2025 ESG HIGHLIGHTS

AND OUR STRATEGY FOR SUSTAINABILITY

The ESG Highlights document outlines CAREL's approach to sustainability, integrating governance, long-term strategies, and the Group's main measurable targets. It provides an in-depth look at initiatives for environmental protection, the fight against climate change, and the responsible management of resources. Particular attention is devoted to people, inclusion, rights, safety, and training. Ethics, integrity, corporate culture, and the supply chain are also addressed, defining a structured path of corporate responsibility.

Dear Stakeholders,

Once again this year, by sharing CAREL's ESG Highlights we have the opportunity to reflect on the journey we've made together and to look responsibly and confidently ahead to our future plans and objectives. This is a chance to reflect, but above all to confirm the direction that continues to guide our decisions.

For us, 2025 was a year of both consolidation, and new and increasingly challenging ambitions. We updated our Climate Transition Plan, setting even more competitive targets that are fully consistent with both international climate commitments and our long-term goal of carbon neutrality by 2050. A commitment that represents tangible proof of CAREL's desire to be part of the transition to a low-emission economy.

The results presented confirm that we are moving in the right direction. In 2025, we reduced Scope 1 and Scope 2 emissions by 13%, and significantly increased the share of self-generated renewable energy. We also continued to invest in eco-design and life cycle assessment projects, recognising that product design plays a significant part in defining our environmental impact.

Further significant recognition came from the CDP, with the assignment of an A-score, once again confirming our level of environmental excellence. This is a result we can be proud of, not so much as a milestone in itself, but rather as confirmation that we are tangibly moving in the right direction.

At the same time, we continue to place human capital at the heart of our corporate strategy. In 2025, we bolstered our commitment to inclusion and gender equality, further improving our positioning with respect to UNI/PdR 125:2022 certification, which we consider not as a point of arrival, but as a step on a broader journey. This also represents the context for our new performance development process, designed to support professional growth in a structured and transparent manner, while ensuring equal development opportunities and fostering an increasingly equitable and inclusive culture.

We also continue to develop close links with the communities and territories where we operate, promoting social inclusion initiatives, partnerships with local organisations, and shared moments. CAREL has always recognised its roots in the local setting, being an active part of the community, and we are confident that our company, through its spaces and resources, can represent a driving force for growth and social innovation in the area.

Our commitment also extends along the supply chain, with the aim of promoting sustainable *development of the supply system, enhancing local expertise and ensuring transparency and respect for human rights. In this regard, we have initiated a structured due diligence process on social and environmental issues, to progressively extend our own approach to sustainability throughout the entire supply chain.*

For CAREL, sustainability is not a secondary issue, but rather the true foundation of our business model. It is integrated into our decision-making processes, strategic orientation, and approach to the market. The cohesion, professionalism, and motivation of our people make this transition possible: CAREL's human capital is the true driver of change.

Sustainability Executive Director

Carlotta Rossi Luciani

Contents

Key

target achieved

in progress

delayed

THE GROUP IN NUMBERS

629 **million**
in revenues generated

5.2%
of revenues invested in Research and Development

50 **years**
of history celebrated in **2023**

47 **branches**
12 production sites around the world

2,709 **employees**
globally

75 **countries**
covered by the network of partners and distributors

88 **total patents**
including **6** filed in **2025**

2025-28 Sustainability Plan Climate Transition Plan

CAREL's profile

The CAREL Group is a world leader

in control and monitoring solutions for air conditioning, refrigeration and heating, energy recovery and indoor air quality (IAQ) systems, with specific focus on humidification, adiabatic cooling, and sensors. CAREL designs its products so as to bring energy savings and reduce environmental impact, thanks to the combination of the most advanced technologies and customised services, aimed at optimising the performance of equipment and systems.

The company's claim "**Driven by the Future**" perfectly sums up the CAREL model, representing the starting point and the final goal that together encompass the process of designing, manufacturing and marketing CAREL products and systems. An innovative consulting and technological partner, CAREL anticipates market demands, proposing energy-efficient solutions with guaranteed high performance.

Refrigeration

Air Conditioning

Humidification

Heating

Healthcare

IoT

Research, innovation, and technology are the keys to CAREL's success: for over fifty years, the Group has made customer needs the centre of its design activities, offering functional and aesthetic differentiation.

About Us

Mission

We lead the evolution of control technology for air conditioning, refrigeration and indoor air quality.

Our products and services support customers with the most efficient and sustainable solutions.

Data processing provided by our analytics platforms enables valuable customer services throughout the system's lifecycle.

Vision

Being the innovation our planet needs through solutions for the Climate Control Industry.

Driven by knowledge, inspired by human well-being. Now and for future generations.

Values

CAREL CULTURE CODE

In order to propose a strong and shared corporate identity, capable of fostering cohesion between people and alignment in the achievement of its strategic objectives, in 2021 CAREL formally defined its Culture Code, outlining the guiding principles of Group's corporate culture. These are both expressions of CAREL's desire for continuity with its historical identity, and an ideal and objective set of values for the future, so as to allow its people to put the corporate vision into practice:

- ***Experiment!***
- ***Make the difference!***
- ***Be open!***
- ***Care!***
- ***Think customer first!***

Further information on the CAREL Group and its management of sustainability issues is available in the 2025 Consolidated Financial Statement.

SUSTAINABILITY GOVERNANCE

The CAREL INDUSTRIES Board of Directors defines the company's and the Group's strategies in line with the pursuit of sustainable success. The BoD is responsible for approving the engagement policies, the multi-year sustainability plan, the Climate Transition Plan and the annual Sustainability Report.

SUSTAINABILITY EXECUTIVE DIRECTOR

The Board of Directors has appointed one board member as ***Sustainability Executive Director,*** assigning operational powers to define the Group's sustainability vision and strategy, in close collaboration with the Chief Executive Officer and the specific corporate functions. Responsibilities include defining and monitoring periodic improvement objectives, supporting the integration of sustainability into the business plan, and coordinating stakeholder engagement.

CONTROL, RISK AND SUSTAINABILITY COMMITTEE

The Control, Risk and Sustainability Committee, established within the parent company's Board of Directors, assists the Board of Directors in an investigative, proactive and consultative capacity in assessing and making decisions regarding sustainability issues. Its responsibilities include, in coordination with the *Sustainability Executive Director*, defining and proposing sustainability guidelines to the Board of Directors, expressing opinions regarding targets, objectives and consequent sustainability processes, as well as drafting the annual report submitted to the Board of Directors. Furthermore, the Committee, in assisting the Board of Directors, ensures that regulatory and legal changes relating to sustainability are fully understood, interpreted, and assessed in terms of their potential impact on the business, assigning specific tasks and responsibilities to the relevant corporate functions regarding their implementation.

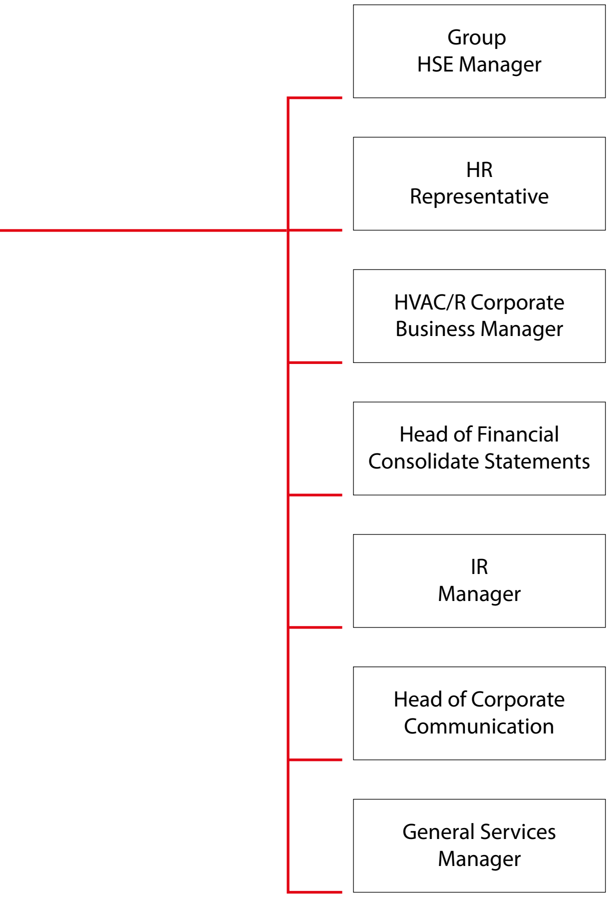
ESG TEAM

CAREL has a multifunctional team responsible for integrating sustainability management into all Group areas: the **ESG Team**. This team, led by the *Group Chief Financial Officer*, reports directly to the Chief Executive Officer and the *Sustainability Executive Director*, and assists the parent company's Board of Directors in defining objectives and initiatives to be included in the multi-year Sustainability Plan, as well as in monitoring the progress in achieving such objectives. The ESG Team is responsible for coordinating all sustainability activities - including drafting the Sustainability Report - as well as promoting sustainability across the Group and dialogue with *stakeholders*.

The range of expertise within the team ensures that sustainability issues are addressed and managed from diverse perspectives, and that all sustainability impacts, risks, and opportunities are taken into consideration.

ESG INCENTIVE SCHEME

The company's ongoing commitment to sustainability is also reflected in the increasingly weight given not only to traditional targets based on economic and financial performance, but also to ESG aspects.



The company's remuneration policy includes ESG indices for both short-term (MBO) and long-term (LTI) incentive schemes, defined based on quantitative and measurable targets.

With reference to the 2024-2028 LTIs, 30% of the value of the bonus is linked to a sustainability parameter determined as the arithmetic mean of two indicators aimed at measuring the company's ESG commitments: 15% is linked to the Decarbonisation Plan - a reduction in CO2e emissions at CAREL production plants in line with the decarbonisation strategy and emissions reduction targets approved by SBTi - and 15% linked to a reduction in the gender pay gap of CAREL INDUSTRIES white-collar employees.

In top management MBOs, at 20% of the nominal value of the overall bonus is based on achieving specific internal sustainability targets, as assessed by the Remuneration Committee, with the support of the Human Resources Department. Individual ESG objectives are generally assigned with reference to the specific role and scope of responsibility assigned to individual beneficiaries, or to specific strategic projects/activities they have been commissioned to carry out.

