

Road to 100

2030 Ariston Group ESG Plan



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Letter on Road to 100

Ariston Group's ESG plan to 2030



Paolo Merloni
Executive chairman

Dear all – our people, our customers, our partners, our suppliers, and stakeholders and shareholders

As the Executive Chairman of a global group founded 93 years ago by my grandfather Aristide in Fabriano, a small village in central Italy dating back to Middle-Age, and approaching its 100th anniversary, I have been reflecting upon the pillars to orient, drive and sustain Ariston Group's pathway to 2030.

Certain to speak also on behalf of all Ariston Group's management and people, I have personally always felt a strong sense of responsibility towards society at large; hence, I do look at this upcoming remarkable milestone – 100 years of Ariston Group – as the opportunity to reaffirm the role we want to play in shaping the economic, social and environmental future ecosystems we operate in.

Aristide Merloni, as far back as in 1967, affirmed that *there is no value in the economic success of any industrial initiative unless it is accompanied by a commitment to social progress*. Such a visionary commitment towards our people and all the communities of our stakeholders duly accompanied us over our history. Nowadays, due to the tremendous impact that buildings' decarbonization will have on global emissions reduction, the thermal comfort industry is at the center of the energy transition; it becomes therefore ever more evident that delivering a better world to the future generations is a task that Ariston Group must master.

This is an ambitious goal, and we decided to address it systematically by linking the five Corporate Values that have accompanied us over last 15 years – Believe in Sustainability; Inspire through Excellence; Start from Customers; People come First; Act with Integrity – into specific, measurable ESG commitments that are deeply rooted in our Corporate Strategy.

Mitigating our impact on the environment is a challenge that we first of call start tackling from our **Solutions**, which account for the vast majority of our environmental footprint: our key commitment is to continue developing and bringing to the households of our customers renewable and high efficiency products and systems that leverage the most innovative technologies and are equipped with advanced connectivity features. In parallel, we are working to enhance resources productivity and to implement circularity into our **Operations**, also engaging responsibly with our supply chain.

The reduction of our emissions in Scopes 1, 2 and 3 remains at the core of our effort: by 2030 we commit to reducing Scope 1 and Scope 2 emissions by 42% in respect to 2021 and we set for ourselves the ambition to reduce by more than 50% our Scope 3 emissions from use of sold products per million euro of value added compared to 2021 baseline. In addition, we have stretched our ambitions to achieve the ultimate objective

of 100 million tons of CO₂e emissions avoided by 2030 thanks to the type of products we sell in the regions we operate.

Our pledge to sustainability will go nonetheless much further than Solutions and Operations. Helping **People** to thrive, a customary commitment throughout Ariston Group's history, will be part of our ESG plan, extending it beyond our teams of colleagues worldwide to the local communities we are active in. In addition, we are determined to continue to excel in our mission to anticipate and exceed our **Customers'** needs by improving proximity and by delivering best-in-class quality.

To pursuing such extensive yet essential objectives urges to establish, nurture and defend a solid **Governance** framework. We have always considered transparency as a prerequisite value: our first Social Responsibility Report dates back to 1979. Since 2004 (17 years before our IPO in 2021) we established and progressively improved a governance that mirrored the best practices of listed companies and since 2018 we have been consolidating and reporting our non-financial performances, besides fiscal results. In 2020, we set-up an ESG Committee at Board of Directors' level as well as an ESG Council operating at the Group's Executive level to further increase our ESG focus and sharpen our capability to address the sustainability challenges. It is hence as a proud member of Ariston Group's ESG Committee, and once again speaking as well on behalf of my fellow Executive colleagues, that I can seal my letter to you affirming that sustainability, in its broadest sense, is one of the Ariston Group's founding pillars: it permeates our culture at all levels and roots in the way we do business, being inextricably linked with our capability to perform and succeed.

As our ESG commitment will continue to drive Ariston Group's future development, **Road to 100** is intended to be our **strategic manifesto**, renewing our ambitions and projecting bridges to our future.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paolo Merloni".

