were women.

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

NUMBER OF EMPLOYEES ENTITLED TO AND THAT HAVE TAKEN FAMILY-RELATED LEAVE

	2025		
	Female	Male	Total
% of employees entitled to family-related leave	93%	88%	**90%**
% of entitled employees that have taken family-related leave	12%	9%	**10%**

The well-being of its employees is fundamental for Carel. Therefore, the group's 2025-2028 sustainability plan envisages the definition and subsequent implementation of a series of initiatives to improve employees' working conditions and well-being, to be rolled out over the period of the plan. The initiatives will be designed to meet the specific needs identified each year.
Several initiatives to foster work-life balance and flexibility and to protect employees' mental health and physical well-being were rolled out by the various group companies.
As regards work-life balance and flexibility, Klingerburg Deutschland implemented more flexible working hours, while Carel Electronics introduced flexible working hours for its R&D personnel following an engagement survey and a workshop on improving working conditions. Carel Australia completed a project to improve work-life balance and working conditions and surveyed the satisfaction of its employees, which led to the definition of an improvement plan.
In the mental health area, Carel Industries offered its employees a year's access to the online psychology service, "Uno Bravo" (access will continue until 2026) and offered two webinars - one on parenting and

one on female empowerment. HygroMatik organised a workshop on mental health and stress management.
As regards physical well-being, sustainable mobility and prevention, HygroMatik continued the bike fitting project commenced in 2024, allocating bicycles, carrying out an ergonomic inspection of the bike and ensuring employees have the correct posture and use the bike in the most efficient way. It also organised two online workshops: the first on cardiovascular health, which included the encouragement of muscular exercises, and the second on the prevention of vision disorders linked to the use of screens. To protect eye health, Alfaco has made covering the cost of glasses for people that use screens a permanent benefit. It also expanded the basic healthcare package and organised training activities to improve employee health. CAREL Electronics installed a company badminton court to promote physical activity and interpersonal relationships, while Klingerburg Deutschland signed agreements with local gyms. Finally, Kiona held a summer team building event to strengthen cohesion among its employees.
Overall, the group companies incurred OpEx of approximately €23 thousand[159] to implement these initiatives.
The 2025-2028 sustainability plan also envisages that Carel Industries will conduct a feasibility study to redesign the main car park, with the aim of transforming it into a multifunctional area to include green spaces. The project aims to improve well-being and inclusiveness by providing areas dedicated to the specific needs of all, including places reserved for persons with disabilities and pregnant women. Plans are also in place to introduce green zones and breakout areas at the parent's buildings in order to further improve the well-being of all employees. The parent has budgeted CapEx of €730 thousand for these initiatives, which will be included in the budgeting process for each year of the plan.

ADEQUATE AND COMPETITIVE WAGES

The group is committed to providing adequate wages by guaranteeing at least the current national minimum wage, as described in the group's human rights policy. All group employees receive a wage above or in line with the national minimum wage and, therefore, are paid an adequate wage, in line with applicable benchmarks.
The remuneration package offered to employees includes a wide range of benefits, which vary based on their roles, usually without distinguishing between full-time employees with permanent contracts and part-time employees and/or employees with temporary contracts. Specifically, the group sites offer a range of benefits aimed at improving the well-being of employees in their working and private lives. The main benefits include supplementary policies, healthcare, disability coverage, extra parental leave in addition to that provided for by the law, company cars and other well-being systems. Monitoring the actual use of the available measures makes it possible to assess their actual impact on the workforce and thus the initiative's ability to generate tangible benefits.
In order to develop competitive remuneration policies, Carel carries out structured checks on its own remuneration practices against the reference market, especially for its key resources, assisted by consulting companies that specialise in remuneration analysis and benchmarking and in actuarial and pension services. Pursuing the twofold goal of linking the remuneration of key resources to the group's performance and offering employees a rewarding remuneration package, the group's remuneration policy is underpinned by the following principles: equality, diversity and inclusion, sustainability, competitiveness and transparency.
The remuneration policy for the positions with the most responsibility includes pegging part of their remuneration to achievement of performance goals that are set beforehand via an annual management by objectives (MBO) incentive and, for senior management or key resources, a long-term incentive plan (LTI). The group uses short-term incentive plans (individual and collective) not only to align employee performance with the achievement of strategic goals, but also to increase employee motivation and involvement. In order to share the group's commitment set out in the Driven by the Future project and motivate engagement in the path to sustainable development, the remuneration packages of senior management and key resources are pegged both to performance targets linked to operational management and to sustainable development targets, in both the short-term (MBO) and long-term (LTI) incentive systems.
The group monitors the adoption of incentive tools and the consistency with the remuneration market to verify the effectiveness of its actions in this respect.

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[159] This expenditure is included in the balances shown in note 25 to the statement of profit or loss in the consolidated financial statements.

As far as total remuneration is concerned, the ratio of the annual total remuneration of the highest paid individual to the median annual total remuneration for all group employees (excluding the highest paid individual) is 34:1 in 2025 (26:1 in 2024). The calculation includes the target fixed and variable salary items (LTI and MBO) of the employees in force at 31 December 2025, while for the individual with the highest remuneration, the variables were considered at the actual value.

EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

ESRS S1-4, ESRS S1-5, ESRS S1-9, ESRS S1-16

As stated in the policies, and confirmed by the implementation of dedicated processes, Carel places great importance on equal treatment and enhancing diversity. The group is committed to promoting awareness-raising initiatives on diversity, inclusion and human rights, strengthening the prevention of discrimination and fostering equal treatment for all employees. This includes the dedicated training courses envisaged in the 2025-2028 sustainability plan, in which the group has formalised its objective of increasing the proportion of employees involved in diversity, inclusion and human rights training activities via a specific training plan which will be monitored annually through 2028.

For group company management with access to a learning management system, the training commenced in 2024 continued in 2025, dedicated to diversity issues and deep diving aspects such as age diversity, digital natives, reverse mentoring and developing gender diversity.

Managers of the parent also participated in the "Inclusive Leadership - Gender and Generational Bias" training initiative aimed at enhancing inclusive leadership: some managers completed the course in 2025, while others are scheduled to participate in 2026.

The parent also activated a training course in 2025 for all group employees on its zero tolerance of harassment.

The aim is to raise employee awareness of the value of diversity, not only in terms of gender, but also cultural and generational diversity, in order to create an inclusive working environment and thus avoid incidents of discrimination. Employees' active participation in these events and training courses and their constant monitoring allows the group to assess their effectiveness.

A total of 2,274 hours of training on ESG[160] topics were provided by the group in 2025; this includes courses on diversity and inclusion for new employees, delivered via the HCM platform.

GENDER EQUALITY MANAGEMENT SYSTEM

In 2024, the parent introduced a gender equality management system certified in accordance with UNI/PdR 125:2022.

The certification process involved demonstrating compliance with 31 KPIs (qualitative and quantitative) relating to the following six assessment areas that characterise an inclusive and gender-equal company: culture and strategy, governance, HR processes, opportunities for growth and the inclusion of women, gender pay equity and parental protection and work-life balance. Each indicator is allocated a score which is weighted for each assessment area. A minimum score of 60% is required in order to obtain the gender equality management system certification.

To support the implementation of the management system, the parent set up a gender equality steering committee, composed of professionals from across the organisation with the skills needed to support the certification-related initiatives.

It also carried out a gender violence and gender equality risk assessment in late 2024, with the aim of gathering workers' perceptions on the issue and assessing their exposure to the risk of violence and inequality. The results of this assessment will help guide company policies and improve working conditions, promoting a more inclusive and respectful environment.

Two group policies were defined during this assessment: a gender equality policy and a parenting policy

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

[160] Carel promotes training activities to raise awareness of ESG issues, as the group's commitment to sustainability is also realised through the day-to-day actions of its employees. The figure for ESG training hours makes it possible to quantify the extent of these awareness-raising initiatives.

The certification is valid for three years from the date of issue and is subject to annual monitoring by a certification body, through maintenance audits to check the continuous and correct application of gender equality policies over time. The 2025 audit showed an improvement in the score, confirming the group's progress in this area.
At group level, women account for 34% of the workforce in 2025, in line with 2024. Specifically, women make up 11% of senior management (nine women, 70 men), compared to 89% of men (six women, 74 men in 2024, 8% and 92% respectively). In Italy, the definition of management (or top management) applies to employees hired under management contracts, in addition to individuals serving as managing directors or chief executive officers of a group company and members of the board of directors of a group company. The data confirm the difficulty of employing women in managerial positions and consequently the need to continue with the long-term commitment to a gender balance in managerial positions.

EQUAL PAY

Carel's remuneration policy respects the principles of equal opportunities, enhancement of people's skills and professionalism, equity and non-discrimination. Remuneration interventions, incentive processes and short-term and long-term incentive systems are pegged to the employees' recognition of responsibilities, results achieved and quality of their professional contribution, taking into account the context and applicable market references.
The focus on equity is also demonstrated by Carel's commitment to reducing the gender pay-gap: in 2025, the gender pay gap was 44% (41% in 2024).
Carel also analysed this gap by country. In European countries, where there has been more of a focus on these issues, the disparity is less pronounced.

GENDER PAY GAP BY COUNTRY[161]

Country	2025	2024
China	38%	46%
Croatia	15%	14%
Germany	9%	13%
Italy	25%	26%
United States	43%	42%

A further analysis looked at the gender pay-gap by employee category; the results show that the differentials are more pronounced for the management category, where female representation is numerically lower.
The figure is calculated on the total group reporting boundary taking into account target fixed and variable remuneration (MBO and LTI) and hourly averages of employees.

GENDER PAY GAP PERCENTAGE BY EMPLOYEE CATEGORY

Employee category	2025	2024
Managers	46%	41%
White collars	30%	26%
Blue collars	24%	27%

This disparity is mainly due to the low rate of women in Carel's sector. This is reflected in the lower percentage of women, in particular white collar workers. In addition, there is considerable difficulty in finding female engineers or candidates with STEM qualifications and a limited number of female candidates to fill managerial positions.
In order to reduce this gap, Carel is committed to increasing the proportion of female hires and encouraging the presence of women in middle and top management positions (e.g., via attraction policies including significant flexibility options and initiatives supporting parenthood). As described in other sections of this statement, workforce development projects are underway for group employees.

FUTURE INITIATIVES AND TARGETS FOR EQUAL TREATMENT AND OPPORTUNITIES FOR ALL

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

[161] Figures are provided for the main countries in which the group operates with 50 or more employees, equal to at least 10% of the total employees.

- **Adaptation to the EU Pay Transparency Directive:** This directive aims to prevent wage discrimination based on gender, ethnic origin, sexual orientation, disability, age, religion and political opinions. Carel plans to introduce specific initiatives to ensure compliance with the requirements of the directive by 2026, when the directive will be transposed. Implementation of the initiatives and the related financial resources will depend on when and how the directive is transposed in the various European countries where the group operates. In 2025, in accordance with the steps envisaged for the year, mapping at the European production sites was extended using the job evaluation methodology. OpEx[162] of €10 thousand was incurred for this activity (external consultancy costs).
- **Drafting of a group wage policy:** in order to strengthen its commitment to preventing wage discrimination practices and to create a fair working environment, Carel plans to draft a group wage policy by 2028.
- **Inclusion of persons in vulnerable conditions in the workforce:** the group plans to include people in vulnerable situations in the operating areas over the next few years. This initiative aims to promote labour inclusion, enriching business dynamics with greater diversity and contributing to the strengthening of the social fabric of local communities.

TARGETS TO INCREASE EQUAL TREATMENT

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Increase the number of group employees covered by the basic digitised HCM system for basic HR management[163] by 20% by 2028.	No. of employees covered by the basic digitised HCM system.	2024 | 1,379	2025 | 1,704[164]	Adoption of a digitised system optimises the administration of personnel management processes, facilitating the expansion and improvement of training and development activities for employees and helping to prevent discrimination in access to such opportunities.
Double the number of group employees covered by the advanced[165] digitised HCM system for HR management by 2028.	No. of employees covered by the advanced digitised HCM system.	2024 | 520	2025 | 886[166]	

TRAINING AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

ESRS S1-4, ESRS S1-5, ESRS S1-13

Given the technical nature of Carel's business, in 2015, the company set up the Knowledge centre, an organisational unit to monitor and develop the technical and application skills of its employees, with a particular focus on sales and technical support employees. The Knowledge centre coordinates skills mapping at group level and assists with the delivery of training both at the parent's office in Italy and at the Chinese and US subsidiaries. As mentioned in the previous paragraph, Carel is expanding the digitisation and standardisation of HR processes, including the management of e-learning.
The group confirmed its commitment to training its employees (who can access the online Learning management system) on anti-corruption issues through a specific course which is delivered to all new hires (white collars and managers). Reference should be made to chapter G1 - Business conduct for further information.

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162 This expenditure is included in the balances shown in note 25 to the statement of profit or loss in the consolidated financial statements.

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

164 During 2025, the system was implemented at Senva. Although the impact on progress towards the target of the inclusion of this company is limited, the initiative is the first step in the structured roll-out of the tool.

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

166 Two important steps were taken in 2025: i) the digitisation of the new performance development process, which will allow for a more advanced and effective use of the system in the coming years; ii) the digitisation of the off-boarding process at the group's European companies, which has already had a significant impact on progress towards the target.

A total of 41,391 training hours were provided in 2025[167].

AVERAGE NUMBER OF TRAINING HOURS PER EMPLOYEE						
	2025			2024		
	Male	Female	Total	Male	Female	Total
Average number of training hours per employee	17	13	**15**	18	13	**16**

HARD AND SOFT SKILLS TRAINING

The initial onboarding process for the parent's new recruits called "Carel Compass" continued in 2025. This course consists of four half-days and is intended to facilitate the onboarding of new resources at the parent, accelerating their understanding of its context, its culture and main processes, as well as encouraging networking and getting to know key personnel. The various topics covered include Carel's history, business, product portfolio and strategy. Furthermore, special attention is also given to the Driven by the Future sustainability plan. Launched in 2023, around 165 white collar workers participated in the course, including 30 in 2025.

The three-year "Boost Camp" project aimed at young (under 30) white collar new hires at the parent continued in 2025. It was rolled out in 2023 and is aimed at developing soft skills useful for improving performance, such as time & priority management, public speaking, cross-cultural management, project management and problem solving. The aim of this project is to consolidate Carel's image as a particularly attractive company for the younger population and enhance the skills of under-30s already working at the group. It also increases the retention rate of young talents in the company. Between 2024 and 2025, 54 new recruits[168] were involved. Participation and satisfaction with the project are monitored through feedback questionnaires, which allow for continuous improvement of the activities offered over the three-year period. The project will continue in 2026 with further training activities, contributing positively to the professional development and onboarding of young employees. For this activity, the group estimated OpEx of about €20 thousand a year to purchase the training services, which will be included in the budgeting process for each year of the plan.

The Lean Academy is another distinctive feature of training at Carel and continued in 2025. This is an online training path available to all those with access to the parent's Learning Management System (LMS), which promotes Lean principles and a "lean" philosophy, which have always been considered a strategic asset for the growth of the group and the business. The Lean Academy is based on four levels called belts based on the classic structure of Lean Six Sigma courses. The goal is to create a training pathway to share a reference framework for aspects related to the ongoing improvement and adaptability of the business from an employee development standpoint. To date, the "White Belt" and "Yellow Belt" paths have been activated.

Finally, following the pilot commenced in 2024, the LinkedIn Learning initiative continued in 2025, involving a further around 300 users in different group companies[169] in a project which will end in February 2027, offering technical training and content to strengthen soft skills. The initiative, involving several geographical regions, provided around 1,738 additional training hours, further promoting the skills development of the employees involved around the world[170]. The initiative will continue in the coming years, with continuous monitoring of the training hours provided per user. The group estimated OpEx of about €55 thousand in 2026 and 2027 to purchase the LinkedIn Learning platform, which will be included in the budgeting process for each year of the plan.

Consistent with the opportunities identified in the double materiality assessment, the training initiatives have contributed to increasing the group's competitiveness and innovation and talent attraction through investments aimed at creating a healthy and motivating work environment.

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[167] The total number of training hours provided shows the overall extent of the group's commitment to employee training.

[168] The number of participants indicates the level of involvement in the initiative, showing the scope of the project, which is considered of particular relevance.

[169] Carel Electronic, Klingenburg DE, Carel Adriatic, Klingenburg PL, Carel UK, Carel Deutschland, Carel Ibérica, Carel Nordic, Carel Middle East, Carel France, Carel Kazakhstan, Carel Japan, Carel Asia, Carel Industries and Eurotec.

[170] The total training hours indicate the level of involvement in the initiative, showing the scope of the project, which is considered of particular relevance.

PROFESSIONAL DEVELOPMENT OF EMPLOYEES

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

In November 2025, the new performance development process commenced at the parent. It is scheduled for completion in February 2026, to be followed by the group-wide roll-out in the 2026-2027 two-year period. The process aims to monitor employee performance in a more structured way, not only to measure results, but to stimulate development, growth and cultural coherence. Based on a structured dialogue between the employee and their superior, the process pursues three main objectives: clarify expectations, support professional growth and promote continuous improvement. The process consists of three stages: the employee's self-assessment, the manager's evaluation and structured feedback between the parties.

The "Open Day & PATH Finder" project continued in 2025. It aims to raise employees' awareness of the group's various departments and, by organising events, to showcase vacant positions, sponsoring internal mobility and offering employees opportunities for growth in roles outside their departments. In 2025, the parent organised 11 PATH Finder events open to all its white collar employees. Furthermore, employees can always view the current job openings on the group's intranet page[171]. This project will continue in 2026, with further events planned to maintain high engagement and offer new possibilities for professional development. In addition, the internal job posting process will be formalised in order to ensure equal opportunities for employees to grow.

EMPLOYEES WHO TOOK PART IN PERIODIC PERFORMANCE REVIEWS BY GENDER

	2025		
	Female	**Male**	**Total**
% of employees who took part in periodic performance reviews	39%	42%	**41%**

FUTURE TARGETS FOR THE TRAINING AND PROFESSIONAL DEVELOPMENT OF EMPLOYEES

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

TRAINING AND SKILLS DEVELOPMENT TARGETS

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Expand the number of group employees involved in the performance review process by 30% by 2028.	Number of employees covered by the performance review process	2024 | 785	2025 | 1,069	Extending the performance review process to a larger number of employees makes it possible to enhance internal resources, offering opportunities for professional development and recognition, in line with the commitment stated in the policy to encourage the development and professional growth of the group's resources. This helps reduce the risk of the group losing talent due to a perceived lack of professional development, thereby improving retention levels.

[171] The number of events organised shows how often the initiative was implemented, which was considered to be of particular relevance.

Increase the total number of training hours provided at group companies by 2% a year through 2028.	Number of hours of training provided	2024 | 42,112	2025 | 41,391[172]	Increasing the number of training hours allows the positive impact of resources' skills development programmes to be broadened, improving their hard and soft skills, and thus creating more opportunities for professional growth. This investment also represents the group's commitment to enhancing the value of its resources, fostering a more stimulating working environment, and consequently also reducing the risk of losing talent due to a perceived lack of skills development prospects.

[172] The non-achievement of the target was influenced by two main factors: a less favourable business trend than in previous years, which required cost containment measures, particularly in the APAC region, and the e-learning pathways on ESG and Lean topics were mainly provided to new employees, as they had involved the entire workforce in 2024.

OCCUPATIONAL HEALTH AND SAFETY

ESRS S1-2, ESRS S1-4, ESRS S1-5, ESRS S1-14

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

Aware of the importance of a structured approach as per the management systems, some of the group's production sites have been certified in accordance with ISO 45001:2018. Overall, production sites that have implemented a certified health and safety management system make up about 38% of the total, covering 51% and 58%, respectively, of the surface area and number of employees of these sites[173]. The table below shows the percentage of total group employees covered by management systems.

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

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

	2025		2024	
	Employees	Non-employees	Employees	Non-employees
Workers covered by an occupational health and safety management system certified in accordance with ISO 45001:2018 audited by a third party.	47%	53%	45%	55%

RISK ASSESSMENT AND INVOLVEMENT OF WORKFORCE

The risk assessment covered all work phases which are assessed and periodically updated. In addition to the detailed analysis of all the existing risks and the mitigation measures adopted for the operating areas, specific assessments were carried out at the parent, including but not limited to: ergonomic risk, explosion, electromagnetic fields, dangerous substances, artificial optical radiation, mechanical vibration and noise.

As part of the continuous drive to promote health and safety, proactive reporting, as noted above, is the most effective approach to avoid accidents and continuously improve the working environment while making each person an active part of this process.

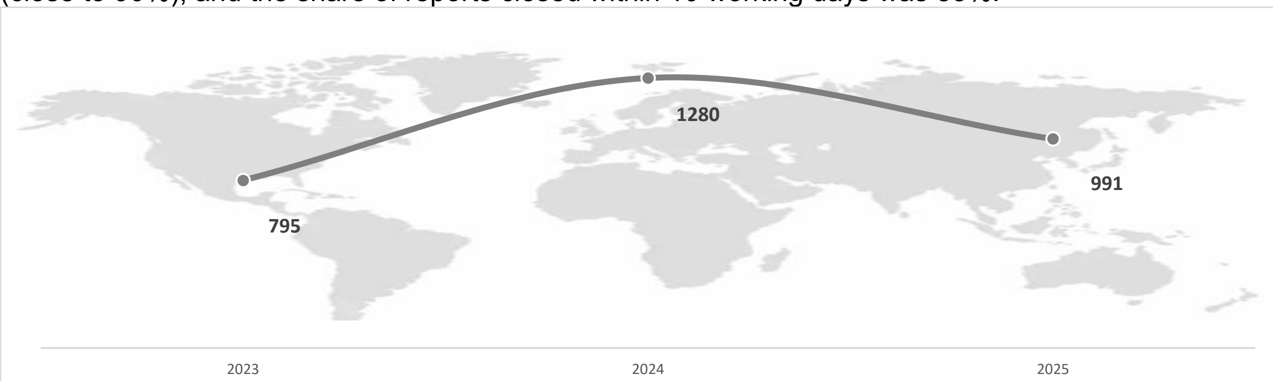
This virtuous process is also fuelled by ongoing dialogue between the operating departments and the HSE function and, when present, the stakeholders (for example, workers' safety representatives) and

[173] The amount of production sites certified was recalculated to exclude Eurotec, which does not have operations such to be considered within the group of production sites. Applying the same boundary as in 2024, production sites that had implemented a certified health and safety management system made up about 38% of the total, covering 51% and 60%, respectively, of the surface area and number of employees of these sites (the published figures in the 2024 sustainability statement were 50% and 58% respectively).

workers in order to identify improvement actions in a timely manner and avoid potential incidents. The group HSE manager, who has overall responsibility at group level, is supported by managers at the foreign sites and other employees in charge of managing specific risk areas at the parent, so as to guarantee management in compliance with health and safety standards and cross-group monitoring in the various areas.
The proactive reporting process is extended to all work areas at the group's production sites and provides for engagement and discussion within the organisation. Reports can be discussed on a daily basis as part of the plan-do-check-act cycle of the lean management approach. Weekly meetings take place between the site HSE department and the operating departments to take stock of any issues and to establish priority actions to be implemented. Workers' safety representatives (if any) also attend these meetings. The purpose of these meetings is to analyse the situation, examine the measures already implemented and determine further priority actions to be implemented in order to address feedback from the supervisors to the workers. The parent organises monthly meetings, attended by the HR functions, to discuss safety reporting and to monitor progress on key KPIs relevant to health, safety, the environment and risk assessment. These meetings allow all parties to discuss ideas and form the basis for the annual meetings required by the legislation.
Periodic audits take place at the ISO 45001-certified production sites, carried out by company personnel to monitor the implementation of procedures and the effectiveness of processes and independent third parties for monitoring and certification purposes.
The individual sites organise specific improvement activities that they share with the parent, which collates, analyses and directs the various actions.
A safety tour is also performed at the parent on a monthly basis for operational areas and quarterly for lower-risk areas, attended by the safety officers of the specific area in order to assess conditions, compliance with procedures and the progress of improvement plans.
The parent's HSE function periodically reports to the corporate bodies (including the supervisory board and the audit, risk and sustainability committee), including an assessment of all group entities.
Progress is monitored through supervisory activities in work areas and the analysis of safety reports (near-miss and unsafe conditions) received. Each individual production site must:

- have a minimum number of safety reports, defined according to the degree of risk of the main activities carried out in the area, giving greater weight to mechanical work as it is considered to be of higher risk;
- have a resolution rate of at least 80%, thereby fostering cooperation between workers and the dissemination of work practices geared towards maximum safety and efficiency;
- ensure a resolution time of 10 working days to ensure the right priorities for action and provide timely feedback to the workers that made the reports, thereby increasing their involvement in the process of improving work areas.

These targets are monitored and reported on a monthly basis by the various production sites.
In 2025, the total number of near-miss and unsafe condition reports was 991, in line with the average value of the last three years. The closure rate of reports was close to 97%, up from the previous year (close to 90%), and the share of reports closed within 10 working days was 83%.