In 2025, the following individual ESG performance targets were assigned:

- CEO, CFO and CSMO: reduction in Scope 1, 2 and 3 emissions in line with the Decarbonisation Plan;
- CHROO: reduction in white-collar staff turnover and maintenance of gender equality certification pursuant to the UNI/Pdr 125:2022 standard and an improvement in the 2024 score;
- COO: reduction in Scope 3 emissions;
- CTO: implementation of a governance system (NATIVA ESG project).

Percentage of MBO relating to environmental and social sustainability objectives/initiatives — **20%**

Percentage of LTI bonus relating to SBTi verified reductions in Scope 1 and 2 GHG emissions — **15%**

Percentage of LTI bonus relating to the *gender pay gap* reduction target for white-collar employees at the parent company — **15%**

DRIVEN BY THE FUTURE

Sustainability in action

DRIVEN BY THE FUTURE: THE SUSTAINABILITY STRATEGY

INTEGRATED STRATEGY

Product and process innovation are two of the main factors that have contributed to the CAREL Group's growth in recent years and will be two of the strategic elements for its future development. The Group has always attributed strategic importance to the role of **Research and Development** in maintaining its leadership position on the HVAC/R market, with the aim of differentiating itself from the competition and marketing **technologically-innovative solutions**, offering customers new products, solutions and/or services that respond to and incorporate technological innovations.

One of the pillars that guides the Group's product innovation strategy is **environmental sustainability**, which for several years now has been pursued through two converging strategies: on one hand, **maximising energy efficiency** by offering increasingly smart and interconnected products, and on the other the **use of natural refrigerants** with low emissions, thus promoting energy transition for the end users of CAREL's products.

In addition to these two areas - the basis of CAREL's strategy for several years now - the Group is progressively intensifying its commitment in a third area: **increasing the circularity of its products**. This objective is being pursued through targeted analyses aimed, on one hand, at increasing the use of recycled materials and, on the other, at extending the lifespan of products, making them easier to repair, disassemble, reuse, and recycle at the end of their working life.

To effectively promote, the Group recognises the key role of its **people**, the main driver of progress and innovation. From this perspective, CAREL's main challenge is to attract talent and **retain the best human resources**. This is why CAREL outs its people, its workforce, at the centre of its actions, paying specific attention to understanding their needs and developing their talent, as well as promoting a working environment that fosters **professional and personal growth**.

This ***modus operandi*** represents the cornerstone of the Group's strategy and is a fundamental lever for **sustainable development**.

2025-2028 SUSTAINABILITY PLAN

In 2024, CAREL updated its "*Driven by the Future*" sustainability strategy, drafting the new four-year Sustainability Plan for 2025-2028.

Various senior functions at the parent company were involved in the process, each of which contributing, within their own area of operations, to identifying multi-year targets, taking into consideration the needs of various stakeholders (both internal and external).

The Sustainability Plan is divided into several sections, as described below. Each section lists the objectives and initiatives making up the plan that contribute to achieving the United Nations *Sustainable Development Goals (SDGs)*:

Environmental protection

- Combatting climate change
- Climate transition plan
- Circular economy and waste management
- Pollution and management of water resources
- Protection of biodiversity

Our people

- Protection of human rights and working conditions
- Equal opportunities, diversity, and inclusion
- Professional development and personnel training
- Health and safety in the workplace
- Support for the local community

CLIMATE TRANSITION PLAN

Between the end of 2023 and the beginning of 2024, CAREL defined its **Climate Transition Plan**, in order to align its business model with limiting global warming to 1.5 °C, in line with the Paris Agreement. Between the end of 2025 and the beginning of 2026, the Plan was updated to include even more ambitious climate objectives, and achieve climate neutrality for Scope 1 and 2 emissions by 2050.

The decarbonisation efforts and specific actions outlined in the Transition Plan have been integrated into the 2025-2028 Sustainability Plan, which details their implementation over the reference period.

Corporate culture

Supplier relationship management

Due diligence on conflict minerals

Ethics, integrity, and safety

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

SUSTAINABLE DEVELOPMENT GOALS

ENVIRONMENTAL PROTECTION

COMBATTING CLIMATE CHANGE

Main commitments outlined in the ENVIRONMENTAL POLICY* relating to climate change:

- adopt and maintain a Climate Transition Plan;
- periodically analyse the physical risks arising from climate change and their potential impact on the Group's business;
- pursue sustainable scientific and technological development, from a life-cycle perspective;
- rationalise energy consumption, reducing fossil fuel consumption and increasing the share of renewable energy.

ENVIRONMENTAL AND ENERGY MANAGEMENT SYSTEM

For several years, CAREL has had in place ISO 14001 certified **Environmental Management Systems** (EMS) at CAREL Industries, HygroMatik, Recuperator and CAREL Electronic Suzhou. The EMS comprises a set of processes and procedures aimed at monitoring, managing, and improving the company's environmental impact, ensuring compliance with regulations, and promoting environmental sustainability. Currently, 38% of the Group's production plants are covered by an ISO 14001 certified EMS.

To further improve energy efficiency at their plants, CAREL Industries and CAREL Electronic Suzhou have implemented an ISO 50001 certified **Energy Management System** (EMS). As part of this EMS, CAREL has introduced a systemic approach to energy management, focusing on the rationalisation of energy use and the elimination of waste.

Electricity saved through optimisation of processes and production lines. **81 MWh**

Total energy consumption

ENERGY SOURCE	UOM	2025
from non-renewable sources	MWh	11,223
from renewable sources		15,228
of which purchased		14,021
of which self-produced		1,207
Total		**26,451**

* Refer to the Health, Safety, Environment and Sustainability Policy.

RECUPERATOR

CAREL Industries

HygroMatik

China

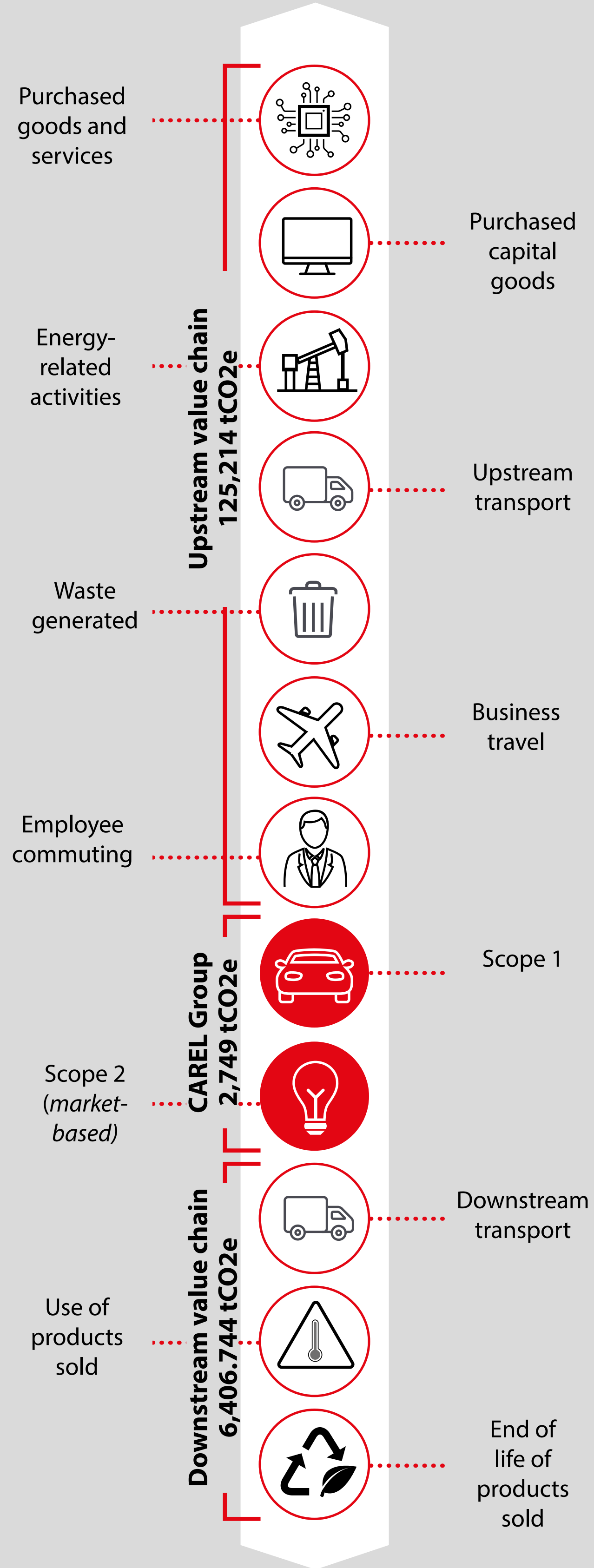
Percentage of renewable energy as part of total consumption +8% compared to 2023 **58 %**

Self-produced electricity from photovoltaic panels: +95% compared to 2023 **1,207 MWh**

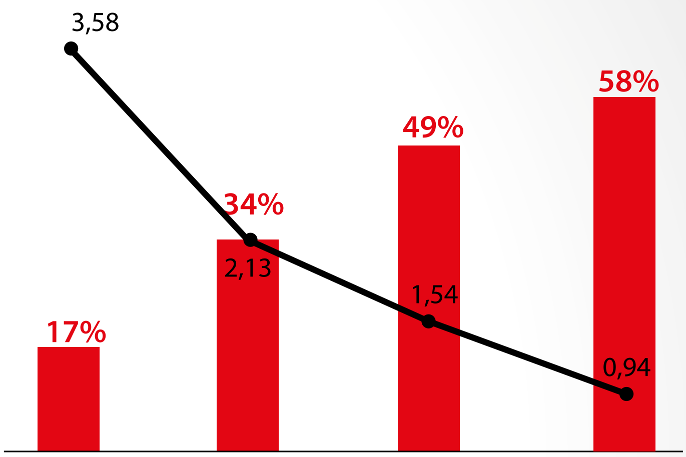
Energy intensity per surface area: -3% compared to 2023 **131 kWh/m²**

COMPANY CARBON FOOTPRINT IN 2025

Since 2019, CAREL has been monitoring its carbon footprint, in compliance with the *GHG Protocol* guidelines, calculating its direct **(Scope 1)** and indirect emissions from purchased energy **(Scope 2)**; since 2023, it has extended the scope of the calculations to include emissions along the value chain **(Scope 3)**.