Ariston Group's ESG History

How we got here and the path towards our Centenary

The history of Ariston Group began in 1930, when Aristide Merloni founded in the Marche region, in central Italy, Industrie Merloni, a factory that produced weighting scales. Over the years, the Company has grown considerably through the organic opening of new markets and industrial sites across Eastern Europe, Asia, Africa and the Middle East, as well as through a strong inorganic expansion that has made the Group one of the largest consolidating players in the sector. It has a track record of 18 acquisitions including Atag and Heat Tech Geysers (2014) in Europe; NTI (2016), HTP (2017) and Calorex (2019), which led to the consolidation of the business in the North American region; Chromagen (2021) focused on renewable water heating solutions with a leading position in Israel and a solid foothold in Australia; and CENTROTEC Climate System (2022), in Germany, a pioneer in natural refrigerant heat pumps. Along its internationalisation process, in November 2021, the Company was listed on the Euronext Milan stock exchange, closing the biggest IPO over three years. Rebranded as Ariston Group since 2021, the Company is one of the **global leaders in the sustainable thermal comfort sector, with 5 representative offices in 42 countries, 25 production sites and 25 R&D centres across 5 continents***. This leadership position has always been accompanied by a far-sighted **sustainability commitment**, already deeply rooted in the philosophy of its founder:



*There is no value in the economic success of any industrial initiative, unless it is accompanied by a commitment to **social progress**.*

This vision represents the engine of Aristide's **socially focused** decision to structure the Company's production sites in the region with the following aims: ensuring proximity between the workplace and workers' homes, enriching less fortunate communities through industrial development and the densification of urban conglomerates and enhancing human engagement by limiting the number of employees per production facility. The commitment to guarantee a strong connection between Ariston Group and its local communities is further testified by the **Aristide Merloni Foundation**, originally established in 1963 and still in operation today to support emerging businesses in fostering employment and entrepreneurship, ultimately leading to economic and social development. The Foundation became an economic and social research hub and, subsequently, an established and highly regarded educational entity. Indeed, it is **social progress** that has, ever since, guided the Company's strategy and growth. Immediately acknowledged, such commitment brought the Company to receiving the "**Social Responsibility**" award in 1974, sponsored by the Vision magazine and the PA consulting firm, a prize intended for businesses that could anticipate and contribute to communities' needs, foster initiatives towards a progressive industrial ecosystem and improve relations with the surrounding environment.

Another fundamental milestone in the Group's sustainable growth path dates back to January 25, 1979, when the Merloni Finanziaria S.p.A. (the initial name of the Company) became the first Italian company to disclose a **Social Report**. This publication marks a pivotal moment as, for the first time, non-financial assets were also taken into consideration when assessing the value of a company. Since then, Ariston Group has set the course for non-financial reporting in Italy, whilst being at the forefront of this fast-evolving area of sustainability in Europe. The document included the reports for **1975, 1976 and 1977** and was focused on both internal and external social aspects. Already ahead of its time, it addressed topics which, today, play an increasingly more important role in terms of **ESG reporting**. In fact, in addition to the typical financial indicators, the Report included some rather innovative social and environmental indicators that are listed below**.

Financial indicators

- Value-added and its breakdown
- Number of employees
- Foreign trade
- Relationship with suppliers
- Technology balance sheet
- Productivity

Innovative Social and Environmental Indicators

- Tax contribution
- Territorial improvement
- Regional development
- Employment dynamics
- Employee characteristics
- Training initiatives
- Safety and comfort (e.g. housing, canteen)
- Environment (e.g. water consumption)
- Applied research

* 2022 data

** Chapters of the Ariston Sustainability Report as published by the Battelle Institute in 1979.

The Report was based on the **Battelle's Institute standards structure**, whose goal was to assess a company's social and sustainability performance towards its employees, consumers, local communities, shareholders and other economic partners. By following these standards, Merloni Finanziaria S.p.A. was already measuring the number of **employee training hours** and accounting for the total number of **hours spent by employees on apprenticeships**.