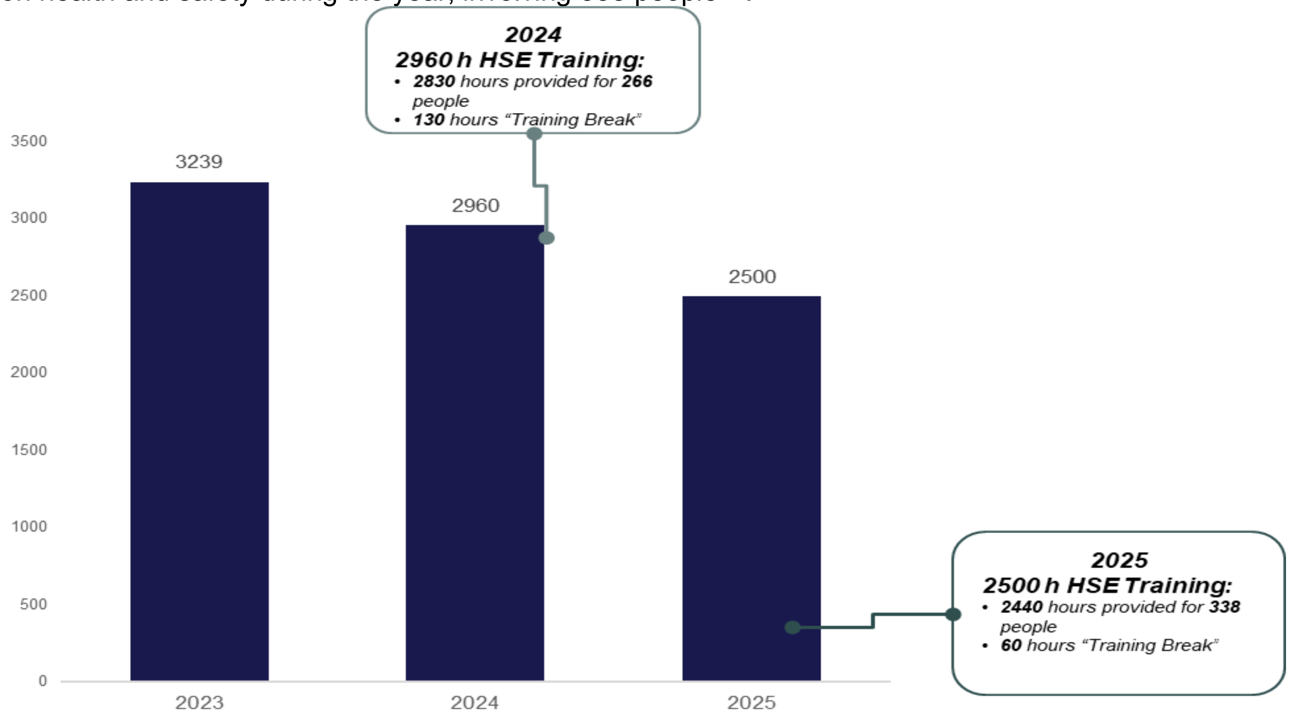
The HSE department of each production site analyses:

- reports of unsafe conditions and near misses to identify specific areas for improvement;

- the incidents that occurred by identifying the root causes and the improvement actions promptly implemented, sharing the event and the results with the parent ("lessons learned").

HEALTH AND SAFETY TRAINING

Training is the basis for widespread knowledge in relation to health and safety issues. Accordingly, and also owing to the fact that in certain countries part of the training is required by law, a dedicated training plan is in place at all production sites. At the Italian production companies – Carel Industries, Recuperator, Enginia and Arion – the training plan covered both employees and non-employee workers, as required by law. Regular short training sessions (training breaks) are also envisaged in order to keep workers updated on area-specific health and safety issues. For example, the parent provided some 2,500 hours on health and safety during the year, involving 338 people[174].



The various activities described above promoted by the HSE department have highlighted the benefits of adopting structured safety systems not only for health and safety purposes but also in the area of environmental impact aspects, thus promoting an overall improvement in working areas. In addition, specific training initiatives and regular orientation sessions (as part of the PATH Finder initiative) convey to group employees the path that the group is taking in terms of decarbonisation and reduction of specific impacts of its products and processes and making them aware of achievements, ongoing actions and medium-term targets.

COMPANY DOCTOR

In 2025, in compliance with the ruling legislation, the Italian group companies maintained an employee healthcare protocol with the company doctor. The protocol regards all workers (employees and non-employees), with specific medical check-ups based on the activities they perform and the related risk level.
Again in 2025, as required by the ruling Italian legislation, the following activities were carried out at the Italian group companies:

- the company doctor carried out a general inspection, accompanied by the prevention and protection service manager, the trade union representatives and the main heads of operations;

[174] 2,960 training hours were provided to 266 people in 2024.

- the designated prevention system officers (the employer, delegated managers, safety representatives, the company doctor and the prevention and protection service manager) participated in the periodic meeting required by Legislative decree no. 81/2008.

With respect to health surveillance activities, area supervisors are made aware of the instructions of the company doctor that must be complied with. Following medical examinations, the prevention and protection service manager informs the area managers concerned of any instructions or restrictions, in order to place the worker in the most suitable position. In compliance with privacy regulations, the supervisors monitor the application of the requirements using the “Processing Supervisor’s Logbook” tool. The provision of the company doctor service requires annual OpEx of €50 thousand by the parent[175].
Finally, to promote the psycho-physical well-being of employees also outside the work context, as part of the health surveillance service, the competent doctor advises workers on the importance of practising regular physical activity and following a healthy, balanced diet, during the medical examination.

ACCIDENTS

Despite the very positive results in the prevention area, there were 26 minor work-related accidents in 2025: 23 involving employees and three involving non-employee workers. These injuries led to time off work or a temporary reduction in the work hours. They mostly occurred in the areas with mechanical processing and are mainly due to procedural shortcomings (lack of procedure and/or procedure not followed by the worker) as they are mainly of a physical type (e.g. tripping, bumping, bending, moving, etc.) or with damage caused by the workers themselves.
In 2025, the severity ratio[176] was 0.49, in line with the 2024 figure of 0.43, and is indicative of very minor events resulting in limited average time off work. Therefore, there were more events in 2025, but of a less serious nature, in fact about 390 hours were lost per million hours worked (345 hours lost per million hours worked in 2024). It should also be noted that some events that occurred in the United States did not result in the loss of work days; therefore, the indicator for accidents with loss of work days would be lower than the total number of recordable accidents.

WORK-RELATED ACCIDENTS AND RATE OF RECORDABLE WORK-RELATED ACCIDENTS

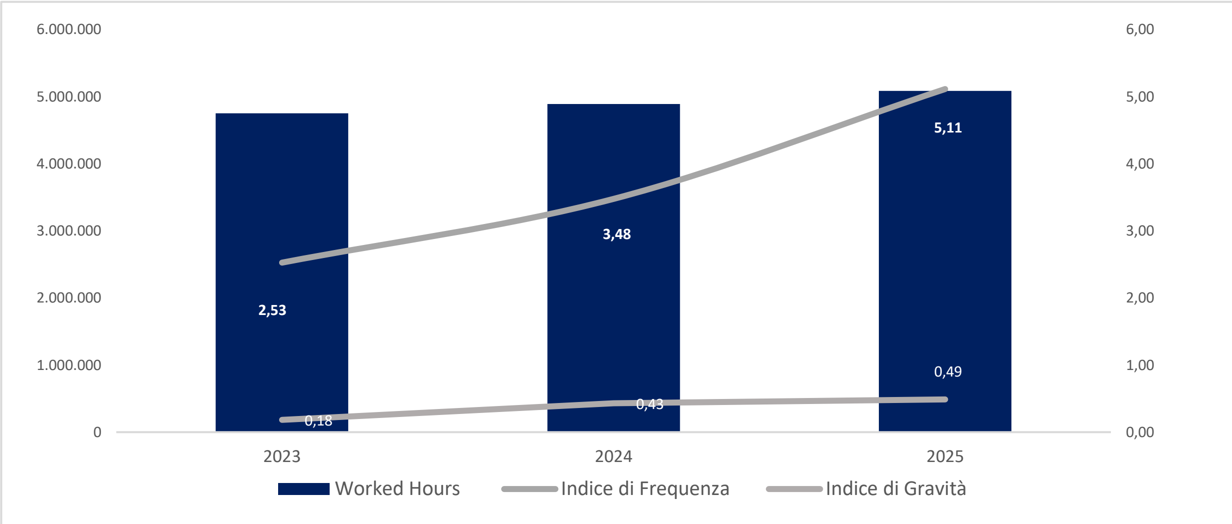
	2025		2024	
	Employees	Non-employees	Employees	Non-employees
Number of fatalities as a result of work-related injuries and ill health	0	0	0	0
Number of recordable work-related accidents[177]	23	3	15	3
Rate of recordable work-related accidents[178]	5	7	3	9

[175] This expenditure is included in the balances shown in note 25 to the statement of profit or loss in the consolidated financial statements.

[176] The injury severity rate is an additional indicator, calculated as follows: (number of days lost due to work-related injuries/total number of hours worked by employees and non-employees) x 10,000. This rate is reported as it allows the group to indirectly assess the severity of accidents.

[177] In 2024 and 2025, no non-employee workers were injured at the group’s sites.

[178] The rate of recordable work-related accidents is calculated as follows: (number of recordable work-related accidents/total number of hours worked) x 1,000,000.



WORK-RELATED ILL HEALTH

	2025		2024	
	Employees	**Non-employees**	**Employees**	**Non-employees**
Number of cases of recordable work-related ill health	0	0	0	0
Number of cases of work-related ill health recorded during the reporting period involving former employees	0	0	1	0

DAYS LOST DUE TO WORK-RELATED ACCIDENTS AND ILL HEALTH

	2025		2024	
	Employees	**Non-employees**	**Employees**	**Non-employees**
Number of days lost due to work-related accidents and fatalities from work-related accidents, work-related ill health and fatalities from ill health	236	12	178	33

FUTURE INITIATIVES AND TARGETS FOR OCCUPATIONAL HEALTH AND SAFETY

In order to step up its commitment to the implementation of measures aimed at ensuring the health and safety of workers, Carel's 2025-2028 sustainability plan includes extending the coverage of the occupational health and safety management systems and obtaining the ISO 45001 certificate for the production sites of Carel USA, Carel South America, Carel Adriatic and Enginia by 2028. The group has estimated OpEx of about €60 thousand for these initiatives, which will be included in the budgeting process for each year of the plan. In order to monitor the proper implementation of the initiatives, Carel has also set the following targets:

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT TARGETS

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Have 69% of the group's production sites covered by an ISO 45001-certified occupational health and safety management system by 2028.[179]	% of sites covered by a certified occupational health and safety management system	2024 | 38%	2025 | 38%	Extending the ISO 45001-certified management systems is part of the continuous improvement of processes in order to reduce their impact on occupational health and safety, including accidents, near misses and work-related ill health, which is one of the principles adopted by the group and stated in the policy.

[179] The baseline value and the defined target level – respectively 29% and 57% in 2024 - were recalculated to exclude Eurotec, which does not have operations such to be considered within the group of production sites. Irrespective of this change, the target is in line with what was originally defined. Carel Adriatic and Enginia are the next production facilities that will adopt the safety management system, with implementation scheduled over 2025 and 2026.

S2: WORKERS IN THE VALUE CHAIN

Carel is aware that the values it believes in can only be fully respected if they are shared with all its business partners and pursued in all day-to-day activities. Therefore, the group is committed to developing a supply chain in which every actor protects workers' rights and social conditions. This not only applies to the workers of the business partners with a direct contractual relationship with Carel, but also to the workforce of its sub-suppliers and suppliers' sub-contractors. Carel's commitment to promoting respect for human rights and social conditions of workers in the value chain is realised by:

- defining and sharing its social commitments through the formalisation of documents, such as the human rights policy, the suppliers' code of conduct and the conflict minerals policy (see the "Commitment policies" section);
- assessing supplier sustainability through the requirement to complete a survey during the vetting stage, which also includes questions about the respect of workers' rights. The new sustainability survey sent to suppliers as part of the "light" assessment includes an entire section of questions on human rights and worker rights, and requires suppliers to provide information on policies and/or certifications. If a potential supplier is not aligned with Carel's requirements and principles, it is not approved and may not become part of the supplier base (see chapter G1 - Business conduct for more details on the assessment of supplier sustainability);
- the implementation of a due diligence process for the procurement of components containing 3TG (see the "Due diligence on conflict minerals" section).

COMMITMENT POLICIES

ESRS S2-1

HUMAN RIGHTS POLICY

The group's human rights policy requires that business partners act in accordance with principles of fairness, integrity and respect for the human rights of all workers. The group encourages its business partners and their suppliers throughout the supply chain to adopt the principles described in this policy. Moreover, Carel reserves the right to terminate any relationship with those business partners/suppliers that violate the principles set out in the policy. See chapter S1 - Own workforce for details of the human rights policy.

SUPPLIERS' CODE OF CONDUCT

By sharing its suppliers' code of conduct, Carel requires that all suppliers and their collaborators, subcontractors and other parties working on their behalf adhere to the principles and provisions contained therein. Carel considers it essential to always act in ways that ensure the protection and promotion of human rights, including in its partnerships, viewing its counterparts as professionals and, first and foremost, as human beings. Therefore, a section of the code is dedicated to the protection of all workers in the supply chain and their human rights. The code also requires suppliers to use only conflict-free minerals when working with Carel and to apply reasonable due diligence to ensure compliance throughout the supply chain, if they are suppliers of components that may contain one or more of the 3TGs. See chapter G1 - Business conduct for more details on the suppliers' code of conduct.

THE CONFLICT MINERALS POLICY

Carel's business requires the manufacture of certain products, the components of which contain minerals and metals, including gold, tin, tantalum and tungsten (3TG), that may originate from conflict-affected and high-risk areas, as the extraction and/or processing of these minerals could have negative social and/or environmental impacts in geographical areas where the revenue from such activities may be used to finance or support armed groups, violations of international law and human rights abuses ("conflict minerals"). This is why Carel has adopted a specific commitment policy that implements its socially responsible supply strategy that respects human rights and avoids contributing to conflict through

minerals procurement decisions and practices within its supply chain. Through this policy, Carel Industries and the Italian group companies expressly undertake not to knowingly purchase components that contain minerals from conflict zones and from plants located in the conflict regions that are not conflict-free certified. It also requires all its suppliers of components containing 3TGs to apply reasonable due diligence to ensure the same compliance throughout the supply chain. Accordingly, Carel has required and will continue to require statements from its suppliers, in order to ensure transparency in its supply chain. All suppliers of components containing 3TGs shall escalate this requirement up the supply chain in order to determine the origin of the specified minerals. The person responsible for the implementation of the policy is Group Head of Purchasing and Logistics.
Furthermore, the group voluntarily complies with the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas OECD framework, which confirms its compliance with the US Dodd-Frank Wall Street Reform Act, which regulates the use of minerals from countries affected by conflict or extensive human rights violations.

DUE DILIGENCE ON CONFLICT MINERALS

ESRS S2 SBM-3, ESRS S2-4

Carel monitors its supply chain on a continuous basis to minimise adverse impacts related to the purchase of components that include conflict minerals or mining activities involved in the violation of human rights. In order to concretely pursue the commitments stated in the policy, Carel[180] has implemented an annual due diligence process on the procurement of components containing 3TGs, to ensure that its supply chain respects the principles of social responsibility and does not contribute to financing armed groups that exploit people in critical working conditions in geographical areas at risk. Carel considers this activity fundamental to moving towards sustainable and conflict-free procurement. Since the purchase of 3TG electronic components is essential for product manufacturing, the parent (which manages the purchasing policies of the subsidiaries Carel Adriatic, Carel Electronic, Carel USA, Carel South America, Recuperator and Hygromatik) has set up an internal committee - the controversial sourcing committee - made up of members from different business areas, which decides on the actions to be taken on negligent suppliers that do not provide support in mapping the supply chain.
In 2020, the group joined the Responsible Minerals Initiative (RMI, a project managed by RBA - Responsible Business Alliance), one of the resources most widely used and followed by companies which are involved in the responsible procurement of minerals in their own supply chains. By joining this initiative, Carel continuously monitors the compliance of smelters and refiners in its supply chain, a central part of the due diligence process.
The process starts by identifying the product categories that may be affected by 3TGs (basically all components containing metals) and continues by mapping suppliers of materials potentially containing 3TG minerals, which will be subject to a request for specific documentation. Once the suppliers to be involved have been identified, they are asked to fill in the Conflict Minerals Reporting Template (CMRT), which collects information on the smelters of origin of the minerals concerned. Training sessions are also organised with the relevant suppliers to explain conflict mineral issues and actions to be taken. Should a supplier fail to provide the requested documentation, the controversial sourcing committee may consider whether to apply the phase-out plan for that supplier.
After obtaining the CMRTs, Carel performs a risk assessment of the smelters and refiners listed in the templates, identifying, through RBA, those classified at high risk based on geographical location and degree of compliance with the programme required by the RMI. The RBA platform (https://www.responsiblemineralsinitiative.org/) provides useful tables/databases where smelters and refiners are mapped and classified by risk level. In addition, more general tables of country risk level classifications are also provided by RBA.
A list follows of the countries considered to be at higher risk under the RMI programme.

COUNTRIES AT RISK BY LEVEL OF RISK

LEVEL OF RISK	COUNTRIES

[180] The scope of due diligence on conflict minerals includes the parent, Carel Industries (Italy), Carel Electronic (China), Carel Adriatic (Croatia), Carel USA (USA) and Carel South America (Brazil).

High	Algeria, Angola, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Benin, Bolivia, Brazil, Cambodia, China, Colombia, Comoros, Congo, Ivory Coast, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eswatini, Gabon, Gambia, Georgia, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, India, Indonesia, Jamaica, Jordan, Kazakhstan, Kyrgyzstan, Laos, Lesotho, Liberia, Madagascar, Malawi, Mauritania, Moldova, Morocco, Nepal, Nicaragua, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Puerto Rico, Rwanda, Senegal, Serbia, Sierra Leone, Solomon Islands, South Africa, Sri Lanka, Tajikistan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Uzbekistan, Vanuatu, Zambia and Zimbabwe
Extreme	Afghanistan, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, DR Congo, Eritrea, Ethiopia, Haiti, Honduras, Iran, Iraq, Kenya, Lebanon, Libya, Mali, Mexico, Mozambique, Myanmar, Niger, Nigeria, North Korea, Pakistan, Russia, Somalia, Sudan, Syria, Uganda, Ukraine, Venezuela and Yemen

These countries are considered at risk due to:

- armed conflicts: presence of civil wars, insurrections or other forms of armed violence;
- human rights violations: systematic abuses such as forced labour, child exploitation, discrimination and other forms of oppression;
- weak governance: widespread corruption, lack of rule of law and ineffective government institutions;
- environmental risks: significant environmental degradation that may affect the health and safety of local communities.

Upon completion of the due diligence, component manufacturers which, based on the CMRTs, work with critical smelters and/or refiners are contacted, to formally request the implementation of remedies aimed at discontinuing or suspending material procurement from these smelters. The Controversial sourcing committee may consider organising specific training sessions for the manufacturers in question and/or temporarily suspending the procurement of components from these suppliers. Moreover, suppliers and manufacturers at risk are continuously monitored through specific email reminders and each situation is discussed during the regular meetings of the Controversial Sourcing Committee.

Again in 2025, Carel carried out an annual campaign to obtain the CMRTs from the supply chain for the purchases of the last three years in order to have as complete a database as possible. The figures below have been consolidated for 2025 by aligning Carel’s data with those issued by the subsidiaries involved in the due diligence process.

Specifically, 435 manufacturers were involved, for an equivalent of approximately €68 million of materials purchased in the 2023-2025 three-year period for production and resale.

Carel opted to measure the progress of its supply chain in 2025, using two KPIs: the Euro equivalent of purchases of items/materials containing 3TGs and the number of manufacturers of items containing 3TGs. It considered both indicators using four criteria, based using the responses received:

Euro equivalent of purchases of items/materials containing 3TGs

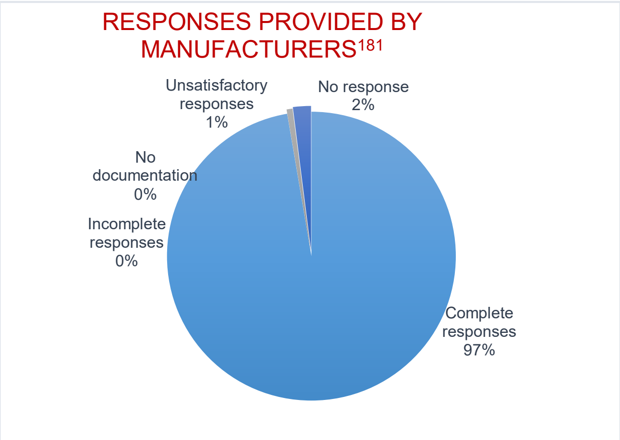
Compliant value	Value of products purchased from a compliant manufacturer that has sent an updated CMRT
Incomplete	Value of products purchased from a manufacturer that has not supplied complete feedback
Not satisfactory	Value of products purchased from a manufacturer that has not provided the relevant documentation
No reply	Value of products purchased from a manufacturer that has not provided feedback

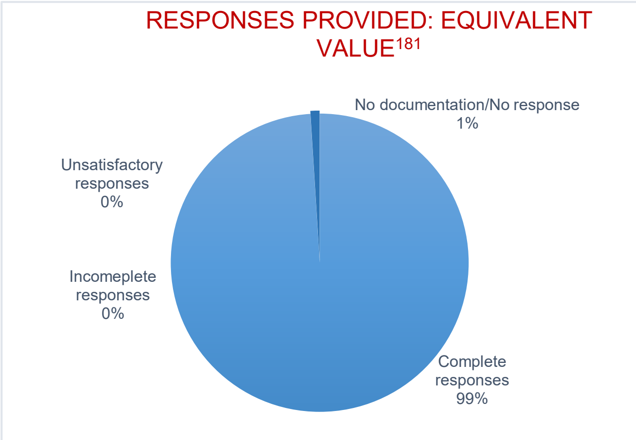
Number of manufacturers of articles containing 3TGs

Complete responses	The manufacturer has supplied the CMRT
Incomplete responses	The manufacturer has not supplied complete feedback
Unsatisfactory responses	Irrelevant documentation received from manufacturer
No response	The manufacturer has not provided feedback

As shown below, in 2025, almost all purchased components pertain to suppliers that indicated the smelters involved in their production.

Furthermore, almost 98% of the manufacturers of components provided the correctly completed CMRT, which allows for the mapping of smelters present in their supply chains, as set out in steps 1 and 2 of the OECD's Due Diligence Guidance for Minerals, which the group uses as a reference.





The annual investment in chemical compliance relates to the membership of RMI and advisory services provided by specialist companies (immaterial costs), in addition to the efforts of the chemical compliance team.

WHISTLEBLOWER REPORTING CHANNEL FOR WORKERS IN THE VALUE CHAIN

ESRS S2-2, ESRS S2-3, ESRS S2-4

The whistleblowing management process adopted by Carel is dedicated to handling all relevant reports received, including those made by workers in the value chain. Any affected worker is invited to report crimes or irregularities, whether proven or even suspected, including violations of the code of ethics and the human rights, diversity and gender equality policies. Reports that are made in good faith and in the interest of the common good may enable Carel to identify in good time and remedy conduct that violates the principles of the above documents, to the detriment of, among others, workers in the value chain. The adoption of multiple whistleblower reporting channels (i.e., platform accessible from Carel's website, postal service and verbally) ensures wide access to the tool, making it effective and inclusive. Carel undertakes to notify the whistleblower within seven days of receipt of the report and to provide them with feedback within three months of the date of the notice of acknowledgement of receipt or, in the absence

[181] The charts show, respectively, the distribution of suppliers subject to information requests based on the quality and completeness of the information provided through the CMRT (complete, incomplete, unsatisfactory and not provided), and the corresponding breakdown of the associated spend across the relevant categories. These data are disclosed in line with the disclosure requirements set out in the Conflict Minerals Policy.

of such notice, within three months after the seven days of receipt of the report. See chapter G1 - Business conduct for more details on the whistleblowing process.

Carel has not adopted a process for involving workers in the value chain other than the whistleblowing system.

In 2024 and 2025, no severe human rights issues and incidents connected to Carel's upstream and downstream value chain or instances of non-compliance with UN and ILO core principles or OECD guidelines were reported.

FUTURE TARGETS FOR WORKERS IN THE VALUE CHAIN

ESRS S2-5

Carel's targets to remediate negative impacts on workers in the supply chain are part of the broader targets set for the supplier management area; accordingly, reference should be made to chapter G1 - Business conduct. In setting these targets, Carel has also considered how to suitably monitor the future actions planned for the 2025-2028 period, which were identified based on the best practices defined by EcoVadis that reflect stakeholders' interests, including workers in the supply chain[182].

[182] Workers in the supply chain were not involved in target setting.

G1: BUSINESS CONDUCT

CORPORATE CULTURE

ESRS S1-3, ESRS S2-1, ESRS S2-3, ESRS G1 GOV-1, ESRS G1-1, ESRS G1-3, ESRS G1-4, ESRS G1-5

Carel is particularly focused on creating and strengthening a robust corporate culture embodying the values of accountability, transparency and sustainability. The administrative, management and supervisory bodies regularly discuss and evaluate issues relevant to corporate culture, examining developments and the integration of corporate values into their policies and strategic decisions, focusing on issues such as inclusiveness, social and environmental responsibility, innovation and professional ethics.

In order to promote its corporate culture and ensure ethics and integrity in all group companies, Carel has implemented four tools inspired by the main guidelines and international standards on responsible business management: the organisational, management and control model (the "231 model"), the code of ethics, the anti-corruption procedure and the whistleblowing policy.

The 231 model adopted by the parent and Recuperator S.p.A. pursuant to Legislative decree no. 231/01, the reference Italian legislation regarding corporate criminal liability, consists of a general part and several special parts. It is designed using an analysis of the areas where predicate crimes could be committed. Specifically, Carel carried out a risk self-assessment of its organisation and assessed its internal processes. An update of the 231 model and some of its special parts was carried out in accordance with the parent's board of directors' resolution of 13 November 2025. The 231 model of Recuperator S.p.A. is currently being updated.

The board of directors is responsible for supervising the implementation of these policies, while the supervisory body (the "SB") is responsible for checking compliance with these commitments.

All the above documents are available on the parent's website: https://www.CAREL.it/legal-notice. Furthermore, business partners and other third parties are informed of and asked to comply with the code of ethics, the 231 model and anti-corruption policy through clauses in the general terms and conditions of purchase and sale agreements and in contracts.

CODE OF ETHICS

The parent approved a code of ethics designed to regulate the ethics of its activities and those of all the parties that operate for and on behalf of the group through established norms of behaviour.
The code of ethics is binding on all group companies and all their corporate officers, employees and collaborators, as well as on all parties with consulting, partnership or other forms of professional relationships with Carel, either direct or indirect. Carel also requires all its main stakeholders (such as, for example, associates, investees, key suppliers, etc.) to abide by the general principles of this code when acting independently and, in particular, in their relations with Carel, without prejudice to their religious, cultural and social differences.
The code of ethics, which is an integral part of the parent's 231 model, sets out Carel's values and conveys the general principles - the violation of which may constitute a breach of contract and/or disciplinary rules - underpinning all the group's operations and relationships with its various stakeholders, including business partners, public bodies and trade unions:

- **Legality**: compliance with the law and by-laws is a core principle for Carel. Whoever is bound by the code, including employees, managers, collaborators and corporate officers, is required to operate in compliance with national and international laws and to familiarise themselves with the laws applicable to their role. They shall also comply with the principles of diligence and good faith provided for by the Italian Civil Code and contracts.