Emission trend (Scope 1 and 2 market-based)



Emission intensity per employee (tCO2e/emp)

Energy from renewable sources consumed out of total energy consumed (%)

Scope 1 emissions reduction compared to 2023 **-3%**

Market-based **Scope 2 emissions reduction compared to 2023** **-72%**

Scope 3 emissions reduction compared to 2023 **-1%**

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective	Target	Trend
Produce 10% of all electricity used using photovoltaic panels installed at CAREL Industries, Klingenburg International, Arion, CAREL USA and CAREL Electronic Suzhou	2027	
Reduce natural gas consumption by 80% at the CAREL Industries, Enginia, Recuperator, Hygromatik and CAREL USA plants	2028	
Achieve 100% of all electricity purchased for production plants from certified renewable sources	2028	
Achieve 69% of plants covered by ISO 14001 and 62% of plants covered by ISO 50001	2028	
Replace 70% of diesel cars in the CAREL Industries' company fleet with low-emission vehicles	2027	
Engage a set of suppliers, identified following due diligence, to learn how to calculate their Scope 3	2028	
Gradually reduce the share of inbound and outbound goods transported by air (categories 4 and 9) across the CAREL Group by 5% per annum *	2028	

* The trend in the target reflects the complex geopolitical and market situation, which is driving faster logistics solutions to maintain delivery times.

CLIMATE TRANSITION PLAN

In response to the growing challenges relating to climate change, and in line with European commitments and the objectives of the Paris Agreement, CAREL has adopted a **Climate Transition Plan**, part of the Group's broader strategy, with the aim of transforming its business model based around a low-carbon economy.

The Transition Plan, updated between the end of 2025 and the beginning of 2026, is set out to achieve the goals of limiting global warming to 1.5°C, in line with the Paris Agreement, and to achieve climate neutrality by 2050.

The Plan has been approved from a technical and economic perspective by the Board of Directors and the corporate committees, and is an integral part of the Group's future development strategies.

SCIENCE-BASED TARGETS: EMISSIONS REDUCTION OBJECTIVES

In early 2024, the Group officially signed its commitment to define **near-term emissions reduction objectives** in line with the criteria defined by the *Science Based Target* Initiative (SBTi). At the beginning of 2025, the Group was involved in the "Target Validation" process by SBTi, which definitively approved the Group's near-term targets, as reported below: [1]:

- The Transition Plan, updated between the end of 2025 and the beginning of 2026, is set out to achieve the goals of limiting global warming to 1.5°C, in line with the Paris Agreement, and to achieve climate neutrality by 2050.
- The Plan has been approved from a technical and economic perspective by the Board of Directors and the corporate committees, and is an integral part of the Group's future development strategies.

In 2025, the Group further expanded its emissions reduction targets, presented below, in order to nsure these remain aligned with the international commitments of the Paris Agreement.

Scope 1 and 2 target	Scope 3 target
CAREL is committed to reducing absolute Scope 1 and 2 emissions to reach net zero by 2050 with reference to the 2023 baseline, in line with the objective of limiting temperature increases to 1.5°C above pre-industrial levels.	CAREL is committed to reducing absolute Scope 3 emissions from the purchase of goods and services, energy-related activities, transport and distribution, employee commuting, and use of products sold by 54.6% by 2033, starting from the 2023 baseline, in line with the objective of limiting temperature increases to 1.5°C above pre-industrial levels.

* The projected emissions reduction is calculated on total Scope 1, 2 (market-based) emissions and targeted Scope 3 emissions, in line with SBTi criteria.

CAREL's emissions reduction targets are published on the [SBTi Dashboard].

DECARBONISATION EFFORTS IN THE TRANSITION PLAN

Scope 1 direct emissions

- Electrification of heating systems using heat pumps
- Transition of the company fleet to low-emission vehicles

Scope 2 indirect emissions

- Purchase of electricity certified from renewable sources
- Optimisation of production processes
- Rationalisation of energy usage of equipment and systems
- Self-production of electricity through the installation of photovoltaic panels
- Replacement of lighting with new LED systems
- Monitoring (BMS) and thermal insulation

CAREL'S ROLE IN THE TRANSITION TO A LOW-EMISSION ECONOMY

The energy consumption of products sold, which for CAREL represents the main source of indirect Scope 3 emissions, is one of the strategic pillars that guide product innovation at the Group. Optimising the **energy efficiency** of air conditioning and refrigeration systems, together with a progressive transition towards the use of low-impact **natural refrigerants**, plays a crucial role in also promoting the energy transition for end users.

Scope 3 indirect emissions

- Energy efficiency of products sold
- Use of natural refrigerants with a lower impact
- Transition from air transport to lower-impact solutions
- Purchase of materials with a lower environmental impact
- Making business travel more efficient

Energy savings with the CAREL Group's *"Positive Handprint Products".*

The following table shows the annual energy savings resulting from the use of CAREL products sold in 2025.

Electronic expansion valve	5,730 GWh/anno
Heat Exchanger	1,605 GWh/anno
DC Drive e Heez	811 GWh/anno
Adiabatic system	30 GWh/anno

Total energy savings resulting from CAREL products sold in the three-year period 2023-2025 22,446 GWH

Percentage of revenues allocated to R&D projects for lower-impact technologies 5.2 %

CIRCULAR ECONOMY AND WASTE MANAGEMENT

Main commitments contained in the ENVIRONMENTAL POLICY *, from a circular economy perspective:

- optimise the use of raw materials by reducing waste and promoting the use of recyclable materials;
- consider environmental protection aspects when designing systems, products and processes, evaluating the potential impact throughout the entire life cycle;
- optimise the management of waste produced, especially hazardous waste.

CIRCULAR ECONOMY INITIATIVES

CAREL is working to thoroughly evaluate the environmental impacts of its products and production processes. Furthermore, it is deploying resources to identify strategies to transition towards the use of lower-impact materials and to extend the useful life of its products.

For several years, CAREL has begun conducting **life cycle assessments (LCA)**, a fundamental tool for comprehensively and systematically analysing the environmental impact of its products in all stages of their life cycle, including the production of raw materials and components used in its own operations.

LIFE CYCLE ASSESSMENT (LCA)

LCAs allow us to understand the various impacts generated by our products throughout their life cycle, including the impacts relating to the consumption of natural resources, and to the use and disposal of the product. This type of assessment is essential for guiding corporate actions aimed at reducing the overall environmental footprint - with specific focus on research and development - and for making choices that are in line with the principles of the circular economy. This process will gradually involve key suppliers in obtaining primary data.

The initiative started in 2022 with the *life cycle assessment* was conducted on an *inverter*, in order to evaluate its environmental impact from "cradle to grave" in accordance with the ISO 14040 and 14044 standards. Since 2024, four further LCAs have been conducted, covering two ranges of isothermal humidifiers, a heat recovery unit, one of the main electronic control devices, and a solenoid valve model that is representative of the entire product line..

ECO-DESIGN

CAREL has initiated a feasibility study at the parent company to evaluate the use of recycled materials in both products and their packaging. This analysis, which will also continue in 2026 at the parent company, is aimed at obtaining baseline values and subsequently identify specific targets for increasing the amount of recycled material used in plastics, aluminium, and packaging. This activity, combined with the LCAs, both completed and planned, is the basis of **eco-design**, an approach to product design and development that takes into account various aspects such as the environmental impact of the materials used, recycling and repair of products in order to extend their useful life. The analysis will also allow product **disassembly**, **repairability** and **regenerability** indices to de created and subsequently used as the basis for continuous improvement of product environmental impact, measurable through the definition of specific objectives.

* Refer to the Health, Safety, Environment and Sustainability policy.

CAREL product categories that have undergone LCAs as of 2025

38 %

INITIATIVES RELATING TO PACKAGING

Concurrently, CAREL is committed to reducing its environmental impact relating to packaging, maintaining the level of **FSC or PEFC certified materials** and increasing the content of **recycled materials** used in packaging, as well as constantly reducing the use of plastics, both non-recyclable and recycled.

Starting in 2025, the CAREL Industries and CAREL Adriatic plants will be required to avoid the use of plastic in new packaging solutions, except in cases where substitution is not technically feasible. Furthermore, there are incentives to minimise the amount of air transport and to design new optimised packaging. These activities will further reduce upstream sourcing of plastics and downstream waste disposal, thereby reducing their environmental impact.

Another initiative that has been active for several years at the CAREL Industries and CAREL Adriatic, and since 2025 also at the CAREL Sud America plant concerns the choice to use packaging coloured using water-based paints, free of acrylic substances, made using starch glues instead of vinyl glues, and guaranteed according to the *GREENGUARD Certification Program* that certifies that products for indoor use comply with established chemical emission limits.

Packaging material	Share of recycled material
Paper and cardboard	**74%**
Wood	**2%**
Plastic	**18%**

Percentage of paper and cardboard used in packaging from the 10 main FSC/PEFC certified production plants **75%**

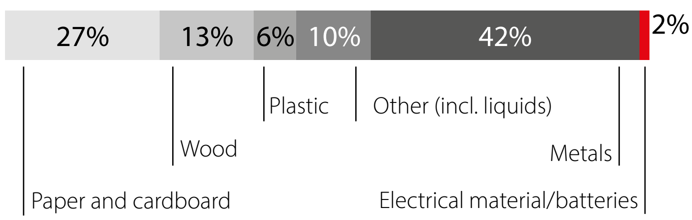
Percentage of wood used in packaging from the 10 main FSC/PEFC certified production plants **89%**

WASTE MANAGEMENT

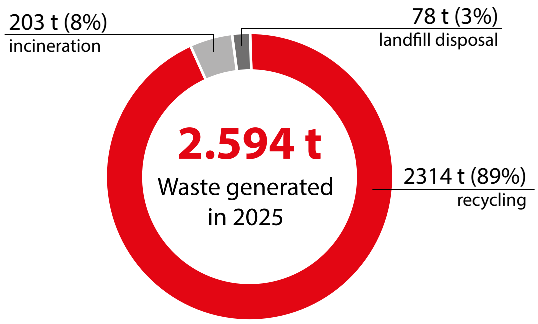
Through implementation of its Environmental Management System, CAREL promotes correct waste management, from its generation in production departments or office areas to storage in temporary warehouses at the plants, right up to disposal at outside storage and treatment facilities. In 2025, a total of 2,594 tonnes of waste was generated, 3% of which was hazardous waste.

In 2025, the plastics recovery project, established in 2022 and aimed at **improving the separation of plastic waste** from industrial processes, was further consolidated. By separating plastic waste into three distinct streams, certain specific plastics are able to be reused and the percentage of mixed packaging used at the parent company has been reduced.