It was also reporting on the consumption of non-renewable raw materials, establishing an indicator which measured the **proportion of recycled materials** in its total raw material consumption. The **Battelle Centre de Recherche de Genève**, the Institute which published Industrie Merloni's Sustainability Report, selected the Company precisely because of its **original industrial philosophy**, a commitment for corporate social responsibility that has accompanied Ariston Group in its growth over the years, becoming a **core element of its corporate identity**. Today, the very **core values** it relies upon are still deeply rooted in the cultural and industrial heritage of its founder: the Group firmly believes in sustainable development and strives to constantly improve itself through **innovation, education, teamwork and integrity**.

This ultimately led to the definition of Ariston Group's purpose: "Sustainable Comfort for Everyone". A purpose that translates into the commitment to **provide everyone, across the globe, with high-quality heating and hot water solutions, while preserving the environment**. The Group is focused on ensuring the greatest comfort at the lowest energy cost, providing worldwide access to the most efficient technologies. To strengthen and renew its commitment, in 2018 the Group defined its strategy and goals that would lead the Company to **incorporate sustainability into its core strategy by 2022**. As a result, it laid out specific targets closely monitored each year, including establishing a sustainability governance framework.

In 2021, after launching an Initial Public Offering and getting **listed on the Euronext Milan stock exchange**, the Group defined a new **ESG vision**, which was further developed in greater detail in 2022.

The vision, which marks the path towards the Group's **Centenary**, is focused on three key topics: sustainable comfort, social progress and our planet's wellbeing.

It is also the starting point of the **ESG Strategic Plan to 2030**, which strengthens the Company's commitments, embedded in its DNA since its very foundation. A **new phase** has hence begun: the Group has embarked on a new journey and is thrilled to share these commitments with its stakeholders.

HOW DID WE GET HERE?