- **Morality**: the group's reputation and efficiency depend on the behaviour of each individual involved, who must act with moral integrity. Honesty, probity, transparency and accountability are required, ensuring clear and complete communications.
- **Dignity and equality**: respecting the dignity and rights of every individual is essential, without discrimination based on gender, age, ethnicity, nationality, colour, religion, sexual orientation and gender identity, political opinions, trade union membership, civil and family status, health or any other factor. Harassment or any form of offence is not tolerated, for a safe working environment that is respectful of human dignity;
- **Professionalism:** all individuals involved shall carry out their duties with the professionalism required by the nature of their tasks and duties with the utmost commitment to achieving their assigned objectives and diligently participating in all necessary training and continuing education activities.

Finally, the code sets out Carel's policy commitments that guide the operations of the parent and its subsidiaries: the protection of the environment, health and safety in the workplace and intellectual property and social responsibility.
In 2024, the code of ethics was revised to ensure language that respects the principle of gender equality, while it underwent the following revisions in 2025:

- further alignment of the document with the group's fundamental values as set out in the Carel culture code;
- setting out the prohibitions and principles of transparency and fairness that must inspire relations with the supervisory authorities and the conduct obligations that must be observed in relations with the judicial bodies;
- the inclusion of additional principles of conduct, including the duty to refuse unlawful conduct and to report suspicious conduct and the prohibition of participating in or abetting criminal activities, providing for specific checks.

ANTI-CORRUPTION PROCEDURE

The supervisory body has approved and disseminated, at group level, an anti-corruption procedure, which is inspired by the principles and rules of conduct set out in the parent's code of ethics and incorporates the principles, provisions and requirements applicable to anti-corruption of the regulations on the administrative liability of entities (Legislative decree no. 231/01). In addition, the procedure is in line with the principles of the Italian Criminal Code and the most stringent international regulations, such as the Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the UN Convention against Corruption.
The procedure applies to the parent and all its subsidiaries. It is also communicated to the other investees to promote a culture of compliance and optimise information flows, ensuring they are at least in line with those of the other Carel group companies.
Specifically, via the anti-corruption procedure, Carel aims to preserve integrity and correctness in the performance of its activities and to ensure compliance with laws, regulations, guidelines and best practices in the sector, applicable in the various countries in which it operates. This procedure provides all its recipients with a comprehensive reference framework of the provisions and procedures in force governing the prevention of the risk of unlawful practices and combating corruption, both in the public and private sectors.
The functions most at risk of corruption and bribery are those dealing with suppliers (i.e., the operations function), agents, customers, distributors, the public administration (sales functions in the Western Europe area and the solution marketing function) and the finance function. The effective application of the group's anti-corruption procedure is monitored by the internal audit functions and, in Italy, also by the SB, each according to their respective powers and responsibilities. They also manage any violation thereof. Specifically, based on the action plan approved by the board of directors, the internal audit function conducts sample-based checks on business partners and internal functions operating in key risk areas, acting independently and evaluating the actual effectiveness of the safeguards in place. It reports the outcome of its checks to the corporate bodies, the legal and corporate affairs function and the SB. The legal and corporate affairs function monitors the actual adoption of this procedure and is responsible for launching and coordinating training activities. On a six-monthly basis and in the most appropriate form, the SB reports to the corporate bodies, highlighting any weaknesses or critical concerns in internal

controls, any violations identified and detailing any corrective measures adopted or recommended. Furthermore, as part of the coordination and management of the Carel Group, the legal and corporate affairs function receives reports from the subsidiaries' managing directors and/or contact points. It includes any such reports in a special register and, if necessary, brings them to the attention of the corporate bodies and the SB. The internal audit function is not in charge of any operating area as it reports to the board and has direct access to all information necessary to perform its duties. Finally, the SB performs its duties autonomously and independently from the corporate bodies and other internal control bodies and has autonomous spending powers. This structure ensures that investigations are conducted in an impartial manner.

In the 2023-2025 three-year period, there were no convictions for violations of anti-corruption and anti-bribery laws, nor were there any proven cases of corruption or bribery.

There were no legal actions for anti-competitive behaviour or antitrust or monopoly violations, either in or out of court in the three-year period.

WHISTLEBLOWING PROCEDURE

Carel has adopted a whistleblowing procedure, which applies to the entire group, with which it aims to ensure full protection and confidentiality for those who report crimes or irregularities, whether proven or even suspected, including violations of the code of ethics and the human rights, diversity and gender equality policies, including any discriminatory behaviour based on gender, age and socio-demographic characteristics. Moreover, Carel intends to remove any obstacle that may discourage the reporting of crimes or irregularities, such as doubts and uncertainties about the methods and channels to be used, or fears of retaliation or discrimination.

In 2023, the board of directors approved an updated version of the parent's whistleblowing procedure adopted in 2018, bringing it into line with the provisions of Legislative decree no. 24 of 10 March 2023. The previous version of the 231 model already allowed anyone working directly or indirectly for the group to report violations or irregularities concerning the model itself or the code of ethics through the whistleblower reporting system. The parent and the SB take all necessary measures to protect the confidentiality of the whistleblower, in accordance with the relevant Italian and European legislation (Law no. 179/2017, Law no, 53/2021, Legislative decree no. 24/2023 and Directive (EU) 2019/1937). The procedure provides that the identity of the whistleblower and any other information from which their identity might be inferred, either directly or indirectly, may not be disclosed, without their express consent, to persons other than those responsible for receiving or following up on the reports, who are expressly authorised to process such data. Reports can also be made anonymously, which must be treated as ordinary reports. Furthermore, Carel guarantees that whistleblowers who choose to disclose their identity will receive adequate protection, free from retaliatory or discriminatory actions.

The control functions monitor the effectiveness, regulatory compliance, dissemination and implementation of the whistleblowing procedure. In particular, the SB and the internal audit function conduct their checks according to an annually-agreed schedule.

Since Carel's intention is to involve as many stakeholders as possible, the procedure is aimed at the following parties: group employees (permanent or temporary), self-employed workers, collaborators of external companies that supply goods or services, freelancers, consultants, volunteers, trainees, people with roles of administration, management, control or supervision, even if de facto.

Reports can be made by anyone using one of the following channels: by postal service, orally and via the electronic web platform called "Integrity Line", Carel's specific whistleblower reporting channel (accessible via the following link: https://www.CAREL.it/whistleblowing)[183]. With reference to the latter, the procedure stipulates that the SB is responsible for maintaining the whistleblower reporting channel, ensuring adequate publicity, including through the parent's website. The members of the SB have specific expertise and have received adequate training on how the platform works.

Under the procedure, upon receipt of a report, the SB carries out an initial admissibility screening to determine whether the report is complete and verifiable, on the basis of the reported information. Based on the nature of the report, the SB may consider involving other relevant functions/corporate bodies in its initial screening (including, for example, the HR function for HR management aspects, the HSE function for aspects related to workers' health and safety or the legal and corporate affairs function for reports requiring specific legal expertise). If the report proves to be unfounded or unverifiable, it is archived. If the

[183] Carel currently lacks a system that ensures (i) the availability of a whistleblower reporting channel in the workplace for value chain workers and (ii) that these workers are aware of the channel's existence.

report proves to be verifiable, an investigation is commenced to establish the grounds, seriousness and possible urgency of the events reported. Without prejudice to the penalties imposed by judicial and administrative authorities, as well as the Italian anti-corruption authorities (ANAC), and in compliance with the principles set out in the procedure, Carel applies appropriate disciplinary measures to the individual responsible for the events reported by the whistleblower, as well as to any person who violates the measures designed to protect the whistleblower. In the event that the individual responsible is a third party, the parent reserves the right to apply penalties or even immediately terminate the contract, in accordance with the relevant contractual clauses. At the conclusion of the investigation, the SB prepares a report summarising the checks conducted and the conclusions reached, and files all relevant documentation to prevent third parties from accessing the gathered information. Upon completing its investigation into the grounds of the report in accordance with the procedure, the SB, at the earliest opportunity, verifies the actual adoption of appropriate remedies through an interview with the responsible function as part of its checks.
Internally, the effectiveness of the whistleblowing system is ensured not only through the provision of specific training (see the "*Training on corporate culture"* section), but also through the periodic emails sent to workers to remind them of the existence of the procedure, the platform and how to access it.
Externally, effectiveness is ensured by referencing the regulatory package that the stakeholders must comply with in the contractual clauses. The 231 model makes reference to the whistleblowing procedure, with instructions on how to access the platform. In addition, the whistleblowing procedure is expressly referred to in the legal notice section of the website and the "contact us" section contains the link to access the Integrity Line platform.

TRAINING ON CORPORATE CULTURE

In order to ensure that they understand and apply the provisions of the 231 model, the code of ethics, the anti-corruption policy and the whistleblowing procedure, all group companies' employees who use a digitalised personnel management solution receive specific e-learning training when they are hired. During this training, the main concepts and material information are explained in a clear and comprehensible manner, including with practical examples. The training is repeated annually or when significant changes to the relevant documents are made. Upon completion of the training, a short test is administered to assess the knowledge of the content of the aforementioned documents, including the existence and operation of the whistleblower reporting channel. For senior and junior management personnel whose activities are relevant to the 231 model, more specific in-person training is provided in addition to the basic training, which also covers the content of these documents.
Following the changes made in 2023, specific e-learning training on the whistleblowing procedure was also developed and provided in 2024, with the aim of increasing employee awareness.
In 2025, in line with the previous year, 100% of the functions at corruption and bribery risk were involved in anti-corruption training programmes.
The members of the administrative, management and supervisory bodies participate in regular in-person training on anti-corruption topics as part of the training on the 231 model.

ORGANISATIONS AND ASSOCIATIONS[184]

The group participates in and supports activities organised by national and international organisations. It offers its point of view on innovation, sustainable development, climate change and energy transition. The key organisations with which it participates are:

- European Partnerships for Energy and the Environment - EPEE;
- European Heat Pump Association – EHPA;
- American Society of Heating, Refrigerating and Air-Conditioning System – ASHRAE;
- Eurovent;
- Associazione Italiana Condizionamento dell'Aria, Riscaldamento e Refrigerazione – AICARR;
- China Refrigeration and Air-conditioning Industry Association CRAA;
- The China Association of Refrigeration – CAR.

[184] There were no representatives in the administrative, management and supervisory bodies responsible for the oversight of the related lobbying activities. In 2025, the group did not make any financial or in-kind political contributions either directly or indirectly. There are no members of the administrative, management and supervisory bodies who held a comparable position in public administration in the two years preceding such appointment in the current reporting period.

Carel works with these international associations to promote the market's proper understanding of refrigeration and air-conditioning and to promote long-term sustainability. In 2025, Carel continued to take part in work groups, specifically those related to the revision of the F-gas regulation[185]. This revision, a draft version of which was issued in April 2022 and published on 20 February 2024, has attracted the attention of all the associations that have created work groups in order to voice their position thereon. Thanks to the cross-cutting nature of its products and its participation in all the main associations, Carel expressed its position and gained an understanding of that of the other members of the associations. Accordingly, it channelled some investments towards natural refrigerants, covered by the revision that envisages their more extensive use, consolidating its leadership built up in recent years and covered by marketing campaigns and dedicated product lines. Other topics of interest that were constantly monitored were the LCAs, as a business organisation and product design tool related to circular economy policies, and current and emerging legislation relevant to the sector, including: RepowerEU, Energy Performance of Buildings Directive (EPBD), Ecodesign Directive (in particular, Ecodesign of Sustainable Products Regulation (ESPR)), Code of Conduct for Energy Smart Appliances and the Proposal for a Restriction of PFAS sent to the European Chemicals Agency (ECHA).
In addition, in 2025 Carel continued to collaborate with the Unione del Caldo e del Freddo Green, sponsored by Legambiente, a work group made up of 15 major Italian companies operating in the heating and cooling sector. Its aim is to promote the use of natural refrigerants by organising public meetings and providing training and information, also to institutions. It also participated in the "Progetto Referigerazione Sostenibile" work group aimed at reaching the widest possible audience, including those not strictly related to the sector (institutions, citizens, press, schools, etc.), on issues of sustainability, respect for the environment and the use of natural refrigerants in commercial refrigeration.
Finally, Carel has been a member of ASSOCOLD since 2024, an association which is part of Anima and boasts among its members all the most important Italian companies active in the sector of components and systems for commercial refrigeration.
Carel is included in the EU's Transparency Register[186].

BUSINESS CULTURE-RELATED FUTURE INITIATIVES AND TARGETS

As mentioned earlier, in 2024, the group prepared a new sustainability plan covering the 2025-2028 four-year period, building on its previous sustainability plan. The sustainability plan's key actions regarding ethical business are summarised below:

- **Anti-corruption management system**: in order to strengthen safeguards to combat corruption in conducting business activities, the parent is considering the implementation of an anti-corruption management system between 2026 and 2028. In order to monitor the adequate implementation of this management system, the new sustainability plan has set the achievement of the ISO 37001 certification by 2028 as a possible target. For this activity, the group provisionally estimated OpEx of about €60 thousand, which will be included in the budgeting process for each year of the plan;
- **Updating the internal regulatory framework:** as set out in the sustainability plan, Carel started activities to update and strengthen the Group's current internal regulatory framework in 2025, with the intention of introducing anti-counterfeiting and anti-fraud measures, and anti-trust measures to prevent illegal boycotts. The group is working on drafting the new policies which will be approved in 2026. The group incurred OpEx of €10 thousand[187] for legal support with the updating of the regulatory framework during the year.

The ethical business and anti-corruption target set by the group in its 2025-2028 sustainability plan is summarised below:

ANTI-CORRUPTION TARGETS

[185] The issues discussed by members of the associations in which Carel participates mainly relate to climate risks arising from legislative changes aimed at promoting the transition to a low-carbon economy. Additionally, they address business opportunities resulting from the development of products aligned with national and international decarbonisation policies, which enable end users to reduce their energy consumption and minimise or eliminate the use of highly impactful refrigerant gases.

[186] Registration number: # 274714449276-70.

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

Description	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Obtain ISO 37001 certification for the anti-corruption management system to be implemented by the parent by 2028.	Obtaining certification	2024 | N/A	-	The implementation of a certified management system helps reduce the occurrence of incidents relating to corruption by promoting ethical and transparent business.

SUPPLY CHAIN

ESRS S2-1, ESRS S2- 4, ESRS G1-1, ESRS G1-2

SUPPLY CHAIN

The group's strategy involves the development of regional supply chains, whereby each production site prefers the use of suppliers with regional production or logistics bases. The goal is to guarantee a better service and supplier continuity, also as a means of overcoming geopolitical and logistical issues, natural events or lockdowns in foreign countries. Moreover, a direct positive consequence of this strategy is a lower environmental impact of transport. On the other hand, it also requires alternative and equivalent sources to be managed in different geographical areas. At the same time, the group has worked to make all production sites independent of each other from a sourcing point of view, thus reducing the risk of a remote disruption affecting the related destination market.

MANAGEMENT OF RELATIONSHIPS WITH SUPPLIERS

The group's commitment to the development of a more sustainable supply chain is achieved by sharing the suppliers' code of conduct, assessing suppliers' ESG compliance during the supplier phase-in procedure and the due diligence process on the supply chain that the group is gradually implementing.

Suppliers' code of conduct

In December 2022, the board of directors approved the adoption of a suppliers' code of conduct which, together with the code of ethics, the 231 model and the anti-corruption procedure, forms an essential part of contractual relations. This code applies to all Carel suppliers which, in turn, must ensure that their suppliers - i.e., Carel's subcontractors - as well as any other third party working on their behalf, act in full compliance with the code when involved in activities related to goods or services to be supplied to the Carel Group. The suppliers' code of conduct, the implementation of which is the responsibility of the supply chain department, was part of a communication and awareness-raising campaign that targeted most of the supplier base in 2022. When the code was shared, the suppliers were also asked to report to Carel any inconsistencies with their current practices and their feedback was evaluated. The document was published on Carel's website in order to be available also to candidate suppliers.

Since 2022, compliance with and signing of the suppliers' code of conduct has been a mandatory step in the phase-in of new component and product suppliers for the group's five long-established production sites[188]. As of 2025, this obligation has been extended to a further three production sites: Recuperator, Enginia and Hygromatik. Service providers189 of the parent have been required to sign the code since 2023, and from 2025 this requirement is gradually being extended in the medium term to the other production sites, including Carel USA, Carel Adriatic and Carel Electronic. From 2026, this obligation will also be extended to new component and product providers and service producers of all group production sites. To date, the suppliers' code of conduct (or an equivalent document) has been signed by 208 suppliers.

The ethical principles and standards of conduct outlined in this code are divided into three macro-areas: ethical and responsible business, protection of employees and human rights and care for the environment and communities.

[188] The group's long-established production sites are: Carel Industries, Carel South America, Carel USA, Carel Electronic and Carel Adriatic.

[189] With the exception of the purchasing categories for which the issue of a purchase order is not required.

Responsible and ethical business
An essential factor for the group's success, a tool to promote its reputation and an indispensable asset is the adoption of behaviour inspired by high ethical standards when carrying out business.

Through the suppliers' code of conduct, Carel requires its suppliers to make the following commitments:

- compliance with legal requirements: comply with applicable local, national and international laws and regulations;
- safety and conformity of products and services: comply with quality and safety laws and regulations by adopting a quality management system that complies with international standards;
- conflict of interest: avoid conflicts of interest and promptly report any conflicts to Carel;
- confidentiality, integrity and privacy: treat confidential information with diligence, respect Carel's intellectual property rights and act in accordance with applicable data protection laws;
- anti-corruption: operate in compliance with legality and ethical principles, avoiding inappropriate payments or benefits;
- economic responsibility: comply with the laws on accounting, tax and transparency, refraining from economic and financial malpractice.

Protection of employees and human rights
Carel considers it essential to always act in ways that ensure the protection and promotion of human rights, including in its partnerships, viewing its counterparts as professionals and, first and foremost, as human beings. For this reason, Carel adheres to the Ten Principles of the United Nations Global Compact and is inspired by the values of the International Labour Standards enshrined in the core conventions of the International Labour Organisation (ILO).

Through the suppliers' code of conduct, Carel requires its suppliers to make the following commitments to all workers in the value chain:

- regularity of contracts: ensure that the working conditions comply with applicable regulations and regularly pay social security contributions;
- health and safety: act in compliance with health and safety regulations, minimising accidents and work-related ill health;
- non-discrimination: ensure equal opportunities and treat workers with fairness, respect and dignity;
- prohibition of forced labour: no use of forced labour or human trafficking;
- prohibition of child labour: no hiring of individuals under the minimum age set by law;
- remuneration and working time: comply with laws covering remuneration and working hours, ensuring that overtime is voluntary and paid;
- personal data security and protection: protect personal data in accordance with applicable law;
- collective bargaining and freedom of association: acknowledge the right of workers to take part in workers' organisations and collective bargaining;
- conflict minerals: use only conflict-free minerals, applying due diligence to ensure compliance in the supply chain (for more information on conflict-mineral management, see chapter S2 - Workers in the value chain).

Focus on the environment and communities
Carel contributes, in the appropriate places and in the performance of its operations, to the promotion of scientific and technological development, aimed at environmental protection, the safeguarding of natural resources and the mitigation of impacts; Carel shares this commitment with its suppliers and customers, both of which are essential to and an integral part of its development.

Through the suppliers' code of conduct, Carel requires its suppliers to make the following commitments:

- compliance with environmental regulations: adhere to and respect current environmental regulations, improving environmental performance;
- environmental impact of hazardous substances: manage, measure and control all activities that are potentially harmful to prevent the release of any hazardous substances into the environment;
- waste management: reduce waste generation through reuse and recycling, by managing the waste produced responsibly;
- resource efficiency and climate protection: use resources responsibly, minimising GHG emissions and promoting recycling;
- biodiversity: contribute to the protection of ecosystems and biodiversity;

- respect for local communities: adequately monitor and address the impacts of its activities on the area in which it operates.

Supplier phase-in process
At its five long-established production sites, Carel has implemented a procedure190 for the assessment of suppliers of materials which consists of two steps: vetting and phase-in.

The vetting step is divided into three stages:

- supplier risk assessment: in order to ensure the continuity of supplies, all suppliers of BOM (bill of materials) materials, except for infrequent purchases, are subject to a preliminary risk assessment;
- assessment of the traceability process: all suppliers of BOM materials, which may be critical in terms of quality and/or safety, must have a traceability process, which Carel assesses by asking the supplier to fill out a self-assessment survey and by conducting a label check of the supplied product;
- assessment of supplier sustainability: in order to promote Carel's business ethics and social and environmental sustainability principles along the supply chain, suppliers are asked to self-assess their environmental and social processes and initiatives.

Specifically, the sustainability assessment is currently carried out by requesting the completion of a survey that covers three macro-topics: health and safety, environment and social responsibility. Specifically, the first area covers health and safety in the workplace and in procurement and the management of emergency situations. The second area - the environment - covers energy and water consumption, waste reduction and compliance with international regulations on chemical products, such as REACH and RoHS. Finally, the social responsibility area covers labour rights (child labour, wages, working hours and freedom of association), conflict minerals policy requirements, diversity and business ethics. The survey is qualitative and is made up of four sections: compliance with applicable legislation and regulations; existence of structured processes; initiatives to improve or reduce impact; involvement of their own supply chains. The score is on a scale of 0 to 100, with a threshold target of 60.

Once the potential supplier has successfully passed the vetting phase, the approval phase begins with the collection of additional information on RoHS, REACH and conflict minerals (for manufacturer suppliers), material sampling (for new material suppliers) and checking its processes and procedures to ensure they are consistent with Carel's expectations and best practices and, possibly, physical audits at its facilities.

IMPLEMENTATION OF A DUE DILIGENCE PROCESS

As part of the sustainability plan, the group has set itself an important commitment to implement a structured due diligence process for the social and environmental issues in the supply chain by 2028. The due diligence process will enable a more precise identification of impacts, dependencies and risks related to social and environmental issues in the supply chain, during the procurement of direct and indirect materials[191] and, consequently, the implementation of specific actions to prevent, mitigate and, if necessary, remedy these impacts. The implementation of this process envisages the following activities: the mapping of suppliers' sustainability risk, the assessment of their sustainability performance - in both the "light" and "in-depth" versions - and the performance of physical ESG audits at selected suppliers on the basis of the results obtained in the mapping and assessment phases. Carel set itself specific targets for each of these activities, set out in the section "*Future targets related to supply chain management".*

[190] For Carel Industries and Carel Adriatic, the procedure is certified by the ISO 9001:2015 Quality Management System.

[191] Direct materials are those used to manufacture the product, while indirect materials support the production process without becoming part of the final product.

Mapping the sustainability risk of all direct material suppliers.	“Light” ESG assessment of all direct suppliers of material using the EcoVadis tool.	“In-depth” ESG assessment of critical suppliers, using the EcoVadis tool.	On-site ESG audits at critical suppliers, through the support of a specialised third party.

Mapping suppliers’ sustainability risk
With the aim of creating greater awareness and providing broader visibility of the supply chain, as a the first step during 2025, Carel started a supplier sustainability risk mapping project using the EcoVadis IQPlus tool, which will allow risks along the supply chain to be identified, assessed and prioritised. The mapping project considered 1,068 active tier 1 suppliers of ten production sites.

The risk level of the supply chain is assessed by considering 21 sustainability criteria, aligned to the main global standards, which consider four macro-topics – environment, labour and human rights, ethics and sustainable procurement. The mapping project will rank suppliers using a 6-level risk scale, from very low to very high, thereby identifying the overall risk of Carel’s supply chain. The overall risk level that will be attributed to the suppliers is the result of two factors: the sustainability risk, consisting of the country risk and the risk related to the supplier’s specific business (industry risk), and the risk scan. The latter is determined through the analysis of a large body of data, carried out by an AI Sustainability Data Mining (SDM) system, which includes specific information about the country where the suppliers are based, their sectors and published documents of the suppliers such as ISO certifications, codes of conduct, human rights declarations, etc.

Assessment of supplier sustainability performance
At the same time, the sustainability performance assessment process (the “light” assessment) was started for the tier 1 suppliers[192] through the adoption of a new sustainability survey. Like the overall risk assessment, the “light” assessment covers four macro-topics- environment, labour and human rights, ethics and sustainable procurement - but the contents are customised according to the supplier’s macro-sector. The assessment process commenced in 2025 by administering surveys in two campaigns to 1,068 suppliers, who account for about 80% of the value of the Group’s purchases. The data collection phase is currently underway. This assessment will also be included in the suppliers’ vetting phase, replacing the existing sustainability assessment that suppliers currently undergo at that stage of the process. The introduction of the “in-depth” assessment, which will cover the 100 most relevant and critical suppliers, is aimed at obtaining a more complete view of suppliers’ management of sustainability-related impacts and assessing the need to initiate ad hoc engagement activities.

Since the start of the due diligence activities, 123 suppliers have been assessed to date under the two levels of assessment, thanks to the new survey, representing 60% in terms of purchasing turnover. Overall, response to the survey has been satisfactory, with 50% responding. To implement these activities, the group incurred OpEx of €25,000 in 2025[193]. The group has budgeted CapEx of approximately €80,000 and OpEx of €255,000 over the 2026-2028 plan period for the implementation of supplier document management software, completion of the due diligence process and external on-site consulting and audit services. The annual CapEx and OpEx will be included in the budgeting process for each year of the plan.

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

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

Complementary initiatives to the due diligence process
As part of the sustainability plan, in order to further strengthen the supervision of the supply chain, Carel also plans to launch the following complementary initiatives to the due diligence process[194]:

- Specific training of purchasing function personnel on ESG issues: in order to optimise the implementation of the due diligence process described above, the group plans to provide specific training on sustainable procurement to all purchasing personnel at Carel Industries in 2027; At the end of 2025, internal training was provided on the use of the EcoVadis supplier mapping and assessment tools.
- External supplier training on ESG issues: the group plans to provide training on ESG issues to a number of suppliers (to be selected on the basis of evidence gathered in the due diligence process underway) between 2027 and 2028. By directly engaging suppliers, this activity aims to disseminate good environmental and social practices throughout the supply chain.
- Introduction of a sustainable procurement MBO: in order to promote more sustainable procurement, the group has decided to introduce a specific target within the MBO of the procurement personnel by 2026.