Waste generated by composition



Waste generated by type of treatment



OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective	Target	Trend
CAREL is saving at least 1,000 kg of paper per year through its "Zero Carta" scheme.	2027	
Reach 60% of the CAREL Group's product categories subject to LCAs	2028	

In 2025, the initial objective of saving at least 1,000 kg of paper annually was achieved thanks to the implementation of initiatives to reduce the weight of printer paper and the elimination of paper shipping labels from CAREL Industries to the Vescovana hub. Despite the objective having been achieved, the project will continue and new initiatives will be added every year.

POLLUTION AND WATER RESOURCE MANAGEMENT

Main commitments contained in the ENVIRONMENTAL POLICY * in relation to pollution and waste:

- monitor pollutant emissions into the atmosphere and water by installing filtering and purification processes for laboratory waste water
- identify specific areas for waste collection and establish relationships with authorised disposal companies;
- identify potential risks in advance through a system for preventing environmental emergencies and the release of hazardous agents and substances into the environment, minimising possible environment impact.

EMISSIONS INTO THE ATMOSPHERE AND WATER

With regard to atmospheric pollution, CAREL is focusing its efforts on improving the management of pollutants and preventing the risk of releasing hazardous agents and substances into the environment Consequently, it has implemented specific procedures at production plants with significant emissions for periodic **analysis of emissions from exhaust stacks**, in order to verify compliance with the established regulatory limits and voluntarily monitor other pollutants. These activities allow us to keep atmospheric polluting emissions under control and to fully comply with the limits set by current regulations.

As regards water pollution, CAREL has also implemented a procedure for carrying out **chemical analyses** and **sampling of waste water** from the laboratory where humidifier tests are carried out, to verify compliance with regulatory limits for discharge into the sewer system. In addition, settling tanks and similar systems have been installed for cleaning laboratory waste water. This activity helps prevent potential negative impacts and related risks associated with the release of agents and substances into the environment through waste water, while fully complying with the limits established by current regulations.

SUBSTANCES OF CONCERN AND VERY HIGH CONCERN

CAREL products use materials and components, above all electronics, that may at times contain hazardous substances, with varying levels of risk.

In order to comply with legislation and regulations that prohibit or limit the use of certain hazardous substances, aimed at minimising the risks associated with the presence of such substances in products placed on the market, CAREL has drawn up a **Product and Service Compliance Policy**. Through this policy, CAREL ensures that the product or service development processes adopted by the Group companies include criteria and procedures for guaranteeing the highest quality.

The policy requires compliance with, among other things, two important pieces of legislation relating to substances of concern and very high concern: the RoHS (*restriction of hazardous substances*) directive and the REACH (*registration, evaluation and authorisation of chemical substances*) regulation. The policy also aims to strengthen the Group's actions in *phasing out* hazardous substances from its products.

* Refer to the Health, Safety, Environment and Sustainability Policy.

Commitments contained in the ENVIRONMENTAL POLICY * with regard to water resources:

- rationalise the use of water resources, especially in areas where such are scarce;
- adopt rainwater collection and reuse systems where possible to reduce mains water consumption and the impact on local ecosystems.

WATER USAGE

Despite having limited water consumption, CAREL pays special attention to rationalising the use of water resources, especially in areas where such are scarce, with the aim of eliminating waste and preventing the risk of releasing hazardous agents and substances into the environment. In line with the commitment expressed in the policy, management's approach is aimed at **monitoring water usage** to prevent abnormal leakages and safeguard water resources. Specifically, the water meters at production plants are periodically checked to verify the billed usage, communicating the data to headquarters.

Starting in 2020, the water usage of all Group companies has also been monitored, taking into account the water risk index of the areas where the sites are located, using the Aqueduct WRI tool.

Water usage	UOM	2025
Total water withdrawn	m^3	32,369
of which from water risk areas		5,976
of which from water stress areas		7,487
Water use intensity	m^3/emp	0.03

RAINWATER RECOVERY

Starting in 2023, an innovative project for the **collection** and **use of rainwater** has been in place at the parent company's headquarters. Specifically, a new building was constructed with a rainwater tank; the water is then used to serve all non-potable water requirements.

A similar initiative has been implemented at the production plant in China, located in a highly water-stressed area, where a rainwater collection tank has been installed for irrigation.

By using alternative sources to groundwater, these projects help reduce the withdrawal of drinking water for services that do not require it.

WATER CONSUMPTION OF CAREL SOLUTIONS

Certain CAREL products, specifically humidifiers, consume water during use. The Group is therefore working on improving, in addition to the other aspects of circularity, the **water efficiency** of such products. This is one of the reasons why between 2024 and 2025, CAREL carried out a strategic LCA on its isothermal humidifiers with the aim of obtaining EPD certification and improving their circularity and efficiency, including water efficiency.

Furthermore, a technical-economic feasibility study began in 2025 for water efficiency projects for CAREL humidifiers; this will be followed by a technical development phase between 2026 and 2028.

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective	Target	Trend
Reach 60% of the CAREL Group's product categories subject to LCAs, including one or more assessments conducted on the isothermal and adiabatic humidifier ranges	2028	
Achieve a water efficiency value for isothermal humidifiers greater than 90%	2028	

PROTECTION OF BIODIVERSITY

Main commitments contained in the ENVIRONMENTAL POLICY * relating to biodiversity:

- protect the environment and safeguard natural resources as primary objectives, with special attention to sites located in protected or sensitive areas in terms of biodiversity;
- prioritise sustainable suppliers with certified value chains for the procurement of materials.

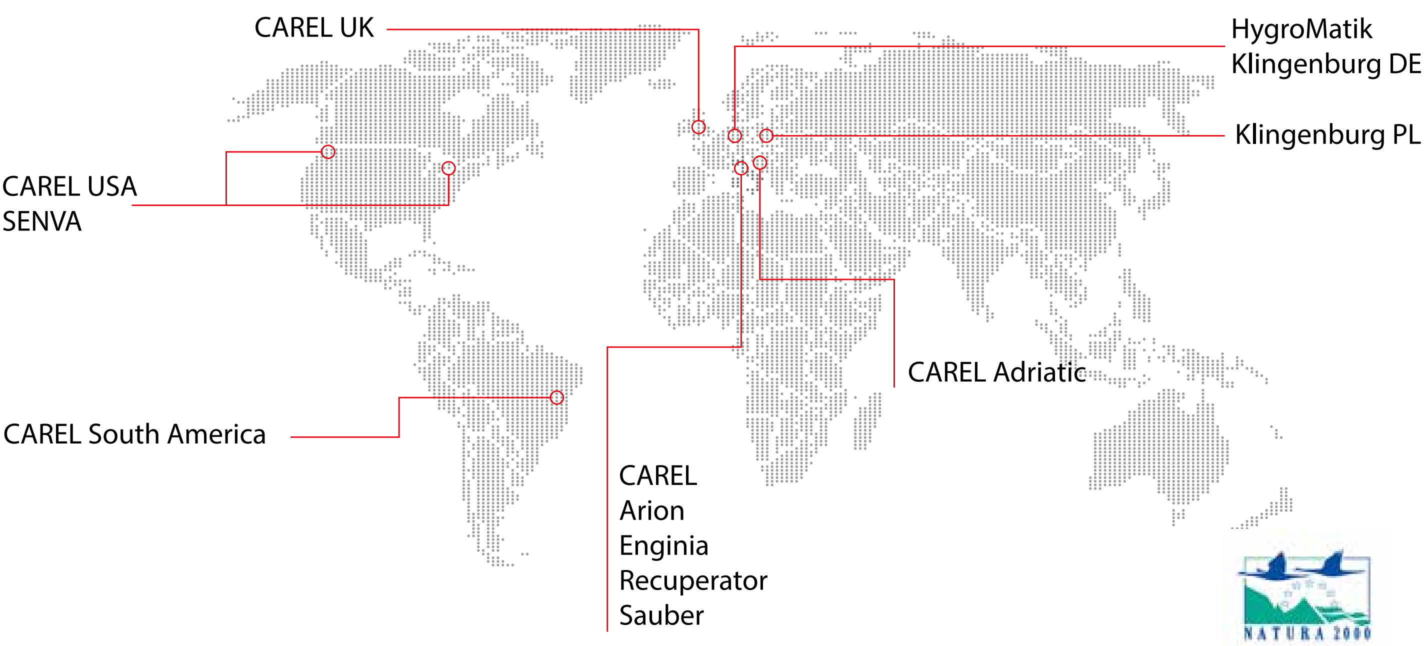
PROXIMITY ANALYSIS

In line with the commitments declared in the Environmental Policy, in 2025 CAREL carried out a **proximity analysis** to understand the Group's potential impacts on biodiversity due to the operation of its production plants. The analysis was conducted using the *Protected Planet* tool.

Following this analysis, none of the sites examined were located within sensitive biodiversity areas; nonetheless, there are some Group sites located in proximity of such areas. Following further assessments, the activities carried out at these sites are not believed to negatively impact these areas. Therefore, to date, no need has been identified to implement specific mitigation measures to protect biodiversity.

Although the topic of biodiversity has not been found to be material, the Group is committed to updating and expanding the study to identify and assess potential dependencies, physical and transition risks, as well as systemic risks related to biodiversity and ecosystems.

Sites subject to proximity analysis in 2025



* Refer to the Health, Safety, Environment and Sustainability Policy.