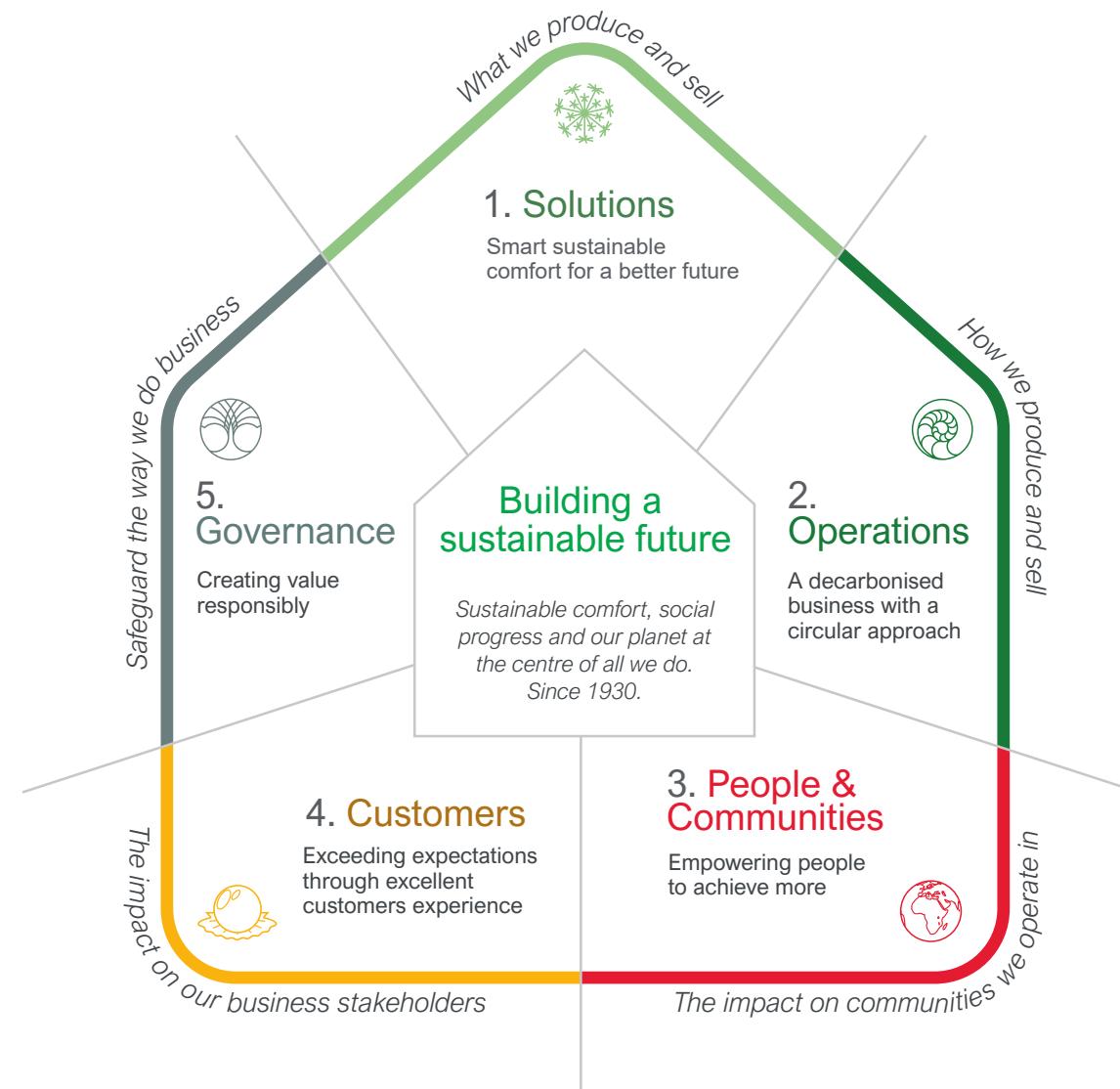
2022 marks the end of the first phase of Ariston Group's sustainable journey. A **new vision** has therefore been developed with the key purpose of leading the Company towards **2030** through a clear roadmap, pivotal in supporting Ariston Group in the achievement of its strategic ESG objectives. As a leading actor of sustainable development, the Company is aware that sustainability means a long-term vision and objectives, which can be achieved only through a solid path of actions and initiatives. This is the reason why the Group's 2030 ESG roadmap sets out a detailed and structured plan built on short- and medium-term targets, which will eventually lead the Company to the achievement of its ultimate 2030 targets. Yet, an important question arises: **how did we get here?**

This vision was made possible through an **engagement process operating on three different levels**. First, the Group's key stakeholders were engaged to help renew the Company's materiality analysis, a process underway since 2017. From the identification of potentially relevant topics, following a thorough context analysis, a **shortlist of 9 material topics**, considered as most relevant to the business and its stakeholders, was defined, carefully assessed based on their **economic, environmental and social impacts**.

Next, on the basis of the material topics, the definition of a **forward-looking and strategic ESG plan** started to take shape. The process began with an in-depth market benchmarking and analysis of ESG pressures arising from relevant policies and trends, which enabled the identification of key challenges and opportunities on each material topic. Once these were outlined, the Group's **top management**, who serves on the ESG Council, embarked upon an **envisioning** phase to draw out the key engagement areas that the Company could focus its business strategy on. These engagements

eventually mirrored the **key challenges** the Company intended to tackle in the near and longer-term. As a result, **5 engagement areas** were defined. Finally, managers were subsequently engaged to help define – through **SWOT analyses and a path of progressive convergence** – clear-cut objectives and supporting initiatives corresponding to 9 material topics. The process involved **all Corporate as well as several local business functions**, giving voice to more than 50 individuals. The Group's ESG plan thus came into existence thanks to a **360-degrees engagement of internal and external stakeholders**, making it possible to align the business' goals and ambitions to the specific contextual challenges.

The 5 engagement areas that define the key pillars on which Ariston Group has set its ESG strategical direction involve **solutions, operations, customers, people & communities** and **sustainable governance**. These areas are, in turn, divided into the **9 material topics**.