FUTURE TARGETS RELATED TO SUPPLY CHAIN MANAGEMENT

The following table summarises the targets defined by the group in the 2025-2028 sustainability plan, the attainment of which will enable the implementation and promotion of the commitments outlined in the suppliers' code of conduct with suppliers:

SUPPLY CHAIN MANAGEMENT TARGETS

Description[195]	Monitoring KPIs	Base year and baseline value	Progress achieved	IRO management and expected outcomes
Ensure that suppliers representing 80% of direct procurement sign the suppliers' code of conduct by 2028.[196]	% of direct procurement from suppliers that have signed the suppliers' code of conduct	2024 | 9%	2025 | 28%	These activities will, on the one hand, facilitate the selection of suppliers that adopt social and environmental best practices, thereby reducing the risk of inadequate supplier management leading to possible penalties, reputational damage and adverse business impacts for the group. On the other hand, they will promote the dissemination of good social and environmental practices throughout the supply chain.
Mapping the sustainability risk of all direct material suppliers, using the EcoVadis IQPlus tool, by 2025.	% of direct material suppliers subjected to sustainability risk mapping	2024 | 0%	2025 | 100%	
Carry out a "light" ESG assessment of 80% of direct material supplies, using the EcoVadis tool, by 2028.[197] This assessment will also be included in the suppliers' vetting phase, replacing the current sustainability assessment that suppliers currently undergo at that stage of the process.	% of costs for direct material suppliers covered by the "light" ESG assessment	2024 | 0%[197]	2025 | 60% (calculated based on the amount of 2024 purchases)	

[194] The financial resources (OpEx) for these activities are included in the financial planning dedicated to internal training and due diligence activities, respectively, for the training of its own employees and for supplier training.

[195] The boundary of all reported targets is limited to the group's ten production sites.

[196] The target was updated to reflect the progress on the activities and to take into account the regular budget reviews during the year. It should be noted that the updated target values reported in 2024 were, respectively, 95% of direct purchases and 50 ESG onsite audits.

[197] At 31 December 2024, 49% of amounts paid to suppliers related to suppliers already assessed as part of the vetting stage, as described in the paragraph "Supplier phase-in process". A value of zero is shown here, as the target refers to the new sustainability performance assessment procedures, with the "light" assessment that will be included in the suppliers' vetting process from 2026, replacing the current sustainability assessment that suppliers currently undergo at that stage of the process.

Carry out an "in-depth" ESG assessment of 100 critical suppliers, using the EcoVadis tool, by 2028.	No. of direct material suppliers subjected to "in-depth" ESG assessment	2024 | 0	2025 | 0	
Perform 30 on-site ESG audits (through a third party expert) at critical suppliers (to be selected on the basis of evidence gathered in the due diligence process), by 2028.[196]	No. of critical suppliers audited on site	2024 | 0	2025 | 0	

EVENTS AFTER THE REPORTING DATE

No significant events have taken place after the reporting date.

OUTLOOK

The whole of 2025 was characterised by great instability and increasing geopolitical fragmentation. In addition to continuing trade tensions and the conflict between Russia and Ukraine, the situation has been further aggravated by the very recent escalation of conflict in the Middle East.

Commencement of another conflict scenario in a globally important energy and logistics region could increase pressure on global supply chains and commodity volatility and costs, negatively affecting forward visibility.

In this context, it is rather difficult to interpret macroeconomic and sector indicators. However, in light of the trends seen in recent quarters and based on its robust order backlog, the group estimates that its revenue for the first quarter of 2026 will be between €160 and €170 million (+9% to 15%).

The above assessments are made based on currently available information and assume that the geopolitical and macroeconomic scenario will not deteriorate significantly. Any adverse developments or an extension of international tensions could affect energy, logistics and demand dynamics, affecting prospective results.

CAREL INDUSTRIES GROUP CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO

STATEMENT OF FINANCIAL POSITION

(€'000)	Note	31.12.2025	31.12.2024
Property, plant and equipment	1	114,661	123,124
Intangible assets	2	366,398	379,745
Equity-accounted investments	3	6,223	3,999
Other non-current assets	4	3,862	4,468
Deferred tax assets	5	12,794	14,689
Non-current assets		**503,937**	**526,025**
Trade receivables	6	111,745	99,606
Inventories	7	88,536	94,206
Current tax assets	8	3,054	6,238
Other current assets	9	16,972	22,540
Current financial assets	10	21,913	3,290
Cash and cash equivalents	11	121,850	99,119
Current assets		**364,069**	**324,998**
TOTAL ASSETS		**868,006**	**851,023**
Equity attributable to the owners of the parent	12	477,243	434,944
Equity attributable to non-controlling interests	13	5,702	6,591
Total equity		**482,945**	**441,535**
Non-current financial liabilities	14	83,427	109,367
Provisions for risks	15	5,195	6,358
Defined benefit plans	16	7,166	7,390
Deferred tax liabilities	17	24,573	26,185
Other non-current liabilities	18	50,804	87,720
Non-current liabilities		**171,165**	**237,020**
Current financial liabilities	14	41,904	43,231
Trade payables	19	79,678	62,689
Current tax liabilities	20	4,450	6,250
Provisions for risks	15	3,038	5,435
Other current liabilities	21	84,825	54,863
Current liabilities		**213,896**	**172,468**
TOTAL LIABILITIES AND EQUITY		**868,006**	**851,023**

STATEMENT OF PROFIT OR LOSS

(€'000)	Note	2025	2024
Revenue	22	629,028	578,536
Other revenue	23	6,288	6,272
Costs of raw materials, consumables and goods and changes in inventories	24	(246,057)	(238,092)
Services	25	(88,994)	(82,104)
Capitalised development expenditure	26	4,945	5,628
Personnel expense	27	(175,751)	(162,205)
Other expense, net	28	(5,384)	(3,165)
Amortisation, depreciation and impairment losses	29	(42,116)	(38,345)
OPERATING PROFIT		**81,959**	**66,526**
Net financial expense	30	(5,905)	(7,073)
Net exchange gains (losses)	31	(1,311)	3,183
Fair value gains on call options	32	19,395	15,356
Share of profit of equity-accounted investees	33	1,039	1,737
PROFIT BEFORE TAX		**95,177**	**79,729**
Income taxes	34	(21,497)	(16,470)
PROFIT FOR THE YEAR		**73,681**	**63,259**
Non-controlling interests		38	617
PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT		**73,642**	**62,642**

STATEMENT OF COMPREHENSIVE INCOME

(€'000)	Note	2025	2024
Profit for the year		**73,681**	**63,259**
Items that may be subsequently reclassified to profit or loss:			
- Fair value losses on hedging derivatives net of the tax effect		(107)	(266)
- Exchange differences		(13,709)	3,805
Items that may not be subsequently reclassified to profit or loss:			
- Actuarial gains (losses) on employee benefits net of the tax effect		165	(8)
Comprehensive income		**60,030**	**66,789**
attributable to:			
- Owners of the parent		59,980	66,021
- Non-controlling interests		49	769
Earnings per share			
Earnings per share (in Euros)	12	0.65	0.56

STATEMENT OF CASH FLOWS

(€'000)	Note	2025	2024(*)
Profit for the year		73,681	63,259
Adjustments for:			
Amortisation, depreciation and impairment losses	29	42,116	38,345
Accruals to provisions		1,704	11,821
Other non-cash income, net		(14,348)	(12,625)
Income taxes	34	21,497	16,470
			-
Changes in working capital:			
Change in trade receivables and other current assets	6-8-9	(13,058)	(1,449)
Change in inventories	7	3,865	8,475
Change in trade payables and other current liabilities	19-20-21	25,801	(12,185)
Change in non-current assets	4-5	(392)	(3)
Change in non-current liabilities	15-16-17-18	(443)	(2,074)
Cash flows from operating activities		**140,423**	**110,034**
Net interest paid		(3,639)	(5,938)
Income taxes paid		(16,608)	(18,712)
Net cash flows from operating activities		**120,176**	**85,384**
Investments in property, plant and equipment	1	(13,589)	(21,480)
Investments in intangible assets	2	(9,234)	(10,119)
Investments/disinvestments of financial assets	10	(18,739)	134
Disinvestments of property, plant and equipment and intangible assets		373	402
Interest collected		1,464	3,415
Investments in equity-accounted investees	3	(1,150)	-
Business combinations net of cash acquired	2	-	-
Cash flows used in investing activities		**(40,875)**	**(27,647)**
Acquisitions of non-controlling interests		(1,587)	(44,294)
Capital increases	12	-	-
Repurchase of treasury shares		-	-
Dividend distributions	12	(18,561)	(21,374)
Dividends distributed to non-controlling investors	13	(59)	(54)
Increase in financial liabilities	14	10,000	10,500
Decrease in financial liabilities	14	(35,026)	(48,401)
Decrease in lease liabilities	14	(8,472)	(8,317)
Cash flows used in financing activities		**(53,705)**	**(111,939)**
Change in cash and cash equivalents		**25,596**	**(54,202)**
Cash and cash equivalents - opening balance		**99,119**	**154,010**
Exchange differences		(2,864)	(689)
Cash and cash equivalents - closing balance		**121,851**	**99,119**

(*) Please note that Other non-cash income, net and Interest paid have been reclassified in order to make the items more comparable.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserve	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Profit for the year	Equity	Equity att. to non-controlling interests	Total equity
Balance at 1.01.2024	**11,250**	**2,000**	**(3,015)**	**393**	**182,307**	**112,544**	**70,942**	**376,422**	**19,751**	**396,174**
Owner transactions										
Allocation of prior year profit	-	250	-	-	22,770	47,922	(70,942)	**-**	-	**-**
Capital increases	-	-	-	-	-	-	-	**-**	-	**-**
Repurchase of treasury shares	-	-	-	-	-	-	-	**-**	-	**-**
Dividend distributions	-	-	-	-	-	(21,374)	-	**(21,374)**	(54)	**(21,428)**
Call options for non-controlling interests	-	-	-	-	-	-	-	**-**	-	**-**
Change in consolidation scope	-	-	-	-	-	13,875	-	**13,875**	(13,875)	**-**
Total owner transactions	**11,250**	**2,250**	**(3,015)**	**393**	**205,077**	**152,967**	**-**	**368,923**	**5,823**	**374,746**
Profit for the year	-	-	- -	-	-	-	62,642	**62,642**	617	**63,259**
Other comprehensive income	-	-	3,653	(266)	(8)	-	-	**3,379**	152	**3,531**
Comprehensive income	**-**	**-**	**3,653**	**(266)**	**(8)**	**-**	**62,642**	**66,021**	**769**	**66,789**
Balance at 31.12.2024	**11,250**	**2,250**	**638**	**127**	**205,069**	**152,967**	**62,642**	**434,944**	**6,591**	**441,535**
Balance at 1.1.2025	**11,250**	**2,250**	**638**	**127**	**205,069**	**152,967**	**62,642**	**434,944**	**6,591**	**441,535**
Owner transactions										
Allocation of prior year profit	-	-	-	-	4,604	58,038	(62,642)	**-**	-	**-**
Capital increases										
Repurchase of treasury shares										
Dividend distributions	-	-	-	-	-	(18,561)	-	**(18,561)**	(59)	**(18,620)**
Call options for non-controlling interests										
Change in consolidation scope	-	-	-	-	-	880	-	**880**	(880)	**-**
Total owner transactions	**11,250**	**2,250**	**638**	**127**	**209,673**	**193,324**	**-**	**417,263**	**5,652**	**422,916**
Profit for the year							73,642	**73,642**	38	**73,681**
Other comprehensive expense			(13,720)	(107)	165			**(13,662)**	11	**(13,651)**
Comprehensive income	**-**	**-**	**(13,720)**	**(107)**	**165**	**-**	**73,642**	**59,980**	**49**	**60,030**
Balance at 31.12.2025	**11,250**	**2,250**	**(13,082)**	**20**	**209,838**	**193,324**	**73,642**	**477,243**	**5,702**	**482,945**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Carel Industries S.p.A. (the "parent") heads the group of the same name and has its registered office in Via Dell'Industria 11, Brugine (Padua). It is a company limited by shares and its tax code and VAT number is 04359090281. It is included in the Padua company register.

The group provides control instruments to the air-conditioning, commercial and industrial refrigeration markets and also produces air humidification systems. It has 47 commercial companies and 12 production sites (split into 15 production areas) which serve all the main markets.

As it is required to prepare consolidated financial statements, on 28 November 2016, the parent opted to draw up separate and consolidated financial statements starting from 31 December 2017 under the IFRS Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union as per Regulation (EC) no. 1606/2002 of 19 July 2002, transposed into Italian law by Legislative decree no. 38/2005.

The parent's board of directors approved the consolidated financial statements at 31 December 2025 on 10 March 2026.

The consolidated financial statements include the results of the parent and its subsidiaries, based on their updated accounting records. They were prepared in accordance with the updated accounting records.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Carel Industries Group's consolidated financial statements at 31 December 2025 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission with the procedure set out in article 6 of Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The IFRS include all the standards as well as the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), previously called the Standing Interpretations Committee (SIC), endorsed by the European Union at the reporting date and included in the related EU regulations published at that date.

The consolidated financial statements include the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity, statement of cash flows and these notes. They were prepared assuming the parent and its subsidiaries will continue as going concerns. The group assumed that it could adopt the going concern assumption pursuant to IAS 1.25/26 given its strong market position, very satisfactory profits and solid financial structure.

The consolidated financial statements were prepared in thousands of Euro, which is the group's functional and presentation currency as per IAS 21 The effects of changes in foreign exchange rates. There may be rounding differences when items are added together as the individual items are calculated in Euros.

FINANCIAL STATEMENTS SCHEDULES

Statement of financial position. Assets and liabilities are presented as current or non-current as required by paragraph 60 and following paragraphs of IAS 1.

An asset or liability is classified as current when it meets one of the following criteria:

the group expects to realise the asset or settle the liability, or intends to sell or consume it, in its normal operating cycle; or it holds the asset or liability primarily for the purpose of trading or expects to realise the asset or settle the liability within twelve months after the reporting date.

All other assets and liabilities are classified as non-current.

Statement of profit or loss. The group has opted to present the statement of profit or loss classifying items by their nature rather than their function, as this best represents the transactions undertaken during the year and its business structure. This approach is consistent with the group's internal management reporting system and international best practices for its sector. Following adoption of revised IAS 1, the group decided to present the statement of profit or loss and other comprehensive income in two separate statements.

Statement of comprehensive income. This statement, prepared in accordance with the IFRS, presents other items of comprehensive income that are recognised directly in equity.

Statement of cash flows. The group prepares this statement using the indirect method. Cash and cash equivalents included herein comprise the statement of financial position balances at the reporting date. Interest expense and income taxes are included in the cash flows from operating activities while interest income is included in the cash flows from investing activities. The group presents cash flows from operating activities and investing activities and changes in non-current financial position, current liabilities and current financial assets separately. If not specified, exchange rate gains and losses are classified in the operating activities as they refer to the translation of trade receivables and payables into Euros.

Statement of changes in equity. This statement shows changes in the equity captions related to:

- the allocation of the profit for the year of the parent and its subsidiaries to non-controlling interests;
- owner transactions (repurchase and sale of treasury shares);
- each profit or loss item, net of the related tax effects, that is recognised either directly in equity (gain or loss on the repurchase/sale of treasury shares) or in an equity reserve (share-based payments), pursuant to the IFRS;
- changes in the hedging reserve, net of the related tax effects;
- the effect of any changes in the IFRS.

CONSOLIDATION SCOPE

The consolidated financial statements include the separate financial statements of the parent, Carel Industries S.p.A., and the financial statements of its Italian and foreign subsidiaries at 31 December 2025.

Subsidiaries are those entities over which the parent has control, as defined in IFRS 10 Consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of the subsidiaries are consolidated starting from the date when control exists until when it ceases to exist.

Note [35] "Other information" lists the entities included in the consolidation scope at 31 December 2025.

BASIS OF CONSOLIDATION

The consolidated financial statements include the separate financial statements of Carel Industries S.p.A. and the financial statements of the Italian and foreign companies over which it has direct or indirect control. Specifically, the consolidation scope includes:

- the subsidiaries, over which the parent has control as defined by IFRS 10 Consolidated financial statements; these companies are consolidated on a line-by-line basis;
- the associates, over which the parent has the power to exercise significant influence over their financial and operating policies despite not having control; investments in these companies are measured using the equity method.

The parent adopted the following consolidation criteria:

- assets, liabilities, revenue and expenses of the consolidated entities are consolidated using the line-by-line approach where the carrying amount of the parent's investments therein is eliminated against its share of the investee's equity. Any differences are treated in accordance with IFRS 10 Consolidated financial statements and IFRS 3 Business combinations. The portions attributable to non-controlling interests are recognised at the fair value of the assets acquired and liabilities assumed without recognising goodwill;
- the group companies are excluded from the consolidation scope when control thereover ceases to exist and any effects of exclusion are recognised as owner transactions in equity;
- intragroup receivables and payables, revenue and expenses and all significant transactions are eliminated, including intragroup dividends. Unrealised profits and gains and losses on intragroup transactions are also eliminated;
- equity attributable to non-controlling interests is presented separately under equity; their share of the profit or loss for the year is recognised in the statement of profit or loss;
- the financial statements of the consolidated foreign companies using a functional currency other than the Euro are translated into Euros using the average annual exchange rate for the statement of profit or loss captions and the closing rate for the statement of financial position captions. Any differences between these exchange rates or due to changes in the exchange rates at the start and end of the year are recognised under equity.

The reporting date of all the consolidated companies is 31 December, except for Carel India, whose year end is 31 March. However, the Indian company prepares a reporting package at 31 December for consolidation purposes. The group monitors Carel India for any significant events between 31 December and 31 March, to identify possible adjustments.

Business combinations

Business combinations are treated using the acquisition method. The consideration is recognised at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred and liabilities incurred by the acquirer and the equity interests issued in exchange for control of the acquiree. Transaction costs are usually recognised in profit or loss when they are incurred. Transaction costs are usually recognised in profit or loss when they are incurred.

The assets acquired and the liabilities assumed are recognised at their acquisition-date fair value, except for the following items which are measured in line with the relevant IFRS:

- Deferred tax assets and liabilities;
- Employee benefits;
- Liabilities or equity instruments related to share-based payment awards of the acquiree or share-based payment awards of the acquirer issued to replace the acquiree's awards;
- Assets held for sale and disposal groups.

Goodwill is calculated as the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree and the net of the acquisition-date fair value of the assets acquired and liabilities assumed. If this fair value is greater than the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, the resulting gain is recognised immediately in profit or loss.

The amount of any non-controlling interest in the acquiree at the acquisition date is the pre-combination carrying amount of the acquiree's net assets.

Contingent consideration is measured at its acquisition-date fair value and included in the consideration exchanged for the acquiree to calculate goodwill. Any subsequent changes in fair value, which are measurement period adjustments, are included in goodwill retrospectively. Changes in fair value which are measurement period adjustments are those that arise due to additional information becoming available about facts and circumstances that existed at the acquisition date and was obtained during the measurement period (that cannot exceed one year from the acquisition date). Any subsequent change in contingent consideration is included in profit or loss.

MATERIAL INFORMATION ON THE GROUP'S ACCOUNTING POLICIES

The consolidated financial statements at 31 December 2025 were prepared in accordance with the IFRS issued by the IASB, endorsed by the European Commission and applicable at the reporting date. They are presented in Euros, which is the group's functional currency, i.e., the currency of the primary economic environment in which it mainly operates. Amounts are rounded to the nearest thousand.

The consolidated financial statements present the financial position and performance of the parent and its subsidiaries. The financial statements used for consolidation purposes are those prepared by the subsidiaries pursuant to the IFRS at 31 December 2025.

The consolidated financial statements include the statement of profit or loss, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and these notes, which are an integral part thereof.

They were prepared using the historical cost criterion, except for derivative financial instruments hedging currency and interest rate risks and available-for-sale financial assets, which were measured at fair value as required by IFRS 9 Financial instruments: recognition and measurement.

Preparation of consolidated financial statements under the IFRS requires management to make estimates and assumptions that affect the amounts in the financial statements and the notes. Actual results may differ from these estimates. Reference should be made to the "Use of estimates" section for details of the captions more likely to be affected by estimates.

Following its decision to adopt the IFRS starting from the consolidated financial statements at 31 December 2017, the group referred to the standards applicable from 1 January 2017 to prepare its consolidated financial statements at 31 December 2025, in accordance with the provisions of IFRS 1.

STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2025

The group applied the following standard starting from 1 January 2025:

On 15 August 2023, the IASB issued Lack of exchangeability (Amendments to IAS 21) which requires an entity to apply a consistent methodology to determine whether a currency is exchangeable into another and, when this is not possible, how to determine the exchange rate to be used and the related disclosures. The adoption of this amendment did not affect the group's consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS ENDORSED BY THE EU BUT NOT YET MANDATORY AND NOT ADOPTED EARLY BY THE GROUP AT 31 DECEMBER 2025

The following IFRS Accounting Standards, amendments and interpretations have been endorsed by the European Union but are not yet mandatorily applicable and have not been adopted in advance by the group at the reporting date:

- On 30 May 2024, the IASB published Amendments to the classification and measurement of financial instruments (Amendments to IFRS 9 and IFRS 7). The amendments address matters identified during the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (i.e., green bonds).
  The amendments are effective for annual reporting periods beginning on or after 1 January 2026, but earlier application is permitted. The directors do not expect these amendments to significantly affect the consolidated financial statements.

- On 18 December 2024, the IASB published Contracts referencing nature-dependent electricity (Amendments to IFRS 9 and IFRS 7). The amendments aim to support entities in reporting the financial effects of nature-dependent electricity agreements (often structured as power purchase agreements). Based on these contracts, the amount of electricity generated and purchased can vary based on uncontrollable factors such as weather conditions. The IASB has made targeted amendments to IFRS 9 and IFRS 7. The amendments are effective for reporting periods beginning on or after 1 January 2026, but earlier application is permitted. The directors do not expect these amendments to significantly affect the consolidated financial statements.

  On 18 July 2024, the IASB published Annual Improvements to IFRS Accounting Standards Volume 11. The document includes clarifications, simplifications, corrections and changes to improve the consistency of several IFRS Accounting Standards. The amendments are effective for annual reporting periods beginning on or after 1 January 2026. The directors do not expect these amendments to significantly affect the consolidated financial statements.

STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ENDORSED BY THE EU

At the reporting date, the EU's relevant bodies had not yet completed the endorsement process for adoption of the following amendments and standards.

- On 9 April 2024, the IASB published a new standard, IFRS 18 Presentation and disclosure in financial statements, which will replace IAS 1 Presentation of financial statements. The objective of the new standard is to improve the presentation of the financial statements schedules, especially the statement of profit or loss. Specifically, the standard requires an entity to:
  - classify income and expenses into three new categories (operating category, investing category and financing category), in addition to the income taxes and discontinued operations categories already present in the statement of profit or loss;
  - present two new sub-totals, operating profit or loss and profit or loss before interest and income taxes.

  In addition, IFRS 18:
  - requires more information on the management-defined performance measures;
  - introduces new criteria for the aggregation and disaggregation of information; and
  - introduces a number of changes to the format of the statement of cash flows, including the requirement to use the operating profit or loss subtotal as the starting point for the indirect method of reporting cash flows and removed the presentation alternatives for cash flows related to interest and dividends paid and received.

  IFRS 18 applies to annual periods beginning on or after 1 January 2027, but earlier application is allowed. The directors are currently evaluating the possible effects of the introduction of this new standard on the group's consolidated financial statements.

- On 9 May 2024, the IASB published a new standard IFRS 19 Subsidiaries without public accountability: Disclosures (together with Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures published on 21 August 2025). The new standard introduces some simplifications with regard to the disclosures required by the IFRS Accounting Standards in the financial statements of a subsidiary that meets the following requirements:
  - it has not issued equity or debt instruments listed on a regulated market and is not in the process of issuing them;
  - its parent prepares consolidated financial statements that comply with the IFRS.

IFRS 19 applies to annual periods beginning on or after 1 January 2027, but earlier application is allowed. The directors do not expect these amendments to significantly affect the consolidated financial statements.

- On 13 November 2025, the IASB published Translation to a hyperinflationary presentation currency (Amendments to IAS 21) which sets out the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if:
    - its functional currency is that of a non-hyperinflationary economy, and it is translating its financial statements into the currency of a hyperinflationary economy; or,
    - it is translating the financial statements of a foreign operation whose functional currency is that of a non-hyperinflationary economy into the currency of a hyperinflationary economy.

The amendments are effective for annual reporting periods beginning on or after 1 January 2027. The directors do not expect these amendments to significantly affect the consolidated financial statements.

BASIS OF MEASUREMENT

Revenue and costs

Revenue is measured based on the fee contractually-agreed with the customer and does not include amounts collected on behalf of third parties. The group recognises revenue when control of the goods or services is transferred to the customer. Revenue is recognised to the extent it is probable the group will receive the economic benefits and it can be measured reliably. Most contracts with customers provide for commercial discounts and discounts based on volumes, which modify the revenue itself. In defining the amount of the variable consideration that may be included in the transaction price, the group calculates the amount of variable consideration that cannot yet be considered realised at each reporting date.

Revenue from the sale of HVAC products and services refer to sales of products for air control and humidification in the industrial, residential and commercial segment (heat ventilation and air conditioning), while refrigeration revenue refers to sales to the food retail and food service segment. The sales in both markets can be divided into the following three macro channels: OEMs (Original Equipment Manufacturers), dealers and projects. Non-core revenue is earned on products that do not make up the group's core business.

The Kiona Group's revenue includes that earned on contracts with customers which comprise a fee for the sale of the hardware, its installation and ongoing services. Management assessed whether some or all of these components are to be considered a separate performance obligation under the IFRS in order to understand how to recognise the related revenue. Management concluded that these contracts with customers include two components that are separate performance obligations under the IFRS, namely the sale of hardware and ongoing services provided after the sale. Therefore, the consideration received is allocated to these two performance obligations.

The warranties related to these categories of products are warranties for general repairs and in most cases, the group does not provide extended warranties. The group recognises warranties in compliance with IAS 37 Provisions, contingent liabilities and contingent assets.

There are no significant services provided for a lengthy period of time.

Advertising and research costs are expensed in full as required by IAS 38 Intangible assets. Revenue from services is recognised when the services are rendered.

Interest

Revenue and expenses are recognised on an accruals basis in line with the interest accrued on the carrying amount of the related financial assets and liabilities using the effective interest method.

Dividends

They are recognised when the shareholder's right to receive payment is established, which normally takes place when the shareholders pass the related resolution. The dividend distribution is recognised as a liability in the consolidated financial statements of the period in which the shareholders approve such distribution.

Income taxes

They reflect a realistic estimate of the group's tax burden, calculated in accordance with the current regulations in the countries where the Carel Industries Group operates; current tax liabilities are recognised in the statement of financial position net of any payments on account.

Deferred tax assets and liabilities arise on temporary differences between the carrying amount of an asset or liability pursuant to the IFRS and its tax base, calculated using the tax rates enacted or reasonably expected to be enacted in future years. Deferred tax assets are only recognised when their recovery is probable while deferred tax liabilities are always recognised, except in the situations in which recording a tax liability would not be appropriate under IAS 12 Income taxes (for example on initial recognition of goodwill or a situation in which the group does not anticipate the reversal of the liability in the foreseeable future). The group does not net current and deferred taxes. The tax consolidator's deferred tax liabilities on untaxed reserves are accounted for in the year in which the liability to pay the dividend is recognised.