OUR PEOPLE

DIVERSITY, INCLUSION AND EQUAL OPPORTUNITIES

Main commitments contained in the DIVERSITY POLICY:

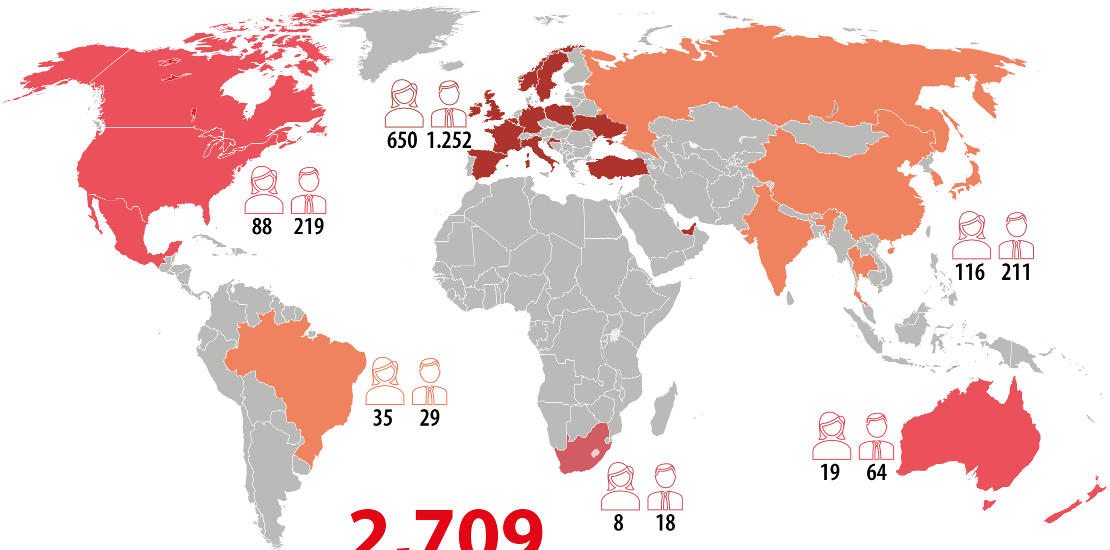
- not tolerate any form of discrimination, respecting the dignity and personal rights of all individuals;
- promote the inclusion and integration of every individual, regardless of any type of diversity;
- encourage the development and growth of every employee based on the principles of fairness and equal opportunities;
- recognise and respect the private sphere, committing to promoting a working environment based on values such as trust, dialogue, mutual respect, employee well-being, and work-life balance.

HUMAN RESOURCES AT CAREL

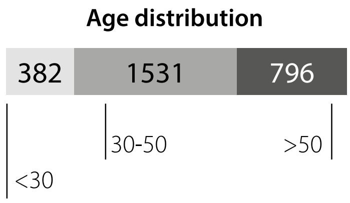
The CAREL Group operates worldwide, employing 2,709 people, mainly in Europe, Asia, and North America. The workforce comprises *executives*, *white collars*, and *blue collars*; temporary workers are also employed to meet specific production needs.

In compliance with Italian law, the parent company is continuing to operate schemes to recruit people in challenging circumstances and people with disabilities. The entire Group stands out for its sensitivity and proactive attention to the inclusion of personnel with specific needs. In 2025, 51 disabled workers were employed by the Group (2% of the workforce).

The diversity of the workforce, in terms of roles, age, skills and geographical backgrounds, helps enhance internal diversity and support the company's global success.



2,709
Total number of employees



33
Average age of employees

TRAINING ON DIVERSITY

The specific training program for management on diversity issues launched in 2024 continued in 2025, aimed at exploring aspects such as age diversity, digital natives, reverse mentoring, and developing gender diversity. The parent company's managers also participated in the training initiative entitled "Inclusive Leadership - Gender and Generational Biases" aimed at strengthening inclusive leadership. At the same time, in 2025 the parent company launched a training program aimed at all company employees on the topic of "Zero Tolerance Harassment". The objective of these initiatives is to raise awareness of the value of diversity, not only in terms of gender, but also cultural and generational, so as to create an inclusive work environment and thus prevent discrimination.

Percentage of employees trained on diversity and gender equality issues **43%**

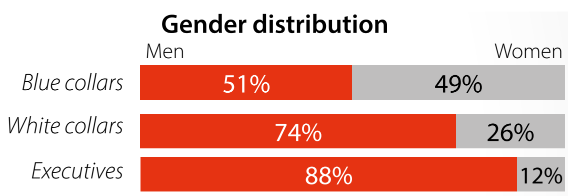
Commitments contained in the GENDER EQUALITY POLICY:

- adopt recruitment policies and schemes aimed at ensuring fairness and meritocracy by valuing diversity;
- define transparent and consistent standards in performance management and talent development processes;
- operate a remuneration policy that complies with the principles of equal opportunities, fostering competencies and professionalism;
- protect, support, and enhance parenting among employees by promoting measures to ensure work-life balance;
- adopt language that respects and promotes gender equality in communications and marketing.

THE GENDER EQUALITY MANAGEMENT SYSTEM

In 2024, CAREL INDUSTRIES implemented a **Gender Equality Management System**, certified in accordance with Italy's UNI/PdR 125:2022 reference practices. This involved the creation of a **Gender Equality Steering Committee**, comprising professionals across the organisation with the skills needed to support certification-related initiatives. The certification process required evidence of compliance with multiple qualitative and quantitative KPIs, relating to six areas of evaluation used to characterise an inclusive company that respects gender equality, as well as carrying out a risk assessment related to violence and gender equality.

Two further policies were also been defined: **Gender Equality Policy** and **Parenting Policy**. The Gender Equality Policy guided the review of certain HR processes and company initiatives in order to support its development. The Parenting Policy brings together existing company initiatives available to employees, recognising that it will evolve over the years to integrate and broaden the concepts of parenthood and care. The audit conducted in 2025 highlighted an improvement in the score, confirming the company's progress in this area.



Percentage of women out of total employees **34%**

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective	Target	Trend
Compliance with the EU Pay Transparency Directive	2026	
Development of a Diversity and Inclusion Training and Awareness Plan	2028	
Draft a Group salary policy	2028	

PROTECTION OF HUMAN RIGHTS AND WORKING CONDITIONS

Main commitments contained in the HUMAN RIGHTS POLICY:

- not exploit any form of child or forced labour in its own workers or in the supply chain;
- not tolerate any racial, cultural, sexual, physical, religious or other harassment or discrimination;
- recognise the right to association and collective bargaining, promoting dialogue with trade union representatives;
- provide adequate remuneration by ensuring the mandatory national minimum wage and guaranteeing decent working hours;
- require adoption of these same principles by all business partners and suppliers that CAREL interacts with along the value chain;
- respect the privacy of every individual's personal information and encourage confidentiality.

JOB STABILITY, COLLECTIVE BARGAINING AND FREEDOM OF ASSOCIATION

The CAREL Group has always recognised the central role of people, considering them to be the main drivers of progress and innovation, and is focused on establishing **stable and long-lasting working relationships**, thus promoting a safe professional environment, as confirmed by the high percentage of employees with permanent contracts, a percentage that has moreover steadily increased over the last three years.

Freedom to join trade unions has always been guaranteed in all the Group's offices, in order to protect the rights of the individual as enshrined in the main international conventions, as well as in national legislation.

Most employees are covered by **collective bargaining agreements**; the remainder are hired under company or individual contracts that are based on local market regulations and practices, as well as on Group policies. The parent company, Recuperator, and, since 2025, Enginia, have had supplementary contracts in place that guarantee more favourable conditions for all employees. In 2025, CAREL Adriatic and the trade union representatives signed an appendix to the collective agreement that introduces several additional rights and benefits aimed at improving the quality of working life for employees.

The main challenge for CAREL is to be a hub for talent, capable of attracting and retaining the best people. For this reason, the Group adopts initiatives aimed at continuously improving the offering provided to its employees in terms of *work-life balance, well-being, pay, and bonuses*.

WORK-LIFE BALANCE

The Group is committed to ensuring that employees' needs are met at all stages of the employment relationship, recognising the existence of diverse needs in different stages of life.

The supplementary contracts in force at the parent company, Recuperator and Enginia and the appendix to the collective agreement signed at CAREL Adriatic, aim to offer more favourable conditions with respect to local regulations on aspects of work-life balance, parental rights, and welfare.

Even in the absence of supplementary contracts, in 2025 some Group companies introduced programs aimed at ensuring greater flexibility in working hours.

Percentage of employees with permanent contracts **84 %**

Percentage of Group employees covered by collective bargaining agreements **56 %**

Starting in 2022, CAREL has also adopted flexible working guidelines applicable across the entire Group, recognising the importance of offering tools capable of improving work-life balance, so as to better *attract* and *retain* talent. In 2023, the Group further expanded remote working options at the parent company, so as to promote a better work-life balance for employees who do not live close to headquarters.

PHYSICAL AND MENTAL WELL-BEING

CAREL considers the well-being of its employees to be fundamental and, for this reason, numerous initiatives were established throughout the year by the various Group companies aimed at protecting the mental health and physical well-being of their workers.

In terms of **mental health**, initiatives organised by some of the Group's companies include the webinars on specific topics (for example, parenting and stress management) and offering one year's access to online psychology services.

For **physical well-being**, on the other hand, some Group companies have activated measures such as financing the purchase of special glasses for video terminal operators, allocation of bicycles, construction of a company badminton court, stipulation of agreements with local gyms, and organisation of workshops on specific topics (for example, on the prevention of visual impairments and cardiovascular health).

COMPETITIVE REMUNERATION

All Group employees are paid a wage above or equal to the national minimum wage, and therefore receive an adequate salary in line with benchmarks. Specifically, around 3.7% of employees are paid a wage corresponding to the national minimum wage in the reference country, while the remainder all receive a salary above this level.

The **compensation package** offered to employees includes a wide range of benefits aimed at improving personal well-being both in their work and private lives. The main tangible benefits offered to employees in accordance with the Group's remuneration policies include:

- **Supplementary insurance policies;**
- **Health care;**
- **Disability coverage;**
- **Additional parental leave;**
- **Company car.**

The supplementary contract in force at the parent company also provide for: the possibility to obtain advances on severance pay, contributions to support nursery school and preschool fees and to support studies, and full tax relief on the entire sum paid as a performance bonus.

For certain senior and managerial positions, the Remuneration Policy links a portion of compensation to the achievement of performance objectives, through an annual incentive scheme (MBO) and a long-term incentive scheme (LTI).

Percentage of employees with part-time contracts (72% are women) **3 %**

Percentage of employees entitled to leave for family reasons **90 %**

Percentage of employees earning at least the minimum wage, of which 96,3% above the legal minimum* **100 %**

*Where the minimum wage or collective bargaining are not applicable, market parameters (acquired or obtained through recruitment processes and comparisons against other companies) have been used as the reference.

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective	Target	Trend
Update the Human Rights Policy *	2025	
Adapt the Human Rights Due Diligence process according to the CSDDD	2026	
Development of a Human Rights Training and Awareness Plan	2028	

* The Policy review commenced in 2025 with feasibility analysis and benchmarking; the updated Policy will be adopted in 2026.

PERSONNEL TRAINING AND PROFESSIONAL DEVELOPMENT

Main commitments contained in the CODE OF ETHICS relating to training and development:

- enhance the development of each individual's skills and abilities, including through the organisation of training and professional development activities;
- adopt criteria of merit, competency, and evaluation of individual abilities and potential in the recruitment and management of personnel.