Road to 100

Main 2030 objectives

1. Solutions

Sustainable energy solutions

Enable the energy transition with renewable, efficient and smart solutions

100 mln

tCO₂e emission avoided thanks to the renewable and high efficiency products we sell in the regions we operate

Smart homes for sustainable living

>5 mln

of connectable products sold

2. Operations

Resources productivity and circularity

Turn Ariston Group into a climate neutral industrial ecosystem

42%

Scope-1 and Scope-2 absolute GHG emissions reduction (2021 base year)

>50%

Scope 3 GHG emissions reduction per million euro value added (2021 base year)

Responsible supply chain

Leading the sustainable transformation in the value chain

100%

Strategic Suppliers aligned with our ESG journey

Excellent employee experience and engagement

3. People & Communities

Towards a world-class employer



Be a certified world class employer that builds a sustainable working environment

Education for the future

Drive innovation through inclusive education projects



100% Countries engaged in projects that foster awareness on sustainable thermal comfort as an enabler for social development

Beyond customer proximity

4. Customers

Be on our customers' side along their full journey through thermal comfort



Deliver excellent, tailored solutions and services to B2B and B2C customers and increase the loyalty of professionals

Trustworthy quality excellence

Excellence services & support along the whole product life cycle



>85 Quality score per year in the cumulative Group Quality Excellence index (GQE index)

Long-sighted sustainable governance

5. Governance

Continuously enhance a responsible ESG approach in everything we do



Ongoing yearly commitment to meet high governance standards on sustainability

1 Solutions



*Smart sustainable comfort
for a better future*



7 AFFORDABLE AND
CLEAN ENERGY



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



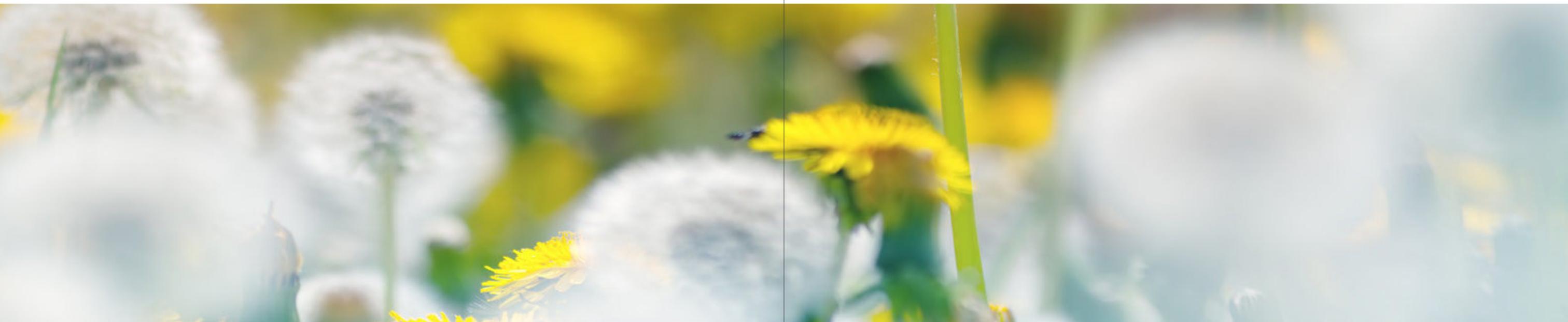
11 SUSTAINABLE CITIES
AND COMMUNITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



13 CLIMATE
ACTION



Discussing Solutions with key opinion leader



Rector's Delegate for Energy Transition
of Politecnico di Milano

Mario Motta

Ariston Group operates in a sector in constant expansion, not to mention that over the last few years it has witnessed a rapidly changing regulatory framework. This has, in turn, had a direct impact on the product range the Group manufactures, in order to meet current needs while anticipating future demands. The recent proposal for a revision of the **Energy Performance of Buildings Directive**, presented by the European Commission in December 2021, to make it possible to achieve climate neutrality by 2050, **reconsiders the role of energy efficiency and decarbonisation of the existing building infrastructure**.