Translation criteria

Foreign currency financial assets and liabilities are translated into Euros using the transaction-date exchange rate. Any gains or losses when the foreign currency financial asset is collected or the financial liability settled are recognised in profit or loss.

Revenue, income, costs and expenses related to foreign currency transactions are recognised at the spot rate ruling on the transaction date. At the reporting date, foreign currency assets and liabilities, excluding non-current assets (which continue to be recognised using the transaction-date exchange rate) are re-translated using the spot closing rate and the related exchange gains or losses are recognised in profit or loss.

The main exchange rates (against the Euro) used to translate the financial statements of foreign currency operations at 31 December 2025 and 2024 (comparative figures) are set out below:

	Average rate		Closing rate	
	2025	**2024**	**31.12.2025**	**31.12.2024**
Pound sterling	0.857	0.847	0.873	0.829
Hong Kong dollar	8.810	8.445	9.146	8.069
Brazilian real	6.307	5.828	6.436	6.425
US dollar	1.130	1.082	1.175	1.039
Australian dollar	1.752	1.640	1.758	1.677
Chinese renminbi (yuan)	8.119	7.788	8.226	7.583
Indian rupee	98.524	90.556	105.597	88.934
South African rand	20.179	19.830	19.444	19.619
Russian ruble	94.052	100.280	92.094	106.103
South Korean won	1,605.452	1,475.404	1,696.940	1,532.150
Mexican peso	21.671	19.831	21.118	21.550
Swedish krona	11.066	11.433	10.822	11.459
Japanese yen	169.044	163.852	184.090	163.060
Polish zloty	4.240	4.306	4.221	4.275
Thai baht	37.116	38.181	37.218	35.676
UAE dirham	4.150	3.975	4.315	3.815
Singapore dollar	1.476	1.446	1.511	1.416
Norwegian krone	11.718	11.629	11.843	11.795
Swiss franc	0.937	0.953	0.931	0.941
Ukrainian hryvnia	47.110	43.490	49.795	43.686
Canadian dollar	1.579	1.482	1.609	1.495
Turkish lira	44.816	35.573	50.484	36.737

New Zealand dollar	1.942	1.788	2.038	1.853
Kazakhstani tenge	589.530	507.914	592.330	544.980
Swedish krona	7.463	7.459	7.469	7.458

Property, plant and equipment

They are recognised at historical cost, including ancillary costs necessary to ready the asset for the use for which it has been purchased.

Maintenance and repair costs that do not extend the asset's life and/or enhance its value are expensed when incurred; otherwise, they are capitalised.

Property, plant and equipment are stated net of accumulated depreciation and impairment losses calculated using the methods described later in this section. The depreciable amount of an asset is allocated on a systematic basis over its useful life, which is reviewed once a year. Any necessary changes are applied prospectively.

The depreciation rates of the main categories of property, plant and equipment are as follows:

Industrial buildings	from 3% to 5%
Plant and machinery	from 10% to 15.5%
Industrial and commercial equipment	from 12% to 40%

Land has an indefinite useful life and therefore is not depreciated.

Assets held under lease are recognised as assets at the present value of the minimum lease payments. The liability to the lessor is shown under financial liabilities. The leased assets are depreciated over the lease term. Lease payments for short-term leases or leases of low-value assets are recognised in profit or loss over the lease term.

The right-of-use assets are depreciated using the above rates.

When the asset is sold or there are no future economic benefits expected from its use, it is derecognised and the gain or loss (calculated as the difference between the asset's sales price and carrying amount) is recognised in profit or loss in the year of derecognition.

Goodwill

This is the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the assets acquired and liabilities assumed. Goodwill is not amortised but is tested annually for impairment or whenever events take place that suggest it may be impaired.

Other intangible assets

These are identifiable, non-monetary assets without physical substance that are controlled by the entity and from which future economic benefits are expected to flow to the entity. They are initially recognised at cost when this can be reliably determined using the same methods applied to property, plant and equipment.

These assets are subsequently presented net of accumulated amortisation and any impairment losses. Their useful life is reviewed regularly and any changes are applied prospectively. Costs incurred to internally generate an intangible asset are capitalised in line with the provisions of IAS 38.

Their estimated useful life is between three and fifteen years.

Gains or losses on the sale of an intangible asset are calculated as the difference between the asset's sales price and its carrying amount. They are recognised in profit or loss at the sales date.

Impairment losses on non-financial assets

Assets with an indefinite useful life are not amortised but are tested for impairment once a year to check whether their carrying amount has undergone impairment. The board of directors adopted a policy that defines the criteria for the impairment test, the controls to be carried out to guarantee the reliability of the process and the procedure to approve the test, in line with Consob (the Italian Commission for listed companies and the stock exchange) recommendation no. 0003907 of 15 January 2015.

Amortisable assets are tested for impairment whenever events or circumstances suggest that their carrying amount cannot be recovered (trigger events). In both cases, the impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. If it is not possible to determine an asset's value in use, the recoverable value of the cash-generating unit (CGU) to which the asset belongs is calculated. Assets are grouped into the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The group calculates the present value of the estimated future cash flows of the CGU using a discount rate that reflects the time value of money and the risks specific to the asset.

If an impairment loss on an asset other than goodwill subsequently decreases or no longer exists, the carrying amount of the asset or the CGU is increased to the new estimate of its recoverable amount which will not, in any case, exceed the carrying amount the asset would have had if no impairment loss had been recognised.

Reversals of impairment losses are recognised immediately in profit or loss using the model provided for in IAS 16 Property, plant and equipment.

Equity investments

Investments in associates and joint ventures are measured using the equity method, while other investments are measured at fair value through other comprehensive income. If fair value cannot be reliably determined, the investments are measured at cost adjusted for impairment losses, which are recognised in profit or loss.

If the reasons for the impairment loss no longer exist, the equity investments recognised at cost are revalued with reversal of the impairment loss through profit or loss.

Financial assets

They are initially recognised at their fair value and subsequently measured at amortised cost. Financial assets are initially recognised at their fair value increased, in the case of assets other than those recognised at fair value through profit or loss, by ancillary costs. When subscribed, the group assesses whether a contract includes embedded derivatives. The embedded derivatives are separated from the host contract if this is not measured at fair value when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

The group classifies its financial assets after initial recognition and, when appropriate and permitted, reviews this classification at the reporting date.

It recognises all purchases and sales of financial assets at the transaction date, i.e., the date on which the group assumes the commitment to buy or sell the asset.

All financial assets within the scope of IFRS 9 are recognised at amortised cost or fair value depending on the business model for managing the financial asset and the asset's contractual cash flow characteristics.

Specifically:

- Debt instruments held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows and the related cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently recognised at amortised cost;
- Debt instruments held as part of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the related cash flows are solely payments of principal and interest on the principal amount outstanding are subsequently measured at fair value through other comprehensive income (FVTOCI);
- All other debt and equity instruments are subsequently measured at fair value through profit or loss (FVTPL).

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. On the other hand, when an equity instrument measured at FVTOCI is derecognised, the cumulative gain or loss that was previously recognised in other comprehensive income is transferred to retained earnings, without affecting profit or loss.

Debt instruments subsequently measured at amortised cost or FVTOCI are tested for impairment.

Any impairment losses are recognised in profit or loss after use of the fair value reserve if this has been set up. Subsequent impairment gains are recognised in profit or loss except in the case of equity instruments for which the impairment gain is recognised in equity.

Inventories

They are measured at the lower of purchase and/or production cost, calculated using the weighted average cost method, and net realisable value. Purchase cost comprises all ancillary costs. Production cost includes the directly related costs and a portion of the indirect costs that are reasonably attributable to the products.

Work in progress is measured at average cost considering the stage of completion of the related contracts.

Obsolete and/or slow-moving items are written down to reflect their estimated possible use or realisation through an allowance.

The write-down is reversed in subsequent years if the reasons therefor no longer exist.

Trade receivables

They are initially recognised at fair value, which is the same as their nominal amount, and subsequently measured at amortised cost and impaired, if appropriate. Their carrying amount is adjusted to their estimated realisable amount through the loss allowance. The group has adopted a policy to include expected credit losses in the calculation of the loss allowance based on both the historical trends of previous years and the expectations about future collections based on where the group company is based.

Foreign currency trade receivables are translated into Euros using the transaction-date exchange rate and subsequently retranslated using the closing rate. The exchange gain or loss is recognised in profit or loss.

Cash and cash equivalents

They include cash, i.e., highly liquid investments (maturity of less than three months) that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Employee benefits

This caption includes the Italian post-employment benefits (“TFR”) and other employee benefits covered by IAS 19 Employee benefits. As a defined benefit plan, independent actuaries calculate the TFR at the end of each reporting period. The liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. These benefits are calculated using the projected unit credit method.

Provisions for risks

As required by IAS 37 Provisions, contingent liabilities and contingent assets, the group recognises a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Changes in estimates from one period to another are recognised in profit or loss.

Where the effect of the time value of money is material and the payment dates of the obligation can be estimated reliably, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Any subsequent changes arising from the passage of time are recognised as financial income or expense in the statement of profit or loss.

No provision is made for possible but not probable risks but the group provides adequate disclosure thereon in the notes.

Trade payables and other current liabilities

Trade payables and other current liabilities which fall due within normal trading terms are initially recognised at cost, which equals their nominal amount, and are not discounted. When their due date is longer than normal trading terms, the interest is separated using an appropriate market rate.

Financial liabilities

They are classified as current liabilities unless the group has an unconditional right to defer their payment for at least 12 months after the reporting date. The group removes the financial liability when it is extinguished and the group has transferred all the risks and rewards related thereto. Financial liabilities are initially recognised at their fair value and subsequently measured using the amortised cost method.

Derivative financial instruments

The group solely uses derivatives to hedge currency risk on foreign currency commercial transactions and interest risk on its medium to long-term debt.

Initial recognition and subsequent measurement is at the derivatives' fair value, applying the following accounting treatments:

Fair value hedge - if a derivative is designated as a hedge of the group's exposure to changes in fair value of a recognised asset or liability that could affect profit or loss, the gain or loss from remeasuring the hedging instrument at fair value is recognised in profit or loss as the gain or loss on the hedged item.

Cash flow hedge - if a derivative is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income; the cumulative gain or loss is reclassified to profit or loss in the same period during which the hedged forecast cash flows affect profit or loss; the gain or loss on the hedge or the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

When the conditions for application of hedge accounting are no longer met, the group reclassifies the fair value gains or losses on the derivative directly to profit or loss.

Use of estimates

Preparation of the consolidated financial statements requires management to apply accounting policies and methods that, in certain circumstances, are based on difficult and subjective judgements, past experience or assumptions that are considered reliable and realistic at that time depending on the related circumstances. Application of these estimates and assumptions affects the amounts recognised in the statement of financial position, the statement of profit or loss and the statement of cash flows as well as the disclosures. Actual results may differ from those presented in the consolidated financial statements due to the uncertainty underlying the assumptions and the conditions on which the estimates were based.

The captions that require the greater use of estimates and for which a change in the conditions underlying the assumptions may affect the consolidated financial statements are:

- allowance for inventory write-down: slow-moving raw materials and finished goods are tested for obsolescence regularly using historical data and the possibility of their sale at below-market prices. If this test shows the need to write down inventory items, the group sets up an allowance which is calculated considering past experience and the market. Changes in the reference scenarios or market trends could significantly modify the criteria used as a basis for the estimates;
- leases: the recognition of right-of-use assets and the related lease liabilities requires significant management estimates, especially in determining the lease term and the incremental borrowing rate. In determining the lease term, in addition to the contractual deadlines, the group considers any renewal options that it reasonably expects to exercise. The incremental borrowing rate is calculated by considering the type of leased asset, the jurisdictions in which it is acquired and the currency in which the lease is denominated. Any changes in the reference scenarios or market trends could require a review of the above components;
- Impairment testing of goodwill: at least once a year, the group tests goodwill for impairment. It calculates the recoverable amount of the CGU as the value in use using the discounted cash flow

method Applying assumptions, such as estimates of future increases in sales, operating costs, the growth rate of the terminal value, investments, changes in working capital and the weighted average cost of capital (discount rate). The value in use may change if the main estimates and assumptions made in the plan change and, hence, the impairment test. Therefore, the realisable value of the recognised assets may also change;
- fair value. IFRS 13 is the only reference source for fair value measurement and the related disclosures when this measurement is required or permitted by another standard. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard replaces and extends the disclosure required about fair value measurement in other standards, including IFRS 7 Financial instruments: disclosures. IFRS 13 establishes a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value in hierarchical order as follows:
  - level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
  - level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
  - level 3 inputs: unobservable inputs for the asset or liability.

  The method used to estimate fair value is as follows:

  - the fair value of available-for-sale quoted instruments is calculated using quoted prices (level 1);
  - the fair value of currency hedges is calculated by discounting the difference between the forward price at maturity and the forward price for the remaining term at the measurement date (the reporting date) at a risk-free interest rate (level 2);
  - the fair value of interest rate hedging derivatives is based on broker prices and is calculated considering the present value of the future cash flows discounted using the reporting-date interest rates (level 2).

  Reference should be made to the specific comments provided in the notes to the assets or liabilities for more information about the assumptions used to determine fair value.

  - The fair value of financial instruments not quoted on an active market is calculated in accordance with valuation techniques generally adopted by the financial sector and specifically:
  - the fair value of interest rate swaps (IRS) is calculated using the present value of the future cash flows;
  - the fair value of forwards to hedge foreign currency risk is calculated using the present value of the difference between the contractual forward exchange rate and the spot exchange rate at the reporting date;
  - the fair value of the options to hedge foreign currency risk is calculated using mathematical models that consider the contractual forward exchange rate, the spot exchange rate at the reporting date and the cost incurred to agree such option.

RISKS AND FINANCIAL INSTRUMENTS

The objective of IFRS 7 is to require entities to provide disclosures in their financial statements that enable users to evaluate:

- the significance of financial instruments for an entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this standard complement the principles for recognising, measuring and presenting financial assets and financial liabilities in IAS 32 Financial instruments: presentation and IFRS 9.

This section presents the supplementary disclosures required by IFRS 7.

The accounting policies applied to measure financial instruments are described in the section on the accounting policies.

The group's operations expose it to a number of financial risks that can affect its financial position, financial performance and cash flows due to the impact of its financial instruments.

These risks include:

a. credit risk;
b. liquidity risk;
c. market risk (currency risk, interest rate risk and other price risk).

The parent's board of directors has overall responsibility for the design and monitoring of a financial risk management system. It is assisted by the various units involved in the operations generating the different types of risk.

The units establish tools and techniques to protect the group against the above risks and/or transfer them to third parties (through insurance policies) and they assess the risks that are neither hedged nor insured pursuant to the guidelines established by the board of directors for each specific risk.

The degree of the group's exposure to the different financial risk categories is set out below.

CREDIT RISK

The group operates on various national markets with a high number of medium and large-sized customers, mostly regional or local distributors. Therefore, it is exposed to credit risk in conjunction with its customers' ability to obtain credit from banks.

The group's credit risk management policy includes rating its customers, setting purchase limits and issuing periodic reports, to ensure tight control over credit collection. Each group company has a credit manager in charge of credit collection on sales made in their markets. Coordination between the companies active in the same market (e.g., the Italian companies) is based on the electronic exchange of information about common customers and the coordination of delivery blocks or the commencement of legal action.

The loss allowance is equal to the nominal amount of the uncollectible receivables after deducting the part of the receivables secured with bank collateral. The group analyses all the collateral given to check collectability. Impairment losses are recognised considering past due receivables from customers with financial difficulties and receivables for which legal action has commenced. Furthermore, the group did not modify payment terms applied to customers or its credit risk management policies, while it prudently reinforced monitoring of credit positions with customers.

The following table shows a breakdown of trade receivables by past due bracket:

(€'000)	31.12.2025		31.12.2024	
	Trade receivables	Loss allowance	Trade receivables	Loss allowance
Not yet due	103,793	(2,359)	89,401	(1,562)
Past due < 6 months	9,913	(395)	11,523	(241)
Past due > 6 months and < 12 months	798	(253)	715	(361)
Past due > 12 months	635	(388)	747	(616)
Total	**115,139**	**(3,395)**	**102,386**	**(2,780)**

LIQUIDITY RISK

The group has a high level of liquidity and limited net financial debt. During the year, it had regular access to funding to support its operations.

As required by IFRS 7, the next table shows the cash flows of the group's financial liabilities by maturity:

(€'000)	31.12.2025				
	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Bank loans at amortised cost	234	237	-	237	-
Amounts due to bondholders	59,602	66,497	-	37,438	29,059
Lease liabilities	23,083	24,743	-	14,485	10,258
Other loans and borrowings at amortised cost	68	68	-	68	-

(€'000)	31.12.2025				
	TOTAL	Total cash flows	Within one year	From one to five years	After five years
Other financial liabilities	440	440	-	440	-
Non-current financial liabilities	**83,427**	**91,985**	**-**	**52,668**	**39,317**
Bank loans at amortised cost	34,133	34,184	34,184	-	-
Amounts due to bondholders	367	1,622	1,622	-	-
Lease liabilities	6,855	7,498	7,498	-	-
Bank borrowings at amortised cost	167	167	167	-	-
Other loans and borrowings at amortised cost	209	209	209	-	-
Derivatives held for trading at fair value through profit or loss	36	36	36	-	-
Other financial liabilities	139	139	139	-	-
Current financial liabilities	**41,904**	**43,853**	**43,853**	**-**	**-**

MARKET RISK

Currency risk

As the group sells its products in various countries around the world, it is exposed to the risk deriving from changes in foreign exchange rates. This risk mainly arises on sales in currencies like the US dollar, the Chinese renminbi and the Polish zloty.

In addition, the parent has investments in subsidiaries denominated in foreign currency. Changes in equity due to fluctuations in exchange rates are recognised in the translation reserve. The group does not currently hedge against the risk arising on the translation of equity. The group does not currently hedge against the risk arising on the translation of equity. The following table shows the group's exposure arising from foreign currency assets and liabilities, highlighting the most significant for each year:

(€'000)	31.12.2025						
	EUR	USD	PLN	CNY	NOK	Other currencies	Total
Total assets	636,426	96,667	24,209	37,432	49,218	24,055	**868,006**
Total liabilities	227,878	49,866	6,916	8,428	80,888	11,086	**385,061**

The next table shows a sensitivity analysis of the risk arising on the translation of foreign currency financial statements of the consolidated companies assuming a 10% increase or decrease in the average annual exchange rate. The effect is calculated considering the impact of this increase or decrease on the key performance indicators used by management:

NET REVENUE

(€'000)	31.12.2025		
	Average annual rate	RATE +10%	RATE -10%
USD	131,234	144,357	118,111
GBP	17,515	19,267	15,764
CNY	48,674	53,542	43,807
AUD	7,543	8,297	6,788
ZAR	6,684	7,352	6,015
BRL	10,536	11,590	9,482
PLN	28,504	31,355	25,654
Other currencies	48,168	n.a.	n.a.
EUR	330,170	330,170	330,170

PROFIT (LOSS) BEFORE TAX			
(€'000)	31.12.2025		
	Average annual rate	RATE +10%	RATE -10%
USD	55,604	61,164	50,044
GBP	14,417	15,859	12,975
CNY	3,162	3,478	2,846
AUD	5,056	5,562	4,551
ZAR	5,665	6,232	5,099
BRL	7,290	8,020	6,561
PLN	6,128	6,741	5,515
Other currencies	20,618	n.a.	n.a.
EUR	(22,764)	(22,764)	(22,764)

The group agrees currency hedges to set the exchange rate in line with forecast sales and purchases volumes to protect itself against currency fluctuations with respect to its foreign currency transactions. The hedges are based on the group's net exposure using currency forwards, to hedge the transaction risk, and/or plain vanilla options to hedge the economic risk in line with its financial policy. The hedged risk is part of the global risk and the hedges are not speculative.

Moreover, as the parent prepares its consolidated financial statements in Euros, fluctuations in the exchange rates used to translate the financial statements of the foreign subsidiaries into the presentation currency could affect the group's financial position, financial performance and cash flows.

Exchange rates were more volatile in 2025 continuing the trend of the previous year. As a result, the captions affected by the translation of amounts into Euro increased accordingly. Management constantly monitors exchange rates and the exposure of current assets and liabilities in foreign currencies so that it can put suitable hedges in place to mitigate the risk.

Interest rate risk

This is the risk that the fair value and/or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The group is exposed to interest rate risk due to its need to finance its operating activities, both production and financial (the purchase of assets), and to invest its available liquidity. Changes in market interest rates may negatively or positively affect the group's results and, hence, indirectly the cost of and return on financing and investing activities.

The group regularly checks its exposure to interest rate fluctuations and manages such risks through the use of derivatives, in accordance with its financial policies. With regard to such policies, the use of derivatives is reserved exclusively for the management of interest rate fluctuations connected to cash flows and they are not agreed or held for trading purposes.

It solely uses interest rate swaps (IRS), caps and collars to do so.

The group's debt mainly bears floating interest rates. When deemed significant, the group agrees hedging instruments to neutralise fluctuations in interest rates and agrees a set future expense to cover up to 100% of its future cash outflows. Given its ample liquidity, it has an immaterial liquidity risk with respect to its short-term deadlines and, therefore, this risk principally refers to its medium to long-term financing.

The derivatives used to hedge interest rate risk are generally cash flow hedges in order to set the interest to be paid on financing and obtain an optimum blend of floating and fixed interest rates applied to its financing.

The counterparties are major banks. Derivatives are measured at fair value.

Other market and/or price risks

The group is subjected to increasing competitive pressure due to the entry of new players into the OEM market (large international groups) and the development of new organised markets which constantly push prices down, especially in the electronics sector.

Demand for the group's products is also affected by fluctuations affecting the distribution channels of products and applications which, as noted, are mostly the OEM operating indirectly in the construction sector and operators linked to the food distribution sector (for the refrigeration business).

The group protects itself from the business risks deriving from its normal involvement in markets with these characteristics by focusing on technological innovation and geographical diversification and expansion leading to the group gaining international status as it is active on all the continents either directly or through exclusive third party franchisees.

The production sites in Italy, China, Brazil, the United States, Croatia, Germany and Poland aim to optimise production. They will also act as potential disaster recovery centres to deal with catastrophes that shut down production at the main site in Italy, where the parent has its registered office. The group's strategy is also to base its production near its markets and customers to provide faster time-to-market services and increase its production output to serve the rapidly growing markets.

The continuing production structure reorganisation, the related cost savings, geographical diversification and, last but not least, the group's constant commitment to searching for innovative technological solutions make it easier to be competitive.

Climate change and possible impact on the Carel Industries Group

The group dedicated considerable effort to ESG matters in 2025, focusing in particular on the results guided by the emission reduction targets set by the group and validated by SBTi (Science-Based Target initiative).

The group continued to identify and assess the new risks and opportunities related to climate change as they materialise, by revisiting its procedures annually.

The above analyses and results are described in more detail in the sustainability statement section of this report.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

[1] PROPERTY, PLANT AND EQUIPMENT

At 31 December 2025, property, plant and equipment amount to €114,660 thousand compared to €123,124 thousand at 31 December 2024. The following table provides a breakdown of the caption and the changes of the year:

CHANGES IN 2024

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Balance at 31 December 2023	**62,829**	**26,083**	**12,778**	**10,880**	**4,935**	**117,504**
- Historical cost	42,118	58,070	58,292	23,513	4,935	186,928
- Historical cost of right-of-use assets	43,182	49	313	5,018		48,562
- Accumulated depreciation	(9,119)	(32,029)	(45,626)	(15,336)		(102,110)
- Depreciation of right-of-use assets	(13,352)	(7)	(201)	(2,315)	-	(15,875)
Changes in 2024						
- Investments	3,745	5,763	8,247	1,883	1,843	21,480
- Investments in right-of-use assets	3,688	-	71	1,883	-	5,642
- Reclassifications (historical cost)	216	2,291	1,046	(323)	(4,804)	(1,574)
- Sales (historical cost)	(1)	(821)	(1,104)	(878)	(158)	(2,963)
- Sales of right-of-use assets (historical cost)	(3,079)	-	(87)	(1,002)	-	(4,168)
- Exchange differences on historical cost	736	269	487	51	11	1,554
- Exchange differences on accumulated depreciation	(143)	(109)	(373)	(56)	-	(681)
- Exchange differences on right-of-use assets	26	(4)	-	(0)	-	22
- Depreciation	(1,701)	(4,609)	(4,975)	(2,320)	-	(13,605)
- Depreciation of right-of-use assets	(6,218)	(15)	(95)	(1,400)	-	(7,728)
- Reclassifications (accumulated depreciation)	559	77	164	242	-	1,043
- Restatement of right-of-use assets	1	-	(8)	(25)	-	(33)
- Sales (accumulated depreciation)	0	774	955	830	-	2,560
- Sales of right-of-use assets (accumulated depreciation)	2,989	-	87	993	-	4,068
Total	**819**	**3,617**	**4,413**	**(122)**	**(3,109)**	**5,619**
Balance at 31 December 2024	**63,649**	**29,700**	**17,191**	**10,758**	**1,827**	**123,124**
including:						**-**
- Historical cost	46,815	65,573	66,967	24,245	1,827	205,425
- Historical cost of right-of-use assets	43,818	45	289	5,874	-	50,025

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
- Accumulated depreciation	(10,403)	(35,895)	(49,855)	(16,639)	-	(112,792)
-- Depreciation of right-of-use assets	(16,581)	(22)	(209)	(2,722)	-	(19,534)

CHANGES IN 2025

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
Balance at 31 December 2024	**63,648**	**29,700**	**17,191**	**10,758**	**1,827**	**123,124**
- Historical cost	46,815	65,573	66,967	24,245	1,827	205,425
- Historical cost of right-of-use assets	43,818	45	289	5,874	-	50,025
- Accumulated depreciation	(10,403)	(35,895)	(49,855)	(16,639)	-	(112,792)
-- Depreciation of right-of-use assets	(16,581)	(22)	(209)	(2,722)	-	(19,534)
Changes in 2025						
- Investments	228	3,360	4,954	2,172	2,874	13,589
- Investments in right-of-use assets	5,144	-	208	2,363	-	7,716
- Reclassifications (historical cost)	648	3,455	513	1,240	(2,195)	3,661
- Sales (historical cost)	(20)	(1,038)	(1,018)	(931)	(232)	(3,240)
- Sales of right-of-use assets (historical cost)	(4,858)	-	(202)	(1,032)	-	(6,091)
- Exchange differences on historical cost	(1,543)	(993)	(1,222)	(474)	(33)	(4,266)
- Exchange differences on accumulated depreciation	398	462	888	337	-	2,086
- Exchange differences on right-of-use assets	(237)	0	-	(62)	-	(299)
- Depreciation	(1,839)	(5,259)	(6,667)	(2,568)	-	(16,333)
- Depreciation of right-of-use assets	(6,035)	(14)	(126)	(1,611)	-	(7,787)
- Reclassifications (accumulated depreciation)	(1,486)	(1,987)	(634)	(747)	-	(4,854)
- Restatement of right-of-use assets	(252)	-	-	(72)	-	(324)
- Sales (accumulated depreciation)	-	1,078	953	870	-	2,902
- Sales of right-of-use assets (accumulated depreciation)	3,575	-	202	1,002	-	4,779
Total	**(6,276)**	**(937)**	**(2,151)**	**488**	**413**	**(8,463)**
Balance at 31 December 2025	**57,372**	**28,763**	**15,040**	**11,246**	**2,240**	**114,660**
including:						
- Historical cost	46,127	70,356	70,194	26,253	2,240	215,169

(€'000)	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other items of property, plant and equipment	Assets under construction and payments on account	Total
- Historical cost of right-of-use assets	43,615	45	295	7,071	-	51,027
-Accumulated depreciation	(13,330)	(41,601)	(55,315)	(18,747)	-	(128,992)
- Depreciation of right-of-use assets	(19,041)	(36)	(134)	(3,332)	-	(22,543)

Investments in 2025 were mainly made to industrialise new products and increase production capacity at the parent with new assembly lines for bCU controls and new brazing equipment at the Croatian subsidiary. The group made significant investments on a global scale for product traceability and quality, installing laser marking systems for circuit boards at the Italian, Croatian and Chinese plants.