CONTINUING EDUCATION

Several years ago, CAREL created an organisational structure specifically dedicated to monitoring and developing the technical and application-based skills of its employees: the Knowledge Center. This centre coordinates the mapping of skills at a Group level and supports the delivery of training both at the headquarters in Italy and at the branches in China and the USA. The Group also remains committed to training its employees on a broad range of topics; the main training programs delivered in 2025 are listed below.

CAREL Compass

Initial orientation process for new *white collar* hires, spanning four half-days, aimed at supporting new hires starting out at the company, accelerating their understanding of the company context, its culture and corporate strategy, including the Sustainability Plan.

165 new hires completed the program from 2023 to 2025

Boost Camp

A three-year program aimed at new white collar hires aged under 30 at Carel Industries, with the objective of developing transversal skills for improving their performance, such as *time & priority management, public speaking, cross-cultural management, project management and problem solving*.

54 new hires involved in 2024 and 2025

Lean Academy

Online training program aimed at promoting lean principles and the lean philosophy, which have always been considered a strategic asset for the Group's growth and business. The "Lean Academy" comprises four levels, called "belts", in accordance with the classic Lean SixSigma course structure.

Over **1,200** hours of training delivered as part of the initiative in 2025

Linkedin Learning

Initiative that offers both technical training and contents to strengthen soft skills, covering several geographical areas to further foster the development of employee skills globally.

1,740hours of training delivered as part of the initiative in 2025

15

Average hours of training delivered per employee during the year

90%

Percentage of employees involved in training activities

"Driven by the Future" training

Employees are offered a training course on sustainability, entitled, in the same way as the Sustainability Plan itself, "*Driven by the future*". The course addresses the various aspects of environmental, social and governance sustainability. Regarding the environment, the program explores issues such as clean and accessible energy, responsible consumption and production, and combating climate change. On the social front, the course addresses issues such as reducing poverty, hunger and inequalities, health and well-being, and gender equality. Finally, in the governance area, it focuses on issues such as peace, justice and strong institutions, decent work, economic growth, innovation and infrastructure.

2,274

Hours of training provided on ESG (Environment, Social and Governance)

involving 31 % of employees

(in 2024 and 2023, 26% and 31% of employees were involved, respectively)

PROMOTION OF PROFESSIONAL DEVELOPMENT

In addition to investing in personnel training, CAREL encourages the professional development of its people, offering development paths that enhance skills and ambitions. This approach aims not only to foster the growth of talent, but also to encourage their long-term retention at the company.

The "Open Day & Path Finder" project continued in 2025, which aims to promote internal mobility by offering employees growth opportunities in roles other than those in their area of expertise.

11

PATH Finder events

Skills assessment

The new performance development process was initiated at the parent company in November 2025, and will be rolled out at a Group level in the two-year period 2026-2027. The process aims to monitor employee performance in a more structured way, not only to measure results, but also to stimulate development, growth, and consistency of knowledge. The process is divided into three phases: employee self-assessment, manager's assessment, and a structured feedback session between both parties.

41%

Percentage of employees undergoing periodic performance reviews

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Obiettivo	Target	Trend
Increase by 30% the number of Group employees involved in the performance development process	2028	
Increase the total training hours delivered annually by 2% *	2028	

* The failure to achieve the target was due to by two main factors: firstly, a less favourable business trend compared to previous years, which required cost containment measures and, secondly, the e-learning courses on ESG and lean were aimed primarily at new hires, while in 2024 they had involved all employees.

HEALTH AND SAFETY IN THE WORKPLACE

Main commitments contained in the OCCUPATIONAL HEALTH AND SAFETY POLICY *:

- implement a prevention system that allows for the identification of potential risks and the adoption of preventive measures against accidents and occupational illnesses;
- maintain a robust emergency management process;
- ensure technical planning of workplaces, equipment, and processes that ensures the highest level of compliance with current regulations on occupational health and safety;
- actively involve workers and their representatives in a practical way.

HEALTH AND SAFETY MANAGEMENT SYSTEM

The Group protects and promotes the health and safety of direct and indirect personnel who access the work areas, adopting preventative measures and promoting a corporate culture focused on the highest standards and best practices to reduce risks.

Aware of the importance of a structured approach, a Health and Safety Management System, certified in accordance with **ISO 45001**, has been implemented at some of the Group's plants.

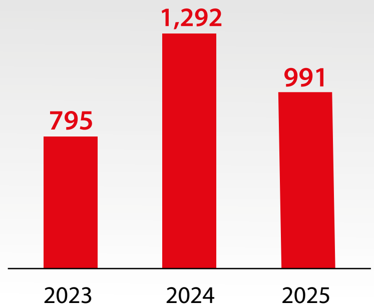
Certified plants account for approximately 38% of the total, however cover 51% and 58% of the occupied surface area and number of employees respectively.

INJURY PREVENTION DATA

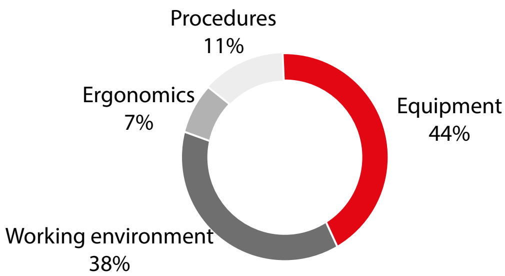
90%

Average resolution rate of reports made over the three-year period, 83% resolved in less than 10 days in the last year

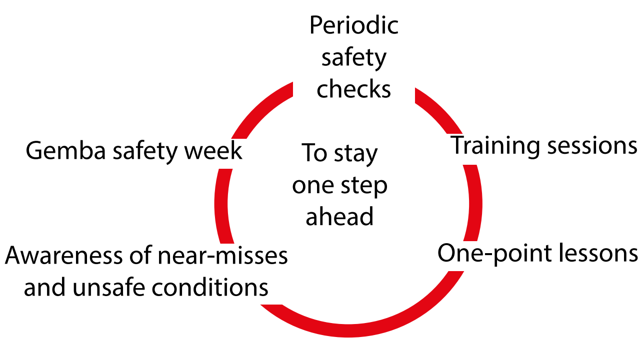
Near-misses and unsafe conditions reported over the three-year period



Scope of reporting 2023-2025



Virtuous circle of prevention



WORKER INVOLVEMENT IN ACCIDENT PREVENTION

To ensure continuous improvement of occupational health and safety, proactive reporting is the most effective approach to preventing accidents and continuously improving the work environment, while also making each employee an active participant in the process.

Reports are first discussed daily, as part of the *lean philosophy* ***Plan-Do-Check-Act*** cycle– and weekly, in more extensive meetings involving the plant operations and HSE functions and worker safety representatives. The purpose of these meetings is to review the findings, examine the measures already implemented, and establish further priority actions to be adopted. Finally, monthly meetings are also organised, with the participation of HR, to discuss prevention reports and to monitor progress on the main relevant KPIs in the areas of health, safety, the environment and risk assessment.

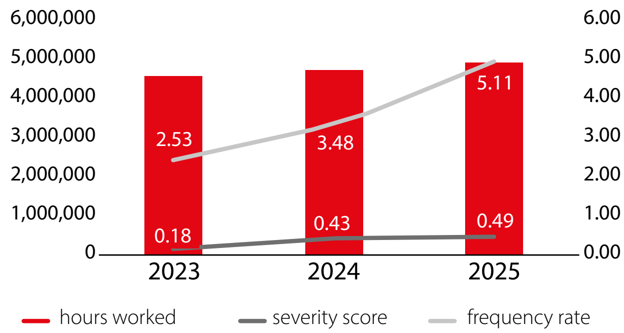
Progress is monitored through surveillance activities in working areas and analysis of the prevention reports (near-misses and unsafe conditions) received. Each individual plant must comply with a minimum number of prevention reports, as well as an 80% resolution rate for such reports with resolution within 10 working days.

Frequency rate in 2025 **5.11**

Injury severity score in 2025 **0.49**

* Refer to the Health, Safety, Environment and Sustainability Policy.

Trend in frequency and severity scores over the three-year



HEALTH AND SAFETY TRAINING

Training activities are the foundation of widespread knowledge, especially regarding health and safety issues; for this reason, a training plan has been adopted in all plants. In 2025, at Italian production sites, the training plan covered both employees and non-employees, in compliance with legal requirements. Short training sessions i.e. periodical training breaks are also provided, in order to keep workers updated on health and safety issues specific to their area.

Hours of training on health and safety completed at the parent company in 2025 **2,500**

People involved in health and safety training at the parent company in 2025 **338**

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective	Target	Trend
Reach 69% of the Group's production plants covered by an ISO 45001 certified Occupational Safety Management System	2028	

SUPPORT FOR LOCAL COMMUNITIES AND AREAS

Main commitment contained in the CODE OF ETHICS:

- contribute, through its operations, to enriching the economic, intellectual and social heritage of every country and community where it does business.

CAREL has always played an active role in the development and promotion of the communities where it operates, focusing on strengthening ties with local, regional, and national stakeholders. This commitment is actuated through initiatives aimed at generating shared value, supporting the well-being of communities, and contributing to the growth of the social, cultural, and economic framework.

By supporting projects and activities with positive impacts on the local community, CAREL consolidates solid relationships with local stakeholders, promoting responsible development that meets people's needs. The selection of initiatives often involves those who work in the company, enhancing their perspective and encouraging active participation, thus directing investments towards the real needs and values shared by CAREL people.

SOCIAL COMMITMENT

CAREL's social commitment is aimed at promoting inclusion projects and supporting people in vulnerable or fragile conditions. The company supports initiatives that have a tangible impact, contributing to the well-being of individuals and their families and promoting a culture of solidarity.

For years, CAREL has provided ongoing support to the I Bambini delle Fate association, a social enterprise dedicated to the inclusion of people with autism and other disabilities and their families through projects with lasting impacts on communities.

In 2025, a **charity lunch** was also organised at the company canteen, with CAREL staff providing table service for people with disabilities. The initiative promoted inclusion and awareness, strengthening the bond with the local community.

SUPPORT FOR LOCAL ORGANISATIONS AND SPORTS CLUBS

Support for local communities also takes shape through grants and sponsorships for social, cultural, and sporting initiatives that strengthen the local community. Special attention is always paid to communities near the headquarters in Brugine (PD), supporting parishes, schools, and local associations committed to promoting community

gatherings and participation. CAREL continued to support numerous social and cultural initiatives in the area in 2025, confirming its focus on building strong relationships and opportunities for shared growth.