Indeed, a major intervention is needed since the existing building stock is responsible for the majority of infrastructure-related GHG emissions, the renovation rate is quite low and new energy efficient construction still represents a minor part. While the Directive is still being evaluated by the European Parliament, this **regulatory evolution would represent a major challenge**, as it imposes an extraordinary intervention on the existing infrastructure, with buildings being required to reach certain types of energy classes within the next few years. This renewal process will require **massive efforts not only from an infrastructural point of view**, but also in terms of the evolution of thermal comfort solutions, as well as substantial financial commitments that will need to be deployed at the public and private level.

In the long run, this will modify the market in which the Group currently operates, as products will have to become suitable and compliant for renovated buildings belonging to the highest energy efficiency classes. In a first phase, it might be sufficient to start replacing current generation systems such as gas boilers, with **more efficient solutions** to meet the necessary improvement required by the Directive. However, in a more distant future, it is likely that a stronger and broader effort will be required. Looking ahead, it is possible that electric vapour compression heat pumps, which are compatible with current heat distribution systems, will become the norm to allow for the **total electrification** of building energy systems.

A **multi-product approach**, based on energy efficient solutions, will therefore be needed to meet today's demands and overcome future challenges. It will be crucial for the Group to continue investing considerably in **research and development efforts** to design

It will be crucial to continue investing in R&D to design sophisticated technologies and mark the difference with the solutions available in the market.

sophisticated technologies that will be harder to replicate and mark the difference with the rest of the solutions available on the market.

Connected solutions are a key lever for the decarbonisation effort, as they contribute to achieving a greater level of energy efficiency. Moreover, they represent a huge opportunity to provide excellent tailored services. However, to develop **innovative solutions** and implement **cutting-edge connected systems** that represent a real competitive advantage, it is necessary for companies to enhance **the capabilities of their software development teams**. This can be achieved through the allocation of a specific business unit with the correct skills to fully focus on 4.0 technology development, AI optimisation and product innovations.

Connected solutions with a solid digital layer also have the potential to enhance the dialogue between single products and a wider ecosystem to control, balance and programme the energy **demand**. This, in fact, will be essential in a reality where renewable energy availability – which will play a key role in the energy mix – will be hard to plan. For example, let's consider recently emerging solutions that make it possible to connect multiple **electric storage water heaters (ESWH)**, controllable through a simple retrofit box, and that can be switched on or off in an instant, precisely when and where the system requires it.

A lot of possible applications for innovative software-based solutions are also starting to emerge for energy communities. To date, however, the **opportunities related to this evolution have not yet been fully grasped**. This emerging market gap could therefore be potentially addressed with the adoption of a **multi-product approach**, enabling businesses to tackle an ever-changing and unpredictable framework whilst satisfying, in parallel, a wide range of needs and expectations.

Scenario

A decarbonised pathway for the future

The **European Green Deal** sets ambitious targets for the EU: becoming the first **climate-neutral continent by 2050**. The European Climate Law also sets the intermediate target of reducing net GHG emissions by 55% by 2030, compared to 1990 levels. Buildings account for nearly one-third of global final energy consumption. In Europe, 62.8% of the total residential energy consumption stems from space heating and 15.1% from water heating¹

In the thermal comfort sector, companies can implement **high-efficiency electric heating equipment** to replace fossil fuel technologies, expand **hybrid solutions** and invest in **hydrogen** as a key energy vector². Today, only 10% of global heating in buildings³ relies on heat pumps and, in order to meet national energy security and climate goals, **heat pumps sales would need to triple by 2030**, leading to a 30% reduction in global fossil fuel use in buildings⁴

Over the coming decades, **digital technologies** are set to make energy systems around the world more connected, intelligent, efficient, reliable and sustainable. In buildings, digitalization **could cut energy use by about 10% by using real-time data**⁵ to improve operational efficiency, **ensuring thermal comfort** when and where it is needed while also maintaining and **increasing energy savings** when heating and cooling are not needed



Commitments



Sustainable energy solutions