A breakdown of property, plant and equipment by geographical segment is as follows:

(€'000)	2025	2024
Europe, Middle East and Africa	89,260	93,306
APAC	14,596	17,927
North America	9,763	10,947
South America	1,041	944
Total	**114,660**	**123,124**

The group's property, plant and equipment were not mortgaged or pledged in either year. They are suitably hedged for risks deriving from losses and/or damage thereto through insurance policies taken out with leading insurers.

The group did not capitalise borrowing costs, in line with previous years.

[2] INTANGIBLE ASSETS

At 31 December 2025, this caption amounts to €366,398 thousand compared to €379,745 thousand at 31 December 2024. The following table presents changes in these assets:

CHANGES IN 2024

(€'000)	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
Balance at 31 December 2023	**4,701**	**23,198**	**243,862**	**108,763**	**2,742**	**383,266**
- Historical cost	29,867	49,498	243,862	127,805	2,742	453,774
- Accumulated amortisation	(25,166)	(26,301)	-	(19,042)	-	(70,508)
Changes in 2024						
- Investments	2,175	3,944	(1)	139	3,862	10,119
- Reclassifications (historical cost)	507	1,902	-	(2)	(1,520)	888
- Sales (historical cost)	-	(570)	-	(3)	-	(573)
- Exchange differences on historical cost	(253)	333	1,649	1,150	45	2,924
- Exchange differences on accumulated amortisation	88	(76)		(125)	-	(113)
- Amortisation	(2,056)	(5,369)	-	(9,557)	-	(16,982)
-Reclassifications (accumulated amortisation)	-	(357)	-	-	-	(357)

(€'000)	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
-Sales (accumulated amortisation)	-	570	-	3	-	573
Total	**461**	**376**	**1,648**	**(8,394)**	**2,387**	**(3,521)**
Balance at 31 December 2024	**5,163**	**23,574**	**245,510**	**100,369**	**5,129**	**379,745**
including:						
- Historical cost	32,296	55,108	245,510	129,090	5,129	467,132
- Accumulated amortisation	(27,133)	(31,533)	-	(28,721)	-	(87,388)

CHANGES IN 2025

(€'000)	Development expenditure	Trademarks, industrial patents and software licences	Goodwill	Other assets	Assets under development and payments on account	Total
Balance at 31 December 2024	**5,163**	**23,574**	**245,510**	**100,369**	**5,129**	**379,745**
- Historical cost	32,296	55,108	245,510	129,090	5,129	467,132
- Accumulated amortisation	(27,133)	(31,533)	0	(28,721)	-	(87,388)
Changes in 2025						
- Investments	1,899	3,203	-	507	3,625	9,234
- Reclassifications (historical cost)	2,563	1,485	-	119	(2,639)	1,527
- Sales (historical cost)	(872)	(54)	-	(13)	-	(939)
- Exchange differences on historical cost	(223)	(662)	(3,223)	(2,318)	(106)	(6,533)
- Exchange differences on accumulated amortisation	103	217	0	452	-	773
- Amortisation	(2,162)	(6,211)	-	(9,616)	-	(17,989)
-Reclassifications (accumulated amortisation)	-	(310)	-	(22)	-	(332)
-Sales (accumulated amortisation)	872	39	-	(0)	-	911
Total	**2,181**	**(2,294)**	**(3,223)**	**(10,892)**	**880**	**(13,347)**
Balance at 31 December 2025	**7,343**	**21,281**	**242,287**	**89,477**	**6,009**	**366,398**
including:						
- Historical cost	35,663	59,079	242,287	127,384	6,009	470,423
- Accumulated amortisation	(28,320)	(37,799)	-	(37,907)	-	(104,025)

A breakdown of intangible assets by geographical segment is as follows:

(€'000)	2025	2024
Europe, Middle East and Africa	319,124	326,380
APAC	7,234	6,145
North America	39,863	47,127
South America	176	93
Total	**366,398**	**379,745**

With reference to intangible assets:

- the balance of development expenditure shows the expenditure related to projects developed by the parent, the Chinese subsidiary and the Kiona Group that have been capitalised and refer to the production of new innovative products and systems or substantial improvements to existing products and services incurred before the start of commercial production or use. This expenditure is capitalised when all the requirements of IAS 38.57 are met. Investments made in 2024 and 2025 relate to the projects developed and available for use in those years. Assets under development and payments on account mainly include costs incurred for projects that had not been completed at the reporting date. The reclassifications refer to completed projects, for which amortisation has commenced. Impairment losses are recognised under Amortisation, depreciation and impairment losses in the statement of profit or loss;
- trademarks, industrial patents and software licences include software;
- goodwill is the excess of the aggregate of the consideration transferred for a business combination, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date fair value of the assets acquired and liabilities assumed;
- Other assets mostly consist of gains arising on the first-time consolidation of acquired companies and mainly refer to customer lists.

At 31 December 2025, goodwill amounts to €242,288 thousand compared to €245,510 thousand at 31 December 2024.

(€'000)	31.12.2025	Increase	Other changes	Exchange differences	31.12.2024
Kiona Holding AS	143,993	-	-	-	143,993
HygroMatik GmbH	38,499	-	-	-	38,499
Senva Inc	23,254	-	-	(3,057)	26,310
CFM Sogutma Ve Otomasyon	11,431	-	-	-	11,431
Enginia S.r.l.	6,644	-	-	-	6,644
Recuperator S.p.A.	6,326	-	-	-	6,326
Klingenburg GmbH	3,503	-	-	-	3,503
Arion S.r.l.	1,980	-	-	-	1,980
Carel Thailand CO Ltd	1,954	-	-	(166)	2,119
Sauber S.r.l.	1,264	-	-	-	1,264
Eurotec Ltd	1,173	-	-	-	1,173
Other goodwill	2,267	-	-	-	2,267
Total	**242,288**	**-**	**-**	**(3,223)**	**245,510**

Other goodwill includes amounts that are individually and collectively immaterial.

Impairment test

As required by IAS 36, the group tests goodwill recognised in its consolidated financial statements for impairment at least once a year, including if there are no indicators of impairment.

Goodwill is recognised on the acquisitions shown in the previous table.

The group tested for impairment the cash-generating units (CGU), as redefined in 2024 relating to the four geographical areas, Western Europe (WE), East Europe Middle East & Africa (EEMEA), North & South America (SNAM) and Asia Pacific (APAC).

These CGUs represent the aggregation of consolidated revenue and costs for each geographical area regardless of the companies located in such areas. The sum of the four CGUs is consistent with the consolidated figures for the Carel Group.

The recoverable amount of goodwill of each CGU is determined by calculating its value in use.

The goodwill recognised for the main CGUs is shown below:

€'000	31.12.2025
Western Europe	202,495
East Europe, Middle East and Africa	12,279
North and South America	24,234

The goodwill of APAC CGU amounts to €3,280 thousand. The methods and assumptions underlying the impairment tests of the CGUs included:

- cash flows as per the business plans, using a five-year plan horizon (explicit projections) plus an estimate of the terminal value. Specifically, management used the gross margin based on past performance and its expectations about the future development of the group's markets to prepare the plans, which were prepared at consolidation level for each CGU;
- the growth rate (g) to determine the cash flows after the plan horizon, calculated specifically for the individual CGUs subject to analysis;
- the pre-tax WACC rate as the discount rate used to discount operating cash flows. Management calculated the cost of capital using the market returns of the last six months on medium to long-term government bonds of the countries/markets in which the CGUs are based, adjusted by the market risk premium of each country to account for the investment risk.

The main parameters used to test each CGU were as follows:

	Plan horizon	Growth (g) rate	WACC
Western Europe	2026-2030	1.9%	9.6%
East Europe, Middle East and Africa	2026-2030	2.9%	12.6%
North and South America	2026-2030	2.2%	10.6%

The values in use, calculated using the discounted cash flows, confirm the carrying amount of goodwill. Although the directors believe that the assumptions used are reasonable and represent the most probable scenarios based on the available information, the result of the test could differ should the above assumptions significantly change.

Accordingly, stress tests were carried out, related, in particular, to:

- the gross operating profit estimated over the period of the plans (both explicit and terminal value), assuming that the possible deterioration of the macroeconomic scenario will affect that period;
- certain variables, such as government bond yield and market risk premium, used to determine the WACC discount rate.

The stress test for the following CGUs showed zero headroom if the gross operating profit decreases or the WACC increases as set out below:

	Gross operating profit +/-	WACC +/-
Western Europe	(19.51%)	2.65%
East Europe, Middle East and Africa	(31.10%)	7.13%
North and South America	(40.80%)	12.40%

Therefore, there was no need to impair goodwill at 31 December 2025.

[3] EQUITY-ACCOUNTED INVESTMENTS

At 31 December 2025, this caption amounts to €6,223 thousand compared to €3,999 thousand at 31 December 2024. It may be analysed as follows:

2024						
(€'000)	Investment %	31.12.2024	Increase	Exchange differences	Equity-accounting	31.12.2023
Free Polska s.p.z.o.o.	43.8%	3,888	-	44	1,737	2,106
Others		111	-	-	-	111
Total		**3,999**	**-**	**44**	**1,737**	**2,217**

2025							
(€'000)	Investment %	31.12.2025	Increase	Decrease	Exchange differences	Equity-accounting	31.12.2024
Free Polska s.p.z.o.o.	43.8%	4,980	-	-	53	1,039	3,888
Logbot S.r.l.	23.62%	1,150	1,150	-	-	-	-
Others		93	-	(20)	2	-	111
Total		**6,223**	**1,150**	**(20)**	**55**	**1,039**	**3,999**

The increase in this caption is due to the acquisition of a non-controlling interest in Logbot S.r.l., an Italian company specialised in IoT solutions.

At 31 December 2024, Free Polska recognised a profit of €3.9 million for the year and equity of €12.9 million.

[4] OTHER NON-CURRENT ASSETS

At 31 December 2025, other non-current assets amount to €3,862 thousand compared to €4,468 thousand at 31 December 2024; they are broken down as follows:

(€'000)	31.12.2025	31.12.2024
Guarantee deposits	620	587
Third parties	182	195
Other assets	3,060	3,686
Total	**3,862**	**4,468**

Other assets include the substitute tax paid by the parent and Recuperator S.p.A. on the higher values recognised in the consolidated financial statements arising on the acquisitions of Recuperator S.p.A. and Hygromatik GmbH (this equity investment is recognised in the parent's separate financial statements) and Enginia S.p.A. (recognised in Reuperator's financial statements for €3,058 thousand). In 2025, the parent and Recuperator deducted the above amounts for both IRES (corporate income taxes) and IRAP (local tax on production) purposes and released €2,278 thousand to profit or loss. The amount related to 2026 was reclassified to current assets.

[5] DEFERRED TAX ASSETS

At 31 December 2025, deferred tax assets amount to €12,794 thousand compared to €14,689 thousand at 31 December 2024. The group has recognised deferred tax assets and liabilities on temporary differences between the carrying amount of assets and liabilities and their tax base.

It calculates taxes using the rates enacted in the countries where it operates when the temporary differences reverse. A breakdown of deferred tax assets is as follows:

(€'000)	2025 tax base	Deferred tax assets at 31 December 2025	2024 tax base	Deferred tax assets at 31 December 2024
Allowance for inventory write-down	25,093	5,283	26,345	5,514
Non-deductible accruals	5,503	1,430	5,201	1,407
Amortisation of goodwill	586	133	481	111

Consolidation adjustments to intragroup inventory transactions	14,148	2,827	13,535	2,707
Carryforward tax losses	5,023	1,140	9,537	2,099
Other	8,479	1,981	12,890	2,851
Total	**58,832**	**12,794**	**67,989**	**14,689**

Changes in deferred tax assets and liabilities are presented in the next table:

(€'000)	31.12.2025	Recognised in profit or loss	Reclassification	Recognised in OCI	Exchange differences	31.12.2024
Deferred tax assets	12,794	(2,101)	323	0	(118)	14,689
Deferred tax liabilities	(24,573)	1,831	(323)	3	100	(26,185)
Total	**(11,779)**	**(270)**	**0**	**3**	**(18)**	**(11,495)**

Deferred tax assets on carryforward tax losses amount to €1,140 thousand. The group believes that these losses can be recovered over time based on the cash flows that the group will generate in future years.

CURRENT ASSETS

[6] TRADE RECEIVABLES

At 31 December 2025, this caption amounts to €111,745 thousand compared to €99,606 thousand at 31 December 2024. It may be analysed as follows:

(€'000)	31.12.2025	31.12.2024
Trade receivables	115,139	102,386
Loss allowance	(3,395)	(2,780)
Trade receivables	**111,745**	**99,606**

The next table breaks down gross trade receivables by geographical segment:

(€'000)	31.12.2025	31.12.2024
Europe, Middle East and Africa	76,622	67,990
APAC	15,662	14,866
North America	20,112	16,498
South America	2,744	3,032
Total	**115,139**	**102,386**

The group does not usually charge default interest on past due receivables. Reference should be made to the section on risks and financial instruments for details of the receivables that are not yet due and/or are past due.

The group's receivables are not particularly concentrated. It does not have customers that individually account for more than 5% of the total receivables at each maturity date.

The loss allowance comprises management's estimates about credit losses on receivables from end customers and the sales network. Any impairment losses are recognised in Other income (expense), net each year.

Changes in the allowance are shown in the following table:

(€'000)	31.12.2025	Impairment losses	Utilisations	Exchange differences	Reversals	31.12.2024
Loss allowance	(3,395)	(1,572)	795	66	97	(2,780)

[7] INVENTORIES

At 31 December 2025, this caption amounts to €88,536 thousand compared to €94,206 thousand at 31 December 2024. It may be analysed as follows:

(€'000)	31.12.2025	31.12.2024
Raw materials	59,517	66,625
Allowance for inventory write-down	(12,991)	(15,759)
Semi-finished products and work in progress	5,864	6,062
Finished goods	49,411	48,323
Allowance for inventory write-down	(13,514)	(11,887)
Payments on account	249	843
Total	**88,536**	**94,206**

Inventories, gross of the allowance for inventory write-downs, decreased by a total of €6,812 thousand. The group recognised an allowance for inventory-write down (€26,505 thousand) to cover the difference between the cost and estimated realisable value of obsolete raw materials and finished goods. The write-downs were recognised in the caption Costs of raw materials, consumables and goods and change in inventories.

[8] CURRENT TAX ASSETS

This caption amounts to €3,054 thousand compared to €6,238 thousand at the previous year end. It includes direct tax assets offset, where possible, against the tax liabilities at the same date.

[9] OTHER CURRENT ASSETS

At 31 December 2025, this caption amounts to €16,972 thousand compared to €22,540 thousand at 31 December 2024. It may be analysed as follows:

(€'000)	31.12.2025	31.12.2024
Payments on account to suppliers	1,143	1,742
Other tax assets	3,053	6,007
VAT assets	2,819	5,257
Prepayments and accrued income	8,351	8,225
Other	1,606	1,310
Total	**16,972**	**22,540**

Other tax assets mainly consist of the tax credits for research and development expenditure in addition to the current portion of the tax asset arising from the substitute tax paid to align the higher carrying amounts with the relevant tax bases upon consolidation as detailed in note [4].

[10] CURRENT FINANCIAL ASSETS

At 31 December 2025, this caption amounts to €21,913 thousand compared to €3,290 thousand at 31 December 2024. It may be analysed as follows:

(€'000)	31.12.2025	31.12.2024
Securities at FVTPL	3,000	2,987
Derivatives	42	193
Other financial assets	85	41
Deposit accounts	18,786	69
Total	**21,913**	**3,290**

Securities at FVTPL refer to investments, with major counterparties, aimed at managing part of the group's liquidity. The objective of these financial assets is the collection of contractual cash flows comprising payments of principal and interest at fixed rates at specific maturities.

The derivatives are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting and interest rate swaps agreed to cover fluctuations in interest rates on loans. Fair value gains and losses are recognised in profit or loss. More information is available in the paragraph on financial instruments in note [35] Other information.

[11] CASH AND CASH EQUIVALENTS

At 31 December 2025, this caption amounts to €121,850 thousand compared to €99,119 thousand at 31 December 2024. Reference should be made to the statement of cash flows for details of changes in the group's cash and cash equivalents.

(€'000)	31.12.2025	31.12.2024
Current accounts and post office deposits	121,813	99,087
Cash	37	32
Total	**121,850**	**99,119**

Current accounts and post office deposits are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to immaterial currency risk.

At the reporting date, the group's current account credit balances were not pledged in any way.

EQUITY AND LIABILITIES

[12] EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The parent's fully paid-up and subscribed share capital consists of 112,499,205 shares without a nominal amount for a total of €11,249,921.

Equity may be analysed as follows:

(€'000)	31.12.2025	31.12.2024
Share capital	11,250	11,250
Legal reserve	2,250	2,250
Translation reserve	(13,081)	638
Hedging reserve	20	127
Other reserves	209,838	205,069
Retained earnings	193,324	152,967
Profit for the year	73,642	62,642
Total	**477,243**	**434,944**

The hedging reserve includes the fair value gains and losses on interest rate hedges.

The increase in other reserves refers to the allocation of the profit for 2024.

At the reporting date, the parent had 6,355 treasury shares. It did not repurchase or sell any treasury shares during the year.

The earnings per share are calculated by dividing the profit attributable to the owners of the parent by the weighted average number of outstanding ordinary shares. There are no potentially dilutive ordinary shares (e.g., stock options or convertible bonds).

The earnings per share are as follows:

(€'000)	31.12.2025	31.12.2024
Number of shares (in thousands)	112,493	112,493
Profit for the year (in thousands of Euros)	73,642	62,642
Earnings per share (in Euros)	**0.65**	**0.56**

The shareholders resolved to distribute a dividend of €0.165 per share on 23 April 2025, which resulted in the distribution of €18,561 thousand in June 2025.

[13] EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

At 31 December 2025, this caption amounts to €5,702 thousand compared to €6,591 thousand at 31 December 2024 and comprises the non-controlling interests in Carel Thailand Co. Ltd (20%), Kiona (17.6%) and Arion (30%).

(€'000)	31.12.2025	Profit for the year	Other comprehensive income	Dividends distributed	Change in consolidation scope	31.12.2024
Equity attributable to non-controlling interests	**5,702**	39	10	(59)	(880)	**6,591**

The change in consolidation scope refers to the non-controlling interests in Sauber, which the group acquired in July 2025. The same amount increased the profit for the previous years attributable to the owners of the parent.

[14] CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

These captions may be analysed as follows:

(€'000)	31.12.2025	31.12.2024
Bank loans at amortised cost	234	24,319
Amounts due to bondholders	59,602	59,508
Lease liabilities	23,083	24,934
Effective hedging derivatives	-	-
Other loans and borrowings at amortised cost	68	151
Other financial liabilities	440	455
Non-current financial liabilities	**83,427**	**109,367**

(€'000)	31.12.2025	31.12.2024
Bank loans at amortised cost	34,133	34,690
Lease liabilities	6,855	6,605
Amounts due to bondholders	367	371
Bank borrowings at amortised cost	167	733
Derivatives held for trading at fair value through profit or loss	36	6
Other loans and borrowings at amortised cost	209	289
Other financial liabilities	139	537
Current financial liabilities	**41,904**	**43,231**

Amounts due to bondholders refer to the issue and placement of non-convertible bonds subscribed by funds managed by Prudential Insurance Company of America ("Pricoa"). Specifically, on 6 May 2022, the parent placed two ten-year non-convertible bond issues with a nominal amount of €20,000 thousand each due in May 2032 and with a five-year interest-only period. In March 2023, the parent issued an additional tranche of bonds with a nominal value of €20,000 thousand. The issues are part of a private shelf agreement. They are guaranteed by the parent and certain subsidiaries.

Fixed interest accrues on these bonds from the subscription date and repayment of principal will take place annually starting from the fifth year on a straight-line basis, with the first and last payment dates in May 2028 and March 2033, respectively.

The bonds are unrated and will not be listed on regulated markets. Compliance with the following covenants is checked every six months:

- net financial position (debt) / gross operating profit (loss) < 3.5;
- net financial position (debt) / equity < 1.5;
- gross operating profit (loss) / net financial expense > 5.

At 31 December 2025, such covenants were complied with.

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Senior A bonds	EUR	20,000	2032	Fixed	19,896	53	19,843
Senior B bonds	EUR	20,000	2032	Fixed	19,901	58	19,843
Senior C bonds	EUR	20,000	2033	Fixed	20,172	255	19,917
Total						**367**	**59,602**

The following table shows the main characteristics of the bank loans by maturity at 31 December 2025:

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
Mediobanca – Banca di Credito Finanziaria S.p.A.	EUR	20,000	2026	Floating	2,223	2,223	-
Intesa San Paolo	EUR	10,000	2026	Floating	1,664	1,664	-
Intesa San Paolo	EUR	20,000	2026	Floating	3,328	3,328	-
Credem	EUR	10,000	2026	Floating	2,027	2,027	-
Intesa San Paolo	EUR	5,000	2026	Floating	1,361	1,361	-
Intesa San Paolo	EUR	15,000	2026	Floating	4,083	4,083	-
Cassa Depositi e Prestiti	EUR	10,000	2026	Floating	4,992	4,992	-
Credem	EUR	15,000	2026	Floating	3,961	3,961	-
Mediobanca – Banca di Credito Finanziaria S.p.A.	EUR	10,000	2026	Floating	10,000	10,000	-
BCC Brescia	EUR	500	2027	Floating	326	167	158
Carige	EUR	350	2026	Fixed	74	74	-
Carige	EUR	250	2027	Fixed	68	63	5
Carige	EUR	400	2026	Fixed	23	23	-
MPS	EUR	800	2027	Fixed	237	167	71
Total					**34,367**	**34,133**	**234**

The following loans require compliance with covenants:

- Mediobanca (loan of €20,000 thousand, outstanding liability at 31 December 2025 of €2,223 thousand): Net financial position (debt) / gross operating profit (loss) < 3.50 and gross operating profit (loss) / net financial expense ratio > 5.00;
- Intesa Sanpaolo (original loans of €20,000 thousand and €10,000 thousand, outstanding liability at 31 December 2025 of €3,328 thousand and €1,664 thousand): Net financial position (debt) / EBITDA < 3.50;
- Intesa Sanpaolo (original loans of €15,000 thousand and €5,000 thousand, outstanding liability at 31 December 2025 of €4,083 thousand and €1,136 thousand): Net financial position (debt) / EBITDA < 3.50;
- Cassa Depositi e Prestiti (loan of €10,000 thousand, outstanding liability at 31 December 2025 of €4,992 thousand): Net financial position (debt) / gross operating profit (loss) < 3.50 and net financial debt / equity ratio < 1.5.

At 31 December 2025, such covenants were complied with.

The derivatives included under current financial liabilities are forwards and currency options agreed to hedge commercial transactions but which do not qualify for hedge accounting. The effective designated derivative hedges include the fair value of an IRS agreed to hedge interest rate risk on the Mediocredito Italiano financing. More information is available in the paragraph on financial instruments in note [35] Other information.

A breakdown of other loans and borrowings at amortised cost is provided below, with indication of whether they are current or non-current:

(€'000)	Currency	Original amount	Maturity	Interest rate	Outstanding liability	Current	Non-current
MedioCredito Centrale Progetto Horizon 2020	EUR	1,490	2026	Fixed	98	98	-
Other					178	110	68
Total					**276**	**209**	**68**

Other current and non-current financial liabilities mostly include amounts due for the acquisitions made in previous years.