One key area of CAREL's commitment involves supporting sport, recognised as a tool for inclusion, socialisation, and education. By supporting local sports clubs and events, the Group helps keep important community activities alive.

In 2025, several local clubs involving different sports were supported, demonstrating a broad and inclusive approach, including the **Pallacanestro Piovese** basketball club, **Rain Runners, Due Stelle, ASD Shotokan Karate Nord-Est, Dance Sky Land**, **ASD RUNdagi** for the 31st "Marcia Dee Mastee" fun run in Brugine, and **CUS Padova ASD** for the under-14 rugby international tournament in France.

Many of these initiatives are the result of direct participation by employees, strengthening the bond between the company and the community. Overall, these partnerships promote well-being and social cohesion, enhancing the educational and relational role of sport.

EDUCATIONAL AND CULTURAL SUPPORT

In the areas of education and culture, CAREL supports initiatives consistent with its values, prioritising projects related to technological innovation, specialised training, and skills development, thus contributing to the development of human capital and the competitiveness of the local area.

In 2025, it supported the IIS Einstein secondary school in Piove di Sacco for their "Einstein Night" and sponsored the event entitled "We, Management Engineers!" at the University of Padova to celebrate the 35th anniversary of the Management Engineering course and highlighting the role of Management Engineer in integrating technical and business management skills.

The initiatives also included the end-of-year event at the ITS Academy Meccatronico Veneto school, a leading institution in the region for training and development of technical skills, featuring a practical approach based on project work, simulations, and lab work.

Promoting education and enhancing the careers of new generations is a commitment linked closely to caring for individuals and families. From this perspective, supporting education is seen as a tangible contribution to family well-being and an investment in the future of young people.

CAREL therefore promotes initiatives for its employees' families and students, encouraging access to educational and training opportunities through various educational programs. Specifically, it provides support for the payment of school fees at all levels, and awards scholarships for children of CAREL employees, recognising merit, commitment, and personal growth.

Through these measures, CAREL confirms its commitment to supporting families in their children's education and to promoting a culture of learning and skills development.

Funds provided for scholarships **42,800 €**

Funds distributed for study grants and nursery school contributions **36,000 €**

SUPPLY CHAIN MANAGEMENT

Main commitments required of suppliers, contained in the SUPPLIER CODE OF CONDUCT:

- suppliers shall comply with applicable local, national and international laws and regulations, including anti-corruption regulations, avoiding any conflict of interest and operating with confidentiality, integrity and discretion;
- suppliers shall commit to protecting human rights, avoiding any form of child labour, forced or compulsory labour, guaranteeing employees regular contracts, recognising the right of association and complying with health and safety regulations;
- suppliers shall comply with current environmental regulations and requirements, as well as manage, measure and limit their environmental impacts resulting from the use of hazardous substances, waste generation, use of resources, safeguarding the climate and nature, while also respecting local communities.

Percentage of spending on local suppliers	2025
CAREL Industries - Europe	87.9%
CAREL Adriatic - Europe	85.4%
Recuperator - Europe	100%
HygroMatic - Europe	100%
Klingenburg - Europe	100%
CAREL US - North America	52.8%
CAREL Brasil - South America	9%
CAREL China - Asia	77.7%

SUPPLY CHAIN MANAGEMENT

CAREL's strategy is aimed at building regional supply chains, whereby each production plant prioritises suppliers with regional production or logistics sites to ensure continuity of supply, with a positive impact also in terms of lowering the environmental impact of transport.

SUSTAINABILITY PRINCIPLES IN THE SUPPLY CHAIN

CAREL's commitment to developing a more sustainable supply chain is expressed through three elements: sharing the **Supplier Code of Conduct**, **assessment of suppliers' ESG compliance** during supplier approval, and **supply chain due diligence**.

The Supplier Code of Conduct applies to all CAREL suppliers, who in turn must ensure that their suppliers and any third parties working on their behalf in turn act in full compliance with the code. Since 2022, agreeing to the Supplier Code of Conduct has progressively become mandatory, extending over time to an increasing number of plants and different categories of suppliers. Starting in 2026, the requirement will apply to all the Group's plants for both the supply of components and products, and the provision of services [1].

Also included in the pre-approval phase of the supplier verification procedure is the assessment of their ESG compliance[2], which requires completion of an ESG questionnaire covering three areas:

- health and safety: occupational safety and emergency management;
- environment: energy and water consumption, waste reduction, compliance with regulations such as REACH and RoHS;
- social responsibility: worker rights – child labour, wages, hours, freedom of association – policy provisions on *conflict minerals*, diversity and business ethics.

[1] Except for purchase categories for which no purchase request needs to be issued.

100%[3]
New suppliers who have signed the Supplier Code of Conduct

100%
Valore di spesa verso nuovi fornitori sottoposti a valutazione della sostenibilità

[2] The initiative concerns the Group's five production plants: CAREL INDUSTRIES S.p.A., CAREL Sud America, CAREL USA, CAREL Electronic Suzhou and CAREL Adriatic.

[3] This refers to suppliers of components and products to the Group's 10 main production plants

[4] 28% of component and product suppliers to the Group's 10 main production plants have signed the Code of Conduct since 2022

IMPLEMENTATION OF THE DUE DILIGENCE PROCESS

In its Sustainability Plan, CAREL has made a significant commitment to implementing a structured **due diligence process across its supply chain** per i temi sociali e ambientali. The due diligence process will allow more precise identification of the impacts, dependencies and risks associated with social and environmental issues in the supply chain, within the scope of the purchase of direct and indirect materials and, consequently, for the implementation of specific actions to prevent, mitigate and, where necessary, remedy such impacts. The implementation of this structured process comprises the following activities:

- **Sustainability risk mapping of all direct material suppliers**
- **"Light" ESG assessment of all direct material suppliers using EcoVadis tools.**
- **In-depth ESG assessment of critical suppliers using Ecovadis tools**
- **On-site ESG audits at critical suppliers, with the support of an outside specialist**

As a first step, in 2025 CAREL began mapping supplier sustainability risks using the EcoVadis IQPlus tool, to enable identification, assessment, and prioritisation of risks along the supply chain. Risk is assessed using 21 sustainability criteria, aligned with major global standards, which focus on four main areas: environment, labour and human rights, ethics, and sustainable procurement. The mapping process will allow suppliers to be classified according to a six-level risk scale, from very low to very high, thus identifying the overall risk of CAREL's supply chain.

1,068
Suppliers mapped for sustainability risk

At the same time, the sustainability performance assessment process, also known as the light assessment, was also established for class A* suppliers. In the same way as the risk assessment, this assessment also covers four main areas - environment, labour and human rights, ethics, sustainable procurement - however the contents are adapted to the supplier's sector. In the future, the light assessment will replace the current sustainability assessment that suppliers undergo during the pre-approval phase.

* Class A suppliers are those who cover 80% of the purchase value, based on the Pareto principle.

Finally, the introduction of a further in-depth assessment, which will be conducted on the 100 suppliers deemed most important and critical, is aimed at obtaining a more comprehensive overview of our suppliers' management of sustainability-related impacts and assessing the need for specific engagement activities.

123

Suppliers assessed with the new questionnaire (60% of purchase value)

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective[5]	Target	Trend
Have the Supplier Code of Conduct signed by suppliers accounting for 80% of purchase value	2028	
Map the sustainability risk of all direct material suppliers using the EcoVadis IQPlus tool	2025	
Carry out a "light" ESG assessment of 80% of direct material supplies, using the EcoVadis tool (replacing the current ESG questionnaire)	2028	
Carry out a "deep" ESG assessment of 100 critical suppliers (replacing the current ESG questionnaire)	2028	
Conduct at least 30 on-site ESG audits (using an outside specialist) at critical suppliers (to be selected based on the evidence collected in the due diligence process)	2028	
Deliver specific training on sustainable procurement issues to all purchasing personnel	2027	
Include an MBO on sustainable procurement for purchasing personnel	2026	
Deliver specific training on ESG issues to a group of suppliers selected based on the evidence collected during the due diligence process	2027	

[5] For all the targets reported, the scope is limited to the Group's 5 longest-operating production plants.

DUE DILIGENCE ON CONFLICT MINERALS

Main commitments contained in the CONFLICT MINERALS POLICY:

- not knowingly purchase components that contain minerals from conflict zones and from facilities located in *conflict regions* that are not certified as being *conflict-free*;
- require all suppliers of components that may contain one or more 3TGs to conduct reasonable due diligence to ensure compliance along the supply chain;
- require all suppliers to carry out due diligence in the upstream supply chain to determine the origin of specified minerals.

The business in which the Group operates involves the manufacture of products using components that contain minerals and metals, including gold, tin, tantalum and tungsten (3TG), potentially originating from conflict-affected or high-risk areas, so-called *conflict minerals*.

CAREL has implemented a structured annual *due diligence* process for the responsible sourcing of components containing 3TG minerals, to ensure that its supply chain complies with the principles of social responsibility and does not contribute to financing, in at-risk areas, armed groups that exploit people in critical working conditions. The parent company has also established a specific internal committee – the ***Controversial Sourcing Committee***

Since 2020, the Group has been a member of the *Responsible Minerals Initiative (RMI)*. Furthermore, on a voluntary basis, the Group adheres to the OECD *framework* "*Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*".

Suppliers contacted as part of the *conflict minerals due diligence* process

447

Percentage of component suppliers who have shared the correctly-completed CMRT

99 %

The *due diligence* Process

The process begins by identifying the product categories containing 3TG minerals, followed by mapping the suppliers of materials that potentially contain these minerals.

Identified suppliers are required to complete the *Conflict Minerals Reporting Template (CMRT)*, which collects information relating to the original smelters of the affected minerals.

A risk assessment is carried out on the smelters and refiners listed in the CMRTs received, identifying those classified as high risk based on their geographical location and compliance status with the program required by the *Responsible Mineral Initiative*.

Component manufacturers who have declared in the CMRT that they work with critical smelters and/or refineries are contacted, formally requesting the implementation of corrective actions aimed at discontinuing or suspending material supplies from such smelters.

Suppliers and manufacturers in at-risk situations are constantly monitored through specific email reminders, and each situation is discussed during the periodic meetings of the *Controversial Sourcing Committee*.