The following tables show changes in current and non-current financial liabilities, comprising lease liabilities (including cash and non-cash changes):

(€'000)	31.12.2025	Net cash flows	Reclassification	Fair value gains (losses)	Exchange differences	31.12.2024
Bank loans	34,133	(24,643)	24,085	-		34,690
Amounts due to bondholders	367	(5)	-	-	-	371
Bank borrowings	167	(566)	-	-	-	733
Other loans and borrowings	209	(179)	98	-	-	289
Derivatives	36	30	-	-	-	6
Other financial liabilities	139	(395)	15	-	(18)	537
Current financial liabilities	**35,049**	**(25,758)**	**24,198**	**-**	**(18)**	**36,626**

(€'000)	31.12.2025	Net cash flows	Reclassification	Fair value gains	Exchange differences	31.12.2024
Bank loans	234		(24,085)	-	-	24,319
Amounts due to bondholders	59,602	-	-	95	-	59,508
Effective hedging derivatives	-	-	-	-	-	-
Other loans and borrowings at amortised cost	68	15	(98)	-	-	151
Other financial liabilities	440	-	(15)	-	-	455
Non-current financial liabilities	**60,344**	**15**	**(24,198)**	**95**	**-**	**84,433**

(€'000)	31.12.2025	Increases	Restatement of financial liabilities	Repayments	Interest	Exchange differences	Change in consolidation scope	31.12.2024
Lease liabilities	29,938	7,716	(1,461)	(8,472)	987	(371)	-	31,539

A breakdown of net financial debt calculated in accordance with ESMA guideline no. 32-382-1138 of 4 March 2021 is provided below:

	(€'000)	31.12.2025	31.12.2024
A	Cash	121,850	99,119
B	Cash equivalents	-	-
C	Other current financial assets	21,913	3,290
D	**Cash and cash equivalents (A+ B + C)**	**143,763**	**102,408**
E	Current loans and borrowings	708	1,646
F	Current portion of non-current loans and borrowings	41,196	41,585
G	Trade payables and other current liabilities	17,540	-
H	**Current financial debt (E + F + G)**	**59,444**	**43,231**
I	**Current net financial position (H - D)**	**(84,319)**	**(59,177)**
J	Non-current loans and borrowings	23,825	49,859
K	Debt instruments	59,602	59,508
L	Trade payables and other non-current financial liabilities	-	23,558
M	**Non-current financial debt (J + K + L)**	**83,427**	**132,925**
N	**Net financial (position) debt (I + M)**	**(892)**	**73,748**

As also required by Consob warning no. 5/21 of 29 April 2021, it is noted that the group has recognised a liability subject to conditions related to the option for the non-controlling interests in Kiona, as detailed in note [18]. The earn out liability for acquisition of Senva is included in section G of the above table (at 31 December 2025 and in section L at 31 December 2024) under other current and non-current financial liabilities. In compliance with such warning, it is noted that the group recognised accruals for defined benefit plans of €7,166 thousand (note [16]) and provisions for risks and charges of €8,234 thousand (note [15]).

[15] PROVISIONS FOR RISKS

At 31 December 2025, provisions for risks amount to €8,234 thousand compared to €11,793 thousand at 31 December 2024 and they are broken down as follows:

(€'000)	31.12.2025	31.12.2024
Provision for agents' termination benefits	487	851
Provision for commercial complaints	170	144
Provision for product warranties	1,675	1,995
Other provisions	2,863	3,368
Total - non-current	**5,195**	**6,358**
Provision for product warranties	411	1,023
Provision for commercial complaints	2,556	2,983
Other provisions	71	1,429
Total - current	**3,038**	**5,435**
Total	**8,234**	**11,793**

The following table shows changes in this caption:

(€'000)	31.12.2025	Accruals	Utilisations	Reversals	Reclassification	Exchange differences	31.12.2024
Provision for agents' termination benefits	487	51	(414)				851
Provision for commercial complaints	170	92	(44)		(4)	(18)	144
Provision for product warranties	1,675		(309)			(11)	1,995
Other provisions	2,863	933			(1,483)	52	3,368
Total - non-current	**5,195**	**1,076**	**(775)**	**-**	**(1,487)**	**23**	**6,358**
Provision for product warranties	411		(190)	(420)		(2)	1,023
Provision for commercial complaints	2,556	1,268	(1,041)	(650)		(4)	2,983
Other provisions	71		(673)		(685)		1,429
Total - current	**3,038**	**1,268**	**(1,904)**	**(1,070)**	**(685)**	**(6)**	**5,435**
Total	**8,234**	**2,344**	**(2,679)**	**(1,070)**	**(2,172)**	**17**	**11,793**

The Reclassifications column shows the part of certain risks determined as certain during the year and, therefore, the amount was reclassified to other current liabilities.

The provision for agents' termination benefits includes the estimated liability arising from application of the current regulations and contractual terms covering the termination of agency agreements. Unlike the accruals to the provisions for risks and product warranties and the other provisions, the accrual to this provision is classified under services in the statement of profit or loss. It was used during the year for an agent.

[16] DEFINED BENEFIT PLANS

This caption mainly consists of the group's liability for post-employment benefits and post-term of office benefits for directors recognised by the Italian group companies and the German subsidiary, HygroMatik GmbH. These benefits qualify as defined benefit plans pursuant to IAS 19 and the related liabilities are calculated by an independent actuary. Changes in the liability in the year are shown below:

(€'000)	31.12.2025
Opening balance	**7,390**
Interest cost	193
Change in consolidation scope	0
Other variations	28
Employee benefits paid	(573)
Exchange differences	(138)
Accruals	3,605
Transfer to pension plans	(3,174)
Actuarial loss	(165)
Closing balance	**7,166**

The group also performed sensitivity analyses to assess reasonable changes in the main assumptions underlying the calculations. Specifically, it assumed an increase or decrease of 0.25% in the discount rate. The resulting change in the liability would be immaterial.

[17] DEFERRED TAX LIABILITIES

At 31 December 2025, this caption amounts to €24,573 thousand compared to €26,185 thousand at 31 December 2024. Changes in deferred tax liabilities are available in note [5] Deferred tax assets. A breakdown of deferred tax liabilities is as follows:

(€'000)	2025 tax base	2025 deferred tax liabilities	2024 tax base	2024 deferred tax liabilities
Discounting of non-current liabilities	720	182	397	117
Differences from consolidation adjustments	89,341	21,595	98,895	23,937
Differences on amortisation and depreciation and other differences in standards	5,580	1,028	3,172	734
Other	9,292	1,768	8,015	1,397
Total	**104,932**	**24,573**	**110,479**	**26,185**

The largest differences are due to the allocation of non-taxable amounts upon the first-time consolidation of the acquirees.

Other mainly consists of the deferred tax liability for the revaluation of the investment in Free Polska.

[18] OTHER NON-CURRENT LIABILITIES

The balance of €50,804 thousand mainly refers to the liability for the call option for the non-controlling interests in Kiona (€48,471 thousand). The liability for the call option for the non-controlling interests in Senva (€23,010 thousand at 31 December 2024) has been reclassified to Other current liabilities given that it will be paid during the first half of 2026.

At 31 December 2025, the group recalculated the fair values of the call option for Kiona and the liability for the earn-out mechanism for Senva on the basis of the business plans updated and approved by the investees' boards of directors. Based on these plans, the fair values decreased by €15,376 thousand and €4,184 thousand, respectively. Accordingly, the group recognised fair value gains on call options for non-controlling interests in profit or loss.

In 2025, the group recognised interest expense of €2,937 thousand on the call option and earn-out.

The caption is broken down as follows:

(€'000)	31.12.2025	31.12.2024
Other	2,333	2,415
Call options for non-controlling interests	48,471	85,305
Total	**50,804**	**87,720**

“Other” comprises non-current deferred income and non-current liabilities for the LTI incentive plans.

[19] TRADE PAYABLES

Trade payables amount to €79,678 thousand, compared to €62,689 thousand at 31 December 2024.

There are no significant past due amounts at 31 December 2025.

[20] CURRENT TAX LIABILITIES

At 31 December 2025, this caption amounts to €4,450 thousand compared to €6,250 thousand at the end of the previous year. It entirely consists of direct income tax liabilities for the year.

[21] OTHER CURRENT LIABILITIES

This caption is broken down in the following table and mostly includes personnel-related liabilities (wages and salaries, tax withholdings and social security contributions).

(€’000)	31.12.2025	31.12.2024
Social security contributions	8,237	7,035
Tax withholdings	2,982	2,820
Other current tax liabilities	584	718
VAT liabilities	3,542	2,502
Wages and salaries, bonuses and holiday pay	28,646	22,052
Other	23,293	18,326
Call options for non-controlling interests and earn-out	17,541	1,409
Total	**84,825**	**54,863**

As disclosed in note [18], the liability for the Senva earn-out (€17,054 thousand) and another immaterial liability have been classified as current given that they are due in the first half of 2026. The amount of €1,409 thousand recognised at 31 December 2024 related to the liability for the put option for Sauber exercised in July 2025.

“Other” mainly includes deferred income recognised by the Kiona Group for the portion of sales commissions to be settled in 2026.

NOTES TO THE STATEMENT OF PROFIT OR LOSS

[22] REVENUE

Revenue amounts to €629,028 thousand, compared to €578,536 thousand in 2024, with a year-on-year increase of 8.7%.

It is shown net of discounts and allowances.

Revenue generated by services amounts to €43,918 thousand compared to €42,282 thousand in the previous year. A breakdown of revenue by business segment is provided below:

(€’000)	2025	2024	Variation %
HVAC revenue	450,912	409,974	10.0%
REF revenue	177,189	167,879	5.5%
Total core revenue	**628,101**	**577,853**	**8.7%**
Non-core revenue	927	683	35.7%
Total revenue	**629,028**	**578,536**	**8.7%**

None of the group companies’ customers individually account for more than 5% of the group’s revenue.

A breakdown of revenue by geographical segment is as follows:

(€'000)	2025	2024	Variation %
Europe, Middle East and Africa	405,350	376,718	7.6%
APAC	84,140	83,003	1.4%
North America	125,291	103,600	20.9%
South America	14,247	15,215	(6.4%)
Total	**629,028**	**578,536**	**8.7%**

[23] OTHER REVENUE

Other revenue amounts to €6,288 thousand, an increase on the €6,272 thousand balance in 2024. It may be broken down as follows:

(€'000)	2025	2024	Variation %
Grants related to income	1,154	1,505	(23.4%)
Sundry cost recoveries	3,933	3,170	24.1%
Other revenue and income	1,202	1,597	(24.7%)
Total	**6,288**	**6,272**	**0.3%**

The grants related to income mainly relate to the tax asset for development activities carried out as provided for by Law no. 190 of 23 December 2014 (the 2015 Stability Law).

Sundry cost recoveries mostly refer to transport and other costs.

Other revenue and income principally comprise amounts charged to suppliers and customers.

[24] COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS AND CHANGES IN INVENTORIES

This caption amounts to €246,057 thousand, compared to €238,092 thousand in 2024. A breakdown of the caption is as follows:

(€'000)	2025	2024	Variation %
Costs of raw materials, consumables and goods and changes in inventories	(246,057)	(238,092)	3.3%
% of revenue	(39.1%)	(41.2%)	(5.0%)

[25] SERVICES

The group incurred costs of €88,994 thousand for services in 2025, up on the previous year chiefly as a result of greater consultancy costs, partly in conjunction with the roll-out of the group's new organisational model, and higher maintenance costs (they include the cost of software licences).

The caption may be broken down as follows:

(€'000)	2025	2024	Variation %
Transport	(17,812)	(16,830)	5.8%
Consultancies	(14,951)	(12,388)	20.7%
Business trips and travel	(5,355)	(4,965)	7.9%
Use of third party assets	(3,062)	(4,652)	(34.2%)
Maintenance and repairs	(14,233)	(10,808)	31.7%
Marketing and advertising	(3,004)	(2,924)	2.7%
Outsourcing	(1,760)	(1,936)	(9.1%)
Agency commissions	(1,469)	(1,891)	(22.3%)
Utilities	(3,296)	(3,482)	(5.3%)

(€'000)	2025	2024	Variation %
Fees to directors, statutory auditors and independent auditors	(3,337)	(2,913)	14.5%
Insurance	(2,834)	(2,784)	1.8%
Telephone and connections	(1,354)	(1,609)	(15.9%)
Other services	(16,527)	(14,923)	10.7%
Total	**(88,994)**	**(82,104)**	**8.4%**

"Use of third party assets" includes the cost of leases that do not fall under the scope of IFRS 16 as they relate to short-term leases, low value leases and leases with variable payments. Short term leases are generally defined as contracts whose term is less than 12 months while low value leases are defined as contracts whose contract value throughout its term is generally less than €5 thousand.

Other services mainly include costs for installations carried out by third parties and personnel costs that are not part of wages and salaries (travel costs, canteen costs, etc.).

[26] CAPITALISED DEVELOPMENT EXPENDITURE

This caption amounts to €4,945 thousand, compared to €5,628 thousand in 2024 and relates to development projects capitalised under intangible assets mostly by the parent, Kiona and the Chinese subsidiary. It may be broken down as follows:

(€'000)	2025	2024	Variation %
Development expenditure	4,945	5,628	(12.1%)
Total	**4,945**	**5,628**	**(12.1%)**

The group incurred research and development expenditure of €32,708 thousand and €32,652 thousand in 2025 and 2024, respectively. Only the amounts described above were capitalised, as they met the requirements of IAS 24.

[27] PERSONNEL EXPENSE

This caption amounts to €175,751 thousand compared to €162,205 thousand in the previous year. The increase is mostly due to the rise in employee numbers, mainly in EMEA and North America. Breakdowns of this caption and of the workforce by employee category are as follows:

(€'000)	2025	2024	Variation %
Wages and salaries, including bonuses and accruals	(134,267)	(127,376)	5.4%
Social security contributions	(30,942)	(27,492)	12.5%
Defined benefit plans	(3,605)	(3,364)	7.2%
Other costs	(6,938)	(3,974)	74.6%
Total	**(175,751)**	**(162,205)**	**8.4%**

	2025		2024	
	year end	**average**	**year end**	**average**
Managers	77	79	80	76
White collars	1,646	1,624	1,601	1,597
Blue collars	986	949	911	944
Total	**2,709**	**2,651**	**2,592**	**2,617**

[28] OTHER EXPENSE, NET

This caption amounted to €5,384 thousand, compared to €3,165 thousand for the previous year. It may be broken down as follows:

(€'000)	2025	2024	Variation %
Gains on the sale of non-current assets	83	97	(14.4%)
Prior year income	1,699	1,118	52.0%
Other sundry income	316	786	(59.8%)
Release of provisions for risks	1,070	239	>100%
Other income	**3,168**	**2,240**	**41.4%**
Losses on the sale of non-current assets	(44)	(104)	(58.0%)
Prior year expense	(2,592)	(560)	>100%
Other taxes and duties	(1,859)	(1,975)	(5.9%)
Impairment losses on loans and receivables	(1,572)	(524)	>100%
Accrual to the provisions for risks	(1,668)	(1,408)	18.5%
Credit losses	(133)	(186)	(28.4%)
Other costs	(684)	(647)	5.7%
Other expense	**(8,552)**	**(5,405)**	**58.2%**
Other expense, net	**(5,384)**	**(3,165)**	**70.1%**

Accruals to the provisions for risks mainly comprise accruals to the provision for commercial complaints. Reference should be made to note [15] for more information.

[29] AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

Amortisation and depreciation amount to €42,116 thousand, up from €38,345 thousand in the previous year. The caption also includes depreciation and amortisation of approximately €11,500 thousand (in line with the previous year balance) arising from the PPA procedure and almost entirely related to intangible assets. It may be broken down as follows:

(€'000)	2025	2024	Variation %
Amortisation	(17,989)	(16,982)	5.9%
Depreciation	(24,119)	(21,333)	13.1%
Impairment losses	(8)	(30)	(73.2%)
Total	**(42,116)**	**(38,345)**	**9.8%**

[30] NET FINANCIAL EXPENSE

Net financial expense amounts to €5,905 thousand compared to €7,073 thousand in the previous year. It may be broken down as follows:

(€'000)	2025	2024	Variation %
Gains on financial assets	278	849	(67.3%)
Interest income	938	1,591	(41.1%)
Other financial income	259	1,136	(77.2%)
Net fair value gains on financial assets and liabilities	13	60	(78.1%)
Dividends received	669	203	>100%
Financial income	**2,157**	**3,840**	**(43.8%)**
Bank interest expense	(1,395)	(4,004)	(65.2%)
Lease interest expense	(987)	(977)	1.1%
Other interest expense	(1,780)	(1,719)	3.5%
Losses on derivatives	-	(5)	>100%
Other financial expense	(928)	(865)	7.2%
Interest expense on call options for non-controlling interests	(2,973)	(3,344)	(11.1%)
Financial expense	**(8,062)**	**(10,914)**	**(26.1%)**
Net financial expense	**(5,905)**	**(7,073)**	**(16.5%)**

Other interest expense includes interest on the bonds issued in 2022 and 2023.

[31] NET EXCHANGE LOSSES

Net exchange losses amount to €1,311 thousand compared to net gains of €3,183 thousand in 2024. The difference is mostly due to the retranslation of the liability for the call option for Kiona recognised in Norwegian krone and retranslated using the closing rate. The difference is a gain of €112 thousand for 2025 compared to a gain of €3,285 thousand in 2024. The caption is broken down as follows:

(€'000)	2025	2024	Variation %
Exchange losses	(8,137)	(6,450)	26%
Exchange gains	6,827	9,634	(29%)
Net exchange gains (losses)	**(1,311)**	**3,183**	**>100%**

[32] NET FAIR VALUE GAIN ON THE LIABILITY FOR THE CALL OPTION FOR NON-CONTROLLING INTERESTS

The net fair value gain of €19,395 thousand (net gain of €15,356 thousand in 2024) refers to the call option liabilities for the subsidiaries Kiona and Sauber (transaction completed in July 2025 for the latter) and the earn-out for Senva. Specifically, fair value gains of €4,184 thousand and €15,376 thousand were recognised on the liabilities related to Senva and Kiona, respectively, while a fair value loss of €165 thousand was recognised on the liability related to Sauber.

[33] SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEES

This caption shows a net profit of €1,039 thousand compared to €1,737 thousand in 2024. It mostly comprises the fair value gain on the investment in the associate Free Polska.

[34] INCOME TAXES

This caption amounts to €21,497 thousand compared to €16,470 thousand in the previous year. It may be broken down as follows:

(€'000)	2025	2024
Current taxes	(22,327)	(18,932)
Deferred taxes	(270)	3,064
Taxes relative to prior years	1,100	(602)
Income taxes	**(21,497)**	**(16,470)**

A reconciliation of the tax expense for the year is as follows using the profit before tax shown in the statement of profit or loss:

(€'000)	2025	2024
Profit before tax	95,177	79,729
Income taxes calculated using the theoretical IRES rate (24%)	(22,843)	(19,135)
IRAP	(1,110)	(199)
Effect of the different rates applied by the group companies operating in other countries	5,376	6,352
Withholding tax on dividends	(2,454)	(1,349)
Taxes relative to prior years	1,100	(602)
Effect of deferred tax assets and liabilities of the group companies and other changes	(1,567)	(1,537)
Total	**(21,497)**	**(16,470)**

Reference should be made to note [5] for information about changes in deferred tax assets and liabilities and their composition.

The tax rate applied for the reconciliation of the tax burden is 24%, in line with the IRES rate in Italy, the country in which most of the group's taxable profit is earned.

[35] OTHER INFORMATION

Segment reporting

Under IFRS 8, an entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. Based on the group's internal reporting system, the business activities from which it earns revenue and incurs expenses and the operating results which are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated and to assess its performance, the group has not identified individual operating segments but is an operating segment as a whole.

Financial instruments

The group is active on international markets and, hence, is exposed to currency and interest rate risks. Specifically, the currencies generating these risks are the US dollar, the Polish zloty and the Chinese renminbi.

The group has a hedging policy to mitigate the risks, which involves the use of derivatives, options and forwards, mostly with maturities of less than one year. Transactions in place at the reporting date involving currency hedging transactions are as follows:

	31.12.2025				31.12.2024			
Forwards	**Purchases ***	**Sales ***	**Positive fair value ****	**Negative fair value ****	**Purchases ***	**Sales ***	**Positive fair value ****	**Negative fair value ****
JPY/EUR	-	158,025	-	(31)	-	-	-	-
EUR/CNY	-	3,000	16	-	-	5,000	25	-
THB/EUR	-	8,900	-	(4)	-	8,500	-	(6)
CNY/EUR	-	2,200	-	(1)	-	750	-	-
Total	**-**		**16**	**(36)**	**-**		**26**	**(6)**

(*) Amount in thousands of local currency.

(**) Amount in thousands of Euros.

The next table provides information about the interest rate swaps:

(€'000)	Notional amount	Fixed interest rate	Maturity	Fair value 31.12.2025	Fair value 31.12.2024
Mediobanca	20,000	-0.31%	26/06/2026	26	167

Derivatives hedging foreign currency assets and liabilities are recognised at fair value with any gains or losses recognised in profit or loss. They are natural hedges of the related risks, which are recognised pursuant to IFRS 9.

Equity-settled and cash-settled payment arrangements

Equity-settled performance plan

At 31 December 2025, the parent does not have equity-settled performance plans.

Cash-settled performance plan

At 31 December 2025, the parent has the following cash-settled performance plans.

In March 2021, the parent's board of directors and, subsequently in April 2021, the shareholders approved a new long-term incentive scheme split into two plans: (i) a 2021-2025 cash-settled performance plan (the "LTI cash plan") and (ii) a 2021-2025 performance shares plan for the free assignment of ordinary Carel shares as per article 114-bis of the CFA (the "LTI shares plan"). Both plans are reserved for the executive directors, key management personnel and employees of the group who play a key role in achieving the group's objectives. The term, vesting periods (three three-year rolling cycles) and performance objectives (cumulative adjusted EBITDA for each vesting period (weight of 50%)), cash conversion - average value of the vesting periods (weight of 30%), ESG targets - average achievement of a number of sustainability indicators (weight of 20%) are the same for both plans.

The board of directors subsequently:

- approved the LTI cash plan for the 2023-2025 vesting period and established the percentage of its base gross annual remuneration to be received as a cash benefit for each beneficiary in November. Such incentives total approximately €1,950 thousand. The cash to be actually paid to each beneficiary will be calculated at the end of the 2023-2025 vesting period depending on whether they have met the performance objectives established in the plan's regulation;
- set the amount of the incentive plan due to beneficiaries at the end of the first cycle (2021-2023) at €1,649 thousand, plus social security contributions on 6 March 2024, when it approved the consolidated financial statements at 31 December 2023. The beneficiaries received this amount with their April remuneration, net of the amount that will vest in two years as per the plan's regulation. The parent paid out €1,213 thousand, as well as the social security contributions;
- set the amount of the incentive plan due to beneficiaries at the end of the second cycle (2022-2024) at €1,736 thousand, plus social security contributions on 13 March 2025, when it approved the consolidated financial statements at 31 December 2024. The beneficiaries received this amount with their April remuneration, net of the amount that will vest in two years as per the plan's regulation. The parent paid out €1,281 thousand, as well as the social security contributions.

In March 2024, the parent's board of directors and, subsequently in April 2024, the shareholders approved a new long-term incentive scheme split into two plans: (i) a 2024-2028 cash-settled performance plan (the "LTI cash plan") and (ii) a 2024-2028 performance shares plan for the free assignment of ordinary Carel shares as per article 114-bis of the CFA (the "LTI shares plan"). Both plans are reserved for the executive directors, key management personnel and employees of the group who play a key role in achievement of the group's objectives. The term, vesting periods (three three-year rolling cycles), beneficiaries and performance objectives (cumulative adjusted EBITDA for each vesting period (weight of 50%)), cash conversion - average value of the vesting periods (weight of 20%), ESG targets - average achievement of a number of sustainability indicators (weight of 30%) are the same for both plans.

The board of directors subsequently:

- approved the LTI cash plan for the 2024-2026 vesting period and established the percentage of its base gross annual remuneration to be received as a cash benefit for each beneficiary in November 2024. Such incentives total approximately €2,050 thousand. The cash to be actually paid to each beneficiary will be calculated at the end of the 2024-2026 vesting period depending on whether they have met the performance objectives established in the plan's regulation;
- resolved to execute the LTI cash plan for the 2025-2027 vesting period (similarly to its decision taken for the 2024-2026 vesting period) as this plan is easier in operating and tax management terms compared to the LTI share plan on 16 November 2025. The board of directors also established the percentage of gross annual remuneration for the cash benefit for each beneficiary for a total of approximately €2,200 thousand. The cash to be actually paid to each beneficiary will be calculated at the end of the 2025-2027 vesting period depending on whether they have met the performance objectives established in the plan's regulation.

Pursuant to IAS 19 Employee benefits, cash-settled incentive plans qualify as defined benefit plans and, therefore, the liability was calculated by an independent actuary using the projected unit credit method as required by the standard. This method determines the average present value of the obligations accrued for the service provided by the beneficiary up to the valuation date.

The parent recognised a cost of €3,041 thousand in profit or loss in 2025 for both the expired vesting periods for which the incentives will be paid subsequently and for those vesting periods which have not yet expired for both plans.

Categories of financial instruments and fair value hierarchy

The next table shows the financial assets and liabilities recognised in accordance with IFRS 7, broken down by the categories established by IFRS 9 at 31 December 2025 and their fair value:

31.12.2025	IFRS 9 category	Carrying amount	Level 1	Level 2	Level 3
Derivatives	FVTPL	42	n.a.	42	n.a
Available-for-sale securities	FVTPL	3,000	3,000	n.a.	n.a.
Other financial assets	Financial assets at amortised cost	18,870	n.a.	n.a.	n.a.
Current financial assets		**21,913**			
Trade receivables	Financial assets at amortised cost	111,745	n.a.	n.a.	n.a.
Total assets		**133,657**			
including:	**FVTPL**	**3,042**			
	Financial assets at amortised cost	**130,615**			
Bank loans and borrowings	Financial liabilities at amortised cost	234	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	59,602	n.a.	n.a.	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	68	n.a.	n.a.	n.a.
Non-current lease liabilities	Financial liabilities at amortised cost	23,083	n.a.	n.a.	n.a.
Other non-current financial liabilities	Financial liabilities at amortised cost	440	n.a.	n.a.	n.a.
Non-current liabilities		**83,427**			
Bank borrowings	Financial liabilities at amortised cost	167	n.a.	n.a.	n.a.
Bank loans	Financial liabilities at amortised cost	34,133	n.a.	n.a.	n.a.
Lease liabilities	Financial liabilities at amortised cost	6,855	n.a.	n.a.	n.a.
Amounts due to bondholders	Financial liabilities at amortised cost	367	n.a.	n.a.	n.a.
Derivatives	FVTPL	36	n.a.	36	n.a.
Other loans and borrowings	Financial liabilities at amortised cost	209	n.a.	n.a.	n.a.
Other financial liabilities	Financial liabilities at amortised cost	139	n.a.	n.a.	n.a.
Current financial liabilities		**41,904**			
Trade payables	Financial liabilities at amortised cost	79,678	n.a.	n.a.	n.a.
Other non-current liabilities*	FVTPL	48,471	n.a.	n.a.	48,471
Total financial liabilities		**253,480**			
including	**Financial liabilities at amortised cost**	**204,974**			
	FVTPL	**48,506**			

* the caption does not include €1,056 thousand related to the non-current portion of deferred income, which is outside the scope of IFRS 7.

Off-statement of financial position commitments and guarantees

At the reporting date, the group has issued sureties of €1,397 thousand, including €133 thousand in favour of subsidiaries.