ETHICS, INTEGRITY AND SECURITY

Main commitments contained in the CODE OF ETHICS:

- operate in full compliance with laws, regulations and internal guidelines, avoiding any behaviour that may be illicit or not compliant wit the company's ethical principles;
- prevent and counter any form of corruption, favouritism, or undue advantage, both in the public and private sectors, and avoid situations of conflict of interest, including potential ones;
- manage relationships with customers, suppliers, business partners, and public institutions honestly and fairly, avoiding unfair practices, anti-competitive agreements, and practices that denigrate competitors;
- process personal data in compliance with confidentiality requirements and current legislation;
- prevent and repress any form of retaliation against anyone who contributes to implementation of the Code.

TOOLS FOR RESPONSIBLE BUSINESS MANAGEMENT

With the aim of promoting corporate culture and ensuring the ethics and integrity of all Group companies, CAREL has implemented four tools based on the main international guidelines and standards on responsible business management:

- **Code of Ethics**
- **Anti-Corruption Procedure**
- **Model 231**
- **Whistleblowing Procedure**

To ensure understanding and application of the requirements of these documents, all Group company employees receive specific annual training, illustrating the main concepts and relevant information clearly and comprehensibly, including through practical examples.

Hours of training on corporate ethics policies, including anti-corruption, delivered during the year

260

Employees covered by training on corporate ethics policies, including anti-corruption

443

Functions at risk of active and passive corruption involved in anti-corruption training programs

100%

PREVENTION OF CORRUPTION

The Anti-Corruption Procedure is inspired by the principles and rules of conduct contained in the Code of Ethics, the provisions and requirements on anti-corruption within legislation on the administrative liability of entities (Italian legislative decree 231/01). Through the procedure, the Group aims to maintain integrity and fairness in carrying out its business, as well as ensuring compliance with applicable laws, regulations, guidelines, and industry best practices in the countries where the company operates. The document therefore provides a comprehensive framework of current requirements and procedures for preventing the risk of illicit practices and combating corruption, both in the public and private sectors.

0

Confirmed cases of active or passive corruption

WHISTLEBLOWING CHANNELS AND PROTECTION OF WHISTLEBLOWERS

CAREL has established several channels that can be used to report, including anonymously, crimes or irregularities, either confirmed or suspected, including actions carried out in violation of the Code of Ethics, the Human Rights, Diversity, and Gender Equality Policies, as well as any discriminatory behaviour in general. Reports can be made by post, verbally, and through the **electronic web platform** known as the "Integrity line". By adopting the Whistleblowing Procedure, CAREL intends first and foremost to guarantee full protection and maximum confidentiality for whistleblowers, eliminating any factors that may hinder or discourage the reporting of crimes or irregularities, such as doubts and uncertainties regarding the methods and channels to be used, and fear of any kind of retaliation or discrimination.

No whistleblowing reports were received in 2025.

INFORMATION & CYBER SECURITY AND PRIVACY

The CAREL Group recognises the confidentiality and protection of data, including personal data, as being fundamental principles for managing relations with its stakeholders, with relevant data being processed in compliance with current legislation and international best practices (e.g. ISO 27001, IEC 62443). The Group is therefore committed to implementing appropriate technical and organisational measures to protect data, including personal data, against accidental or unlawful destruction, loss, modification, and unauthorised disclosure or access.

The company, through its *Chief Information Security Officer* (CISO), has approved an **Information & Cyber Security Policy** as part of its Internal Security Management System. This policy contains the guiding principles and responsibilities required to safeguard the security of the CAREL Group's information systems, products, and services. The company has also implemented specific internal procedures to govern data access and use by its personnel. The company has moreover appointed a Data Protection Officer (DPO) to bolster its compliance system regarding the protection of personal data.

To raise awareness of the fundamental principles of privacy, information and cyber security, the company provides e-learning training courses for its employees also on issues relating to personal data protection.

As regards security measures, to deal with a failure of or interruption to information services, the CAREL Group has for some time had in place *disaster recovery* and *business continuity* plans.

0

Incidents of theft or loss of customer data with a significant impact

0

Complaints about privacy violations

PRODUCT SAFETY

CAREL Group products - most of which are electrical/electronic appliances and devices - are manufactured in compliance with current national, EU, and international regulations regarding safety, electromagnetic compatibility, and ecodesign, as well as incorporating best practices to improve their quality and reliability. In Europe specifically, CAREL's products are CE marked, certifying their compliance with the safety requirements of EU directives, in addition to often also receiving other voluntary certifications. Formal processes are adopted according to a ***security by design*** approach, ensuring the implementation of adequate security measures from the design or acquisition of new services and systems throughout their entire life cycle, including through a series of specific checks based on internationally-recognised standards to protect cloud environments.

Before placing any new product on the market, CAREL's product development teams use **internationally-accredited laboratories and certification bodies** to ensure compliance with legislative requirements and applicable regulatory standards. The use of outside laboratories and bodies also ensures greater reliability and impartiality of the analyses and checks performed.

To ensure compliance with applicable safety, quality, reliability and performance standards, CAREL has defined a Product and Service Compliance Policy. In addition, the quality system includes the requirement for internal audits to be carried out, both specific to the process/project and periodic.

100%

Of new products coming into production in the three-year period tested for health and safety

0

Cases of non-compliance with regulations or voluntary codes on product health and safety, with penalties or fines imposed in the field, in the three-year period

OBJECTIVES OF THE SUSTAINABILITY PLAN 2025-2028

Objective	Target	Trend
Update and strengthen policies and/or codes of conduct, introducing measures against counterfeiting and fraud and anti-trust measures, as well as measures to prevent illegal boycotts	2027	
Implement a Corruption Prevention Management System at CAREL INDUSTRIES S.p.A.	2028	
Obtain ISO 37001 certification for the Corruption Prevention Management System to be implemented at CAREL INDUSTRIES S.p.A. by 2028	2028	

ADDENDUM

NON-MONETARY BENEFITS

	2025				
	Full-time employees who receive benefits		Part-time employees who receive benefits		Total
	Permanent contract	Fixed-term contract	Permanent contract	Fixed-term contract	
Life insurance	68%	67%	58%	11%	67%
Healthcare	84%	89%	84%	0%	84%
Disability coverage (in accordance with the law)	89%	97%	100%	33%	90%
Disability coverage (company policies)	26%	64%	13%	0%	31%
Parental leave (legal provisions) - at least eight weeks of paid maternity leave and two weeks of paid paternity leave, or shared paid parental leave for a total of ten weeks	69%	76%	81%	100%	71%
Parental leave (company policies)	47%	3%	44%	67%	41%
Pension plan (in accordance with the law)	76%	97%	100%	100%	80%
Pension plan (company policies)	19%	0,3%	26%	78%	17%
Company car - mixed use	14%	0,5%	0%	11%	12%
Flexible or welfare benefits	54%	4%	77%	0%	47%

TURNOVER RATE BY GENDER (%)

	2025			2024			2023		
	Men	Women	Tot.	Men	Women	Tot.	Men	Women	Tot.
Hiring rate	15%	15%	15%	11%	12%	11%	17%	21%	19%
Departure rate	11%	10%	11%	12%	14%	13%	11%	15%	12%

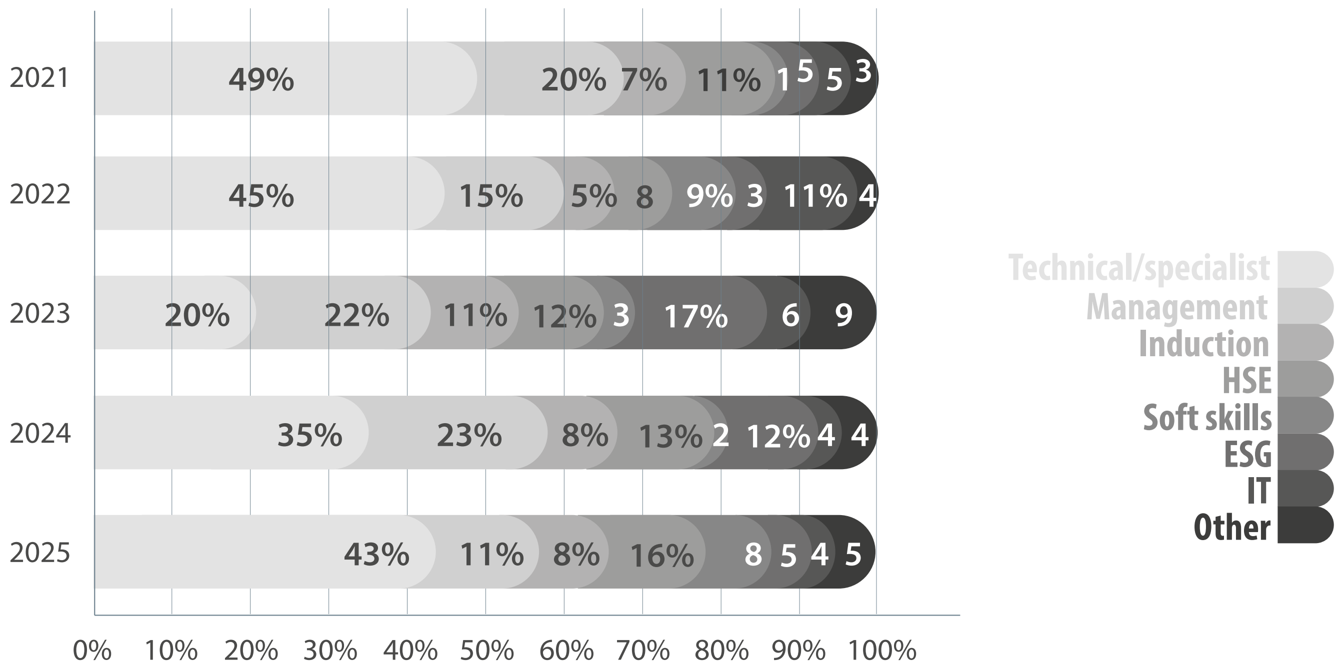
TURNOVER RATE BY AGE BRACKET (%)

	2025			2024			2023		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Hiring rate	35%	14%	6%	26%	10%	6%	43%	15%	10%
Departure rate	16%	10%	9%	25%	12%	8%	22%	12%	8%

SHORT-TERM INCENTIVES FOR EMPLOYEES (%)

	2024	
Individual short-term incentives	Executive	90%
	White Collars	55%
	Blue Collars	2%
	Total	**37%**
Collective short-term incentives	Executive	6%
	White Collars	44%
	Blue Collars	70%
	Total	**52%**

PERCENTAGE HOURS OF TRAINING BY COURSE TYPE (%)



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