Related party transactions

During 2025 and 2024, the group carried out commercial transactions with related parties as follows:

31.12.2024								
(€'000)	**Trade receivables**	**Loan assets**	**Trade payables**	**Financial liabilities**	**Revenue**	**Financial income**	**Costs**	**Financial expense**
Free Polska s.p.z.o.o.	714	-	(253)	-	57	203	(6,254)	
Total associates	**714**	**-**	**(253)**	**-**	**57**	**203**	**(6,254)**	**-**
RN Real Estate S.r.l.	16	-	(614)	(13,221)	18	-	(16)	(153)
Carel Real Estate Adratic d.o.o.	2	-		(1,611)	2	-	(1)	(64)
Nastrificio Victor S.p.A.	-	-	(44)	-	-	-	(119)	-
Eurotest laboratori S.r.l.	4	-		-	7	-	(164)	-
Murat Cem Ozdemir	-	-	-	-	-	-	(17)	-
Bridgeport S.p.A.	7	-	(250)	-	29	-	(1,965)	-
Leonardo S.r.l.	-	-		(536)	-	-		(15)
Byggteknikk Prosjekt AS	-	-	(61)	(1,018)	-	-	(117)	(195)
Others	93	-	(637)	(594)	532	-	(756)	(53)
Total other related parties	**122**	**-**	**(1,606)**	**(16,980)**	**588**	**-**	**(3,155)**	**(480)**
Total	**836**	**-**	**(1,859)**	**(16,980)**	**645**	**203**	**(9,409)**	**(480)**

31.12.2025								
(€'000)	**Trade receivables**	**Loan assets**	**Trade payables**	**Financial liabilities**	**Revenue**	**Financial income**	**Costs**	**Financial expense**
Free Polska s.p.z.o.o.	37	-	(113)	-	18	669	(8,858)	-
Total associates	**37**	**-**	**(113)**	**-**	**18**	**669**	**(8,858)**	**-**
RN Real Estate S.r.l.	17	-	(522)	(12,652)	22	-	(0)	(185)
Carel Real Estate Adratic d.o.o.	2	-	(31)	(1,351)	2	-	(0)	(55)
Bridgeport S.p.A.	-	-	(497)	-	29	-	(1,692)	-
Leonardo S.r.l.	168	-	-	(419)	-	-	(2)	(17)
Byggteknikk Prosjekt AS	-	-	-	(903)	-	-	(124)	(78)
Nastrificio Victor S.p.A.	-		(50)	-	-	-	(163)	-
Others	40	-	(686)	(122)	170	-	(1,002)	(19)
Total other related parties	**227**	**-**	**(1,786)**	**(15,447)**	**223**	**-**	**(2,984)**	**(354)**
Total	**264**	**-**	**(1,899)**	**(15,447)**	**241**	**669**	**(11,842)**	**(354)**

Transactions with RN Real Estate S.r.l. and Carel Real Estate Adriatic d.o.o. relate to the lease of the industrial buildings where the parent and the Croatian subsidiary carry out their business. The related financial liabilities and expense have been recognised in accordance with IFRS 16.

Costs from Free Polska relate to non-group products purchased and resold by the subsidiary Alfaco Polska.

All the related party transactions take place on an arm's length basis.

List of investees included in the consolidated financial statements and other investees

The following table shows the investees directly and indirectly controlled by the parent as well as all the legally-required disclosures necessary to prepare the consolidated financial statements:

	Registered office	Country	Currency	Share Capital/quota at 31.12.2024	Share Capital/quota at 31.12.2025	Investment % 31.12.2025	Share/quota holder	Consolidation method	Profit for the period 31,12.2025 EURO	Profit for the period 31.12.2024 EURO
Parent:										
Carel Industries S.p.A	Brugine (Padova)	Italy	Euro	11.249.921	11.249.921				41.360.739	14.967.983
Consolidated investees:										
C.R.C. S.r.l.	Bologna	Italy	Euro	98.800	98.800	100%	Carel Industries S.p.A.	line by line	1.890.669	1.560.312
Carel Deutschland Gmbh	Frankfurt	Germany	Euro	25.565	25.565	100%	Carel Industries S.p.A.	line by line	1.666.475	1.083.831
Carel France Sas	St. Priest, Rhone	France	Euro	100.000	100.000	100%	Carel Industries S.p.A.	line by line	862.348	436.459
Carel U.K. Ltd	London	GB	Pound Sterling	350.000	350.000	100%	Carel Industries S.p.A.	line by line	924.805	1.241.705
Carel Sud America Instrumentacao Eletronica Ltda	San Paolo	Brazil	Real	31.149.059	31.149.059	55,84 44,16	Carel Industries S.p.A. Carel Electronic Suzhou Ltd	line by line	1.838.394	1.910.514
Carel Usa Inc	Pennsylvania	USA	Us Dollar	5.000.000	5.000.000	100%	Carel Industries S.p.A.	line by line	12.676.818	10.212.587
Carel Asia Ltd	Hong Kong	Honk Kong	Hong Kong Dollar	15.900.000	15.900.000	100%	Carel Industries S.p.A.	line by line	1.069.443	644.198
Carel HVAC&R Korea Ltd	Seul	South Korea	South Korean Won	550.500.000	550.500.000	100%	Carel Electronic Suzhou Ltd	line by line	106.808	465.381
Carel South East Asia Pte. Ltd.	Singapore	Singapore	Singapore dollar	100.000	100.000	100%	Carel Asia Ltd	line by line	80.782	79.180
Carel Australia PTY Ltd	Sydney	Australia	Australian Dollar	100	100	100%	Carel Electronic Suzhou Ltd	line by line	386.153	414.345
Carel Electronic Suzhou Ltd	Suzhou	People's Republic of China	Renminbi	75.019.566	87.355.716	100%	Carel Industries S.p.A.	line by line	14.798.381	12.945.957
Carel Controls Iberica Sl	Barcelona	Spain	Euro	3.005	3.005	100%	Carel Industries S.p.A.	line by line	1.187.846	916.486
Carel Controls South Africa (Pty) Ltd	Johannesburg	South Africa	Rand	4.000.000	4.000.000	100%	Carel Electronic Suzhou Ltd	line by line	727.958	383.533
Carel ACR System India (Pvt) Ltd	Mumbai	India	Rupee	1.665.340	1.665.340	0,01% 99,99%	Carel France Sas Carel Electronic Suzhou Ltd	line by line	559.859	534.489
Carel RUS Llc	St. Petersburg	Russia	Ruble	6.600.000	6.600.000	99% 1%	Carel Industries S.p.A. Carel France Sas	line by line	(359.537)	(279.499)
Carel Nordic AB	Hoganas	Sweden	Swedish Krona	550.000	550.000	100%	Carel Industries S.p.A.	line by line	357.391	175.971
Carel Middle East	Dubai	Dubai	Dirham	4.333.877	4.333.877	100%	Carel Industries S.p.A.	line by line	280.448	156.244
Carel Mexicana, S. DE R.L. DE C.V.	Guerra, Tlalpan	Mexico	Peso	12.441.149	16.333.296	100%	Carel Usa LCC	line by line	48.802	668.183
Carel Adriatic D.o.o.	Rijeka	Croatia	HRK 2022 EUR 2023	7.246.665	7.246.665	100%	Carel Industries S.p.A.	line by line	7.006.667	1.350.635
Carel (Thailand) Co. Ltd.	Bangkok	Thailand	Baht	16.000.000	16.000.000	50% 30%	Carel Electronic Suzhou Ltd Carel Australia PTY Ltd	line by line	245.603	335.949
Alfaco Polska Sp.z.o.o.	Wrocław	Poland	Zloty	420.000	420.000	100%	Carel Industries S.p.A.	line by line	443.483	3.073.398
Carel Japan	Tokyo	Japan	Yen	60.000.000	60.000.000	100%	Carel Industries S.p.A.	line by line	91.452	194.693
Recuperator	Rescaldina (MI)	Italy	Euro	500.000	500.000	100%	Carel Industries S.p.A.	line by line	355.920	509.306
Hygromatik G.m.b.H.	Hamburg	Germany	Euro	639.115	639.115	100%	Carel Industries S.p.A.	line by line	4.372.453	3.972.957
Carel Ukraine LLC	Kiev	Ukraine	UAH	700.000	700.000	100%	Alfaco Polska Zoo	line by line	166.296	165.969
Enersol	Beloeil	Canada	CAD	100	100	100%	Carel Usa Inc	line by line	(189.219)	103.736
CFM Sogutma Ve Otomasyon	Izmir	Turkey	EUR	2.473	2.473	100%	Carel Industries S.p.A.	line by line	2.549.363	6.111.006
Enginia Srl	Trezzo Sull'Adda (MI)	Italy	EUR	10.400	10.400	100%	Recuperator S.p.A.	line by line	70.990	347.600
Arion S.r.l.	Bolgare (BG)	Italy	Euro	100.000	100.000	70%	Carel Industries S.p.A.	line by line	280.784	54.497
Sauber S.r.l.	Mantova (MN)	Italia	EUR	100.000	100.000	100%	Carel Industries S.p.A.	line by line	(106.453)	612.188
Klingenburg GmbH	Gladbeck	Germany	EUR	38.400	38.400	100%	Carel Industries S.p.A.	line by line	(5.117.866)	(2.546.007)
Klingenburg Usa LLC	RALEIGH	USA	USD	n.a.	n.a.	n.a.	n.a.	line by line	-	(71.598)
Klingenburg Uk Ltd	Folkestone	GB	GBP	100	100	100%	Klingenburg GmbH	line by line	691.574	584.769
Klingenburg Iberica Slu	Madrid	Spain	EUR	n.a.	n.a.	n.a.	n.a.	line by line	-	(291.429)
Klingenburg International Sp. z o.o.	Świdnica	Poland	PLN	50.000	50.000	100%	Klingenburg GmbH	line by line	(663.848)	413.988
Senva Inc.	Oregon	USA	USD	-	-	100%	Carel Usa Inc	line by line	6.070.585	3.657.930
Eurotec Ltd	Auckland	New Zeland	NZD	450.000	450.000	100%	Carel Industries S.p.A.	line by line	(148.389)	(68.854)
Carel Kazakhstan	Almaty	Kazakistan	KZT	10.000	10.000	100%	Carel Industries S.p.A.	line by line	205.979	455.830
Kiona Holding AS	Trondheim	Norway	NOK	666.401	666.401	82,4%	Carel Industries S.p.A.	line by line	4.456.413	192.106
Carel System Spzoo	Warsaw	Poland	PLN	3.100.000	3.100.000	100%	Carel Industries S.p.A.	line by line	(47.883)	(68.791)
Kiona GmbH	Berlin	Germany	EUR	25.000	25.000	100%	Kiona Holding AS	line by line	14.234	44.918
Kiona A/S - Denmark	Copenhagen	Denmark	DKK	500.000	500.000	100%	Kiona Holding AS	line by line	7.441	(1.734)
Kiona AS	Trondheim	Norway	NOK	100.000	100.000	100%	Kiona Holding AS	line by line	978.766	1.034.285
Kiona LT UAB	Kaunas	Lithuania	EUR	2.500	2.500	100%	Kiona Holding AS	line by line	43.780	(18.834)
Kiona Oy	Helsinky	Finland	EUR	2.500	2.500	100%	Kiona Holding AS	line by line	8.990	26.243
Kiona Sárl	Givisiez	Switzerland	CHF	20.000	20.000	100%	Kiona Holding AS	line by line	9.609	37.409
Kiona Sp Zoo	Gdansk	Poland	PLN	500.000	500.000	100%	Kiona Holding AS	line by line	15.438	9.931
Kiona Sweden AB	Gothenburg	Sweden	SEK	200.000	200.000	100%	Kiona Holding AS	line by line	223.506	306.951

OTHER INFORMATION ON SUBSIDIARIES

The subsidiaries Carel Deutschland GmbH, HygroMatik GmbH and Klingenburg GmbH, included in these consolidated financial statements, used the exemption provided for by section 264 (3) of the German

Commercial Code (HGB) for the disclosures, audit and the preparation of the notes to their financial statements at 31 December 2025 and the accompanying directors' reports.

FEES PAID TO DIRECTORS, STATUTORY AUDITORS AND KEY MANAGEMENT PERSONNEL

The fees paid to directors, statutory auditors and key management personnel for the years ended 31 December 2025 and 2024 are as follows:

DIRECTORS

(€'000)	2025	2024
Remuneration and fees	1,876	1,531
Other non-monetary benefits	19	17
Other remuneration (post-term of office benefits)	-	1,052
Total	**1,895**	**2,600**

STATUTORY AUDITORS

(€'000)	2025	2024
Fixed fees and fees for participation in committees	135	122
Total	**135**	**122**

KEY MANAGEMENT PERSONNEL

(€'000)	2025	2024
Remuneration and fees	1,600	1,383
Other non-monetary benefits	18	25
Post-employment benefits or termination benefits	-	119
Total	**1,618**	**1,527**

EVENTS AFTER THE REPORTING DATE

No significant events have taken place after the reporting date.

INFORMATION PURSUANT TO ARTICLE 149-DUODECIES OF CONSOB'S ISSUER REGULATION

The following table, prepared pursuant to article 149-duodecies of Consob Issuers' Regulation, shows the fees pertaining to the year for audit and non-audit services provided by the independent auditors.

(€'000)	Independent auditors	Recipient	2025 fees	2024 fees
Audit				
	Deloitte & Touche S.p.A.	Carel Industries S.p.A.	307	309
	Deloitte & Touche S.p.A.	Subsidiaries	67	67
	Deloitte & Touche network	Subsidiaries	165	192
Attestation services				
	Deloitte & Touche S.p.A.	Carel Industries S.p.A.	83	91
	Deloitte & Touche S.p.A.	Subsidiaries	-	-
	Deloitte & Touche network	Subsidiaries	-	-
Total			**623**	**659**

Transparency obligations required by Law no. 124/2017 - (Annual market and competition law)

A list of the subsidies, grants, fees for paid positions and any type of economic benefits received from public administrations and other parties defined by article 1.125 of Law no. 124 of 2017, that the group companies received in 2025) is set out below:

Carel Industries S.p.A.:

- other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020, Industry 4.0 - Law no. 160/2019, maxi-amortisation and depreciation - Law no. 178/2020, Ecobonus - Law no. 296/2006, due for the year, the parent did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

Recuperator S.p.A.:

- other than the tax credit for research and development and technological innovation activities - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020, Industry 4.0 - Law no. 160/2019, maxi-amortisation and depreciation New ordinary operating property, plant and equipment - Law no. 178/2020, due for the year, the group company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are not consideration, remuneration or compensation from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

C.R.C. S.r.l.:

- other than the tax credit for the acquisition of assets used in operations - Law no. 160/2019 as subsequently amended and supplemented, the Ministerial decree of 26 May 2020, Law no. 178/2020 due for the year, the group company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are consideration, remuneration or compensation, from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

Sauber S.r.l.:

- other than the Superbonus article 121 of Law decree no. 34/2022, Ecobonus and photovoltaic systems article 121 of Law decree no. 34/2020, restructuring of historical buildings article 121 of Law decree no. 34/2020, the group company did not receive any subsidies, grants, fees for paid positions or any type of economic benefits not of a general nature and that are consideration, remuneration or compensation, from the public administration and other parties as defined by article 35 of Law no. 34 of 30 September 2019, which replaced article 1.125 of Law no. 124/2017;

STATEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS OF LEGISLATIVE DECREE NO. 58/98 AND ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of Carel Industries S.p.A., also considering the provisions of article 154-bis.3/4 of Legislative decree no. 58 of 24 February 1998, state that the administrative and accounting policies adopted for the preparation of the consolidated financial statements at 31 December 2025:
   - are adequate in relation to the group's characteristics and
   - have been effectively applied during the year.
2. There is nothing to report in this respect.
3. Moreover, they state that:

   3.1 the consolidated financial statements as at and for the year ended 31 December 2025:

   a. have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   b. are consistent with the accounting ledgers and records;
   c. are suitable to give a true and fair view of the financial position, financial performance and cash flows of the issuer and the group of companies included in the consolidation scope.

   3.2 the directors' report contains a reliable analysis of the performance, results and position of the issuer and group companies included in the consolidation scope, and a description of the main risks and uncertainties to which the group is exposed.

   3.3 The English version of the consolidated financial statements of Carel Group constitute a nonofficial version with regard to the provisions of the Commission Delegated Regulation (EU) 2019/815.

Brugine, 10 March 2026

Chief executive officer	Manager in charge of financial reporting
Francesco Nalini	Nicola Biondo

STATEMENT ON THE SUSTAINABILITY STATEMENT PURSUANT TO ARTICLE 81-TER.1 OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999 AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned Francesco Nalini, as chief executive officer, and Nicola Biondo, as manager in charge of financial reporting of Carel Industries S.p.A., also considering the provisions of article 154-bis.5-ter of Legislative decree no. 58 of 24 February 1998, state that the sustainability statement included in the directors' report has been prepared in accordance with:

   a) the reporting standards applied pursuant to Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013, and Legislative decree no. 125 of 6 September 2024;
   b) the provisions of article 8.4 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020.

Brugine, 10 March 2026

Chief executive officer	Manager in charge of financial reporting
Francesco Nalini	Nicola Biondo

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Carel Industries S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Carel Industries S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Carel Industries S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment of goodwill	
Description of the key audit matter	The consolidated financial statements as at December 31, 2025, include total goodwill for Euro 242 million, allocated across four CGUs. Among these, the main ones are “Western Europe”, “North & South America” and “Eastern Europe, Middle East & Africa”, to which Euro 202 million, Euro 24 million and Euro 12 million are respectively allocated. As required by IAS 36 “impairment of assets”, goodwill was not amortized, but is subjected to impairment test at least annually, which compares the recoverable value of the CGUs – based on the value in use determined using the discounted cash flow (DCF) methodology – and the carrying value which includes goodwill and other tangible and intangible assets allocated to the CGUs. In their disclosure, the Directors explain the main assumptions applied in performing the test and provide the break-even analysis in relation to the main key factors of the impairment test, to evaluate the degree of sensitivity of the test to the changes in the key variables. The Directors, also, explain that the process of performing the impairment test is based on assumptions related, among others, to the expectations in term of cash flows for the CGU and the determination of appropriate discount rates (WACC) and long-term growth (g-rate). The Directors report, also, that the assumptions used are reasonable and are the most likely scenarios based on the information available, but the output of the impairment test may be different if any of the assumptions change significantly. We considered the significance of the amount of the goodwill, the subjectivity of the estimates underlying the determination of the cash flows for the CGU and the key variables of the impairment test. As a result, we assessed that the impairment test represents a key audit matter for the audit of Carel Group’s consolidated financial statements. Note 2 of the consolidated financial statements provides disclosure on impairment test and the effects of the break-even analysis on the key variables used.
Audit procedures performed	As part of our audit, among others, we performed the following audit procedures, supported by the experts belonging to our network: • understanding of the process and relevant controls designed and implemented by the Directors related to the process of performing and approving the impairment test;

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- analysis of the main assumptions adopted to prepare the expectations in terms of cash flows, also using industry data, and obtaining information from the Directors;

- analysis of the actual results achieved by the Group compared to the expectations, in order to assess the nature of the variations and considerations made by the management in the planning process;

- analysis of the reasonableness of the discount rates (WACC) and long-term growth (g-rate);

- test of the clerical accuracy of the model used to calculate the value in use for the CGUs;

- test of the accuracy of the determination of the carrying value of the CGUs and comparison with the recoverable amount resulting from the impairment test;

- examination of the break-even analysis prepared by the Directors.

Finally, we verified the appropriateness and the compliance of the disclosure on the impairment test provided by the Directors to the requirements of IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Carel Industries S.p.A. has appointed us on April 13, 2018 as auditors of the Company for the years from December 31, 2018 to December 31, 2026.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Carel Industries S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at December 31, 2025, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2025 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

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Due to certain technical limitations, some information contained in the explanatory notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinions and statement pursuant to art. 14 paragraph 2, sub-paragraphs e), e-bis) and e-ter) of Legislative Decree 39/10 and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Carel Industries S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Carel Industries Group as at December 31, 2025, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements;

- express an opinion on compliance with the law of the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;

- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Carel Industries Group as at December 31, 2025.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated corporate sustainability reporting, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

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Our opinion on the compliance with the law does not extend to the section related to the consolidated corporate sustainability reporting. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Sergio Di Patria
Partner

Padua, Italy
March 27, 2026

As disclosed by the Directors on page 201 the accompanying consolidated financial statements of Carel Indsutries S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815.

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT ON THE LIMITED ASSURANCE OF THE CONSOLIDATED SUSTAINABILITY STATEMENT
PURSUANT TO ARTICLE 14-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Carel Industries S.p.A.

Conclusion

Pursuant to artt. 8 and 18, paragraph 1 of Legislative Decree no. 125 of September 6, 2024 (hereinafter also the "Decree"), we have carried out a limited assurance engagement on the consolidated sustainability statement of the Carel Group (hereinafter also the "Group") for the year ended on December 31, 2025, prepared pursuant to Art. 4 of the Decree, included in the specific section of the management report.

Based on the work performed, nothing has come to our attention that causes us to believe that:

- the consolidated sustainability statement of the Carel Group for the year ended on December 31, 2025 is not prepared, in all material respects, in accordance with the reporting principles adopted by the European Commission pursuant to the Directive (EU) 2013/34/EU (European Sustainability Reporting Standards, hereinafter also "ESRS");

- the information included in the paragraph "Carel and the European Taxonomy" of the consolidated sustainability statement is not prepared, in all material respects, in accordance with art. 8 of Regulation (EU) No. 852 of June 18, 2020 (hereinafter also the "Taxonomy Regulation").

Basis for conclusion

We conducted the limited assurance engagement in accordance with the assurance standard of the sustainability report - "Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia)". The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the level of assurance that would have been obtained had we performed a reasonable assurance engagement.

Our responsibilities pursuant to that standard are further described in the paragraph *Auditor's responsibilities for the limited assurance of the consolidated sustainability statement* of this report.

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We are independent in accordance with the independence and other ethical requirements applicable under Italian law to the limited assurance engagement of the consolidated sustainability statement.

Our firm applies International Standard on Quality Management (ISQM Italia) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibility of the Directors and the Board of Statutory Auditors of Carel Industries S.p.A. for the consolidated sustainability statement

The Directors are responsible for developing and implementing the procedures performed to identify the information reported in the consolidated sustainability statement in accordance with the ESRS (hereinafter the "double materiality assessment process") and for disclosing this process in "Description of the process to identify and assess material impacts, risks and opportunities" of the consolidated sustainability statement.

The Directors are also responsible for the preparation of the consolidated sustainability statement, which includes the information identified as part of the double materiality assessment process, in accordance with the requirements of Art. 4 of the Decree, including:

- compliance with ESRS;
- compliance of the information included in the paragraph "Carel and the European Taxonomy" with art. 8 of the Taxonomy Regulation.

Such responsibility involves designing, implementing and maintaining, within the terms established by the law, such internal control that the Directors determine necessary to enable the preparation of the consolidated sustainability statement in accordance with the requirements of the art. 4 of the Decree that is free from material misstatements, whether due to fraud or error. Furthermore, the abovementioned responsibility involves the selection and application of appropriate methods in elaborating information and making assumptions and estimates about specific sustainability information that are reasonable in the circumstances.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Deloitte.

Inherent limitations in the preparation of the consolidated sustainability statement

In reporting forward looking information in accordance with ESRS, the Directors are required to prepare the forward looking information on the basis of assumptions, as described in the consolidated sustainability statement, regarding events that may occur in the future and possible future actions of the Group, as indicated in the paragraph “Basis for preparation”. Due to the inherent uncertainty regarding any future event, including whether these events will take place and their extent and timing, , the variances between actual outcomes and forward looking information could be significant.

The information provided by the Group regarding Scope 3 emissions is subject to greater inherent limitations compared to those related to Scope 1 and 2 emissions. This is due to the lower availability and relative accuracy of the data used to define the information on Scope 3 emissions, both quantitative and qualitative, in relation to the value chain, as indicated in the “Basis for preparation”.

Auditor’s responsibilities for the limited assurance of the consolidated sustainability statement

Our objectives are to plan and perform procedures to obtain limited assurance about whether the consolidated sustainability statement is free from material misstatements, whether due to fraud or error, and to issue an assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could influence the decisions of users taken on the basis of consolidated sustainability statement.

As part of the limited assurance engagement in accordance with the Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia), we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities include:

- considering risks to identify and assess the disclosure where a material misstatement is likely to arise, either due to fraud or error;
- designing and performing procedures to verify disclosures in the sustainability statement where material misstatements are likely to arise. The risk of not detecting a material misstatement due to fraud is higher than the risk of not identifying a material misstatement due to error, as fraud may involve collusion, falsifications, intentional omissions, misrepresentations, or the override of internal control;
- the direction, supervision and performance of the limited assurance engagement of the consolidated sustainability statement. We remain solely responsible for the conclusion on the consolidated sustainability statement.

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Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence as the basis for expressing our conclusion.

The procedures performed on the consolidated sustainability statement are based on our professional judgement and included inquiries, primarily with the personnel of the Group responsible for the preparation of information included in the consolidated sustainability statement, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we performed the following main procedures partly in a preliminary phase before year end and then in a final phase up to the the date of issuance of this report:

- understanding the business model, the Group's strategies and the context in which the Group operates with reference to sustainability matters;
- understanding the processes underlying the generation, collection, and management of qualitative and quantitative information included in the consolidated sustainability statement, including an analysis of the reporting perimeter;
- understanding the process carried out by the Group for the identification and evaluation of material impacts, risks and opportunities, based on the principle of double materiality, with reference to sustainability matters;
- identification of the information where a risk of material misstatement is likely to arise, taking into considerations, among others, risk factors related to the generation and collection of the information, to the estimates and to the complexity of the relevant calculation methods, as well as qualitative and quantitative factors related to the nature of such information;
- design and performance of procedures, based on the professional judgment of the auditor of the consolidated sustainability report, to respond to identified risks of material misstatement also with the support of Deloitte network specialists, in particular with reference to specific environmental information;
- understanding of the process set up by the Group to identify eligible economic activities and determine their aligned nature according to the requirements of the Taxonomy Regulation, and verifying the related information included in the consolidated sustainability statement;
- comparison of the information reported in the consolidated sustainability statement with the information included in the consolidated financial statements pursuant to the applicable financial reporting framework, or with the accounting data used for the preparation of the financial statements, or with the management data having an accounting nature;

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- verification of the structure and presentation of the information included in the consolidated sustainability statement in accordance with ESRS, including the information related to the materiality assessment process;

- obtaining the representation letter.

DELOITTE & TOUCHE S.p.A.,

Signed by
Sergio Di Patria
Partner

Padua, Italy
March 27, 2026

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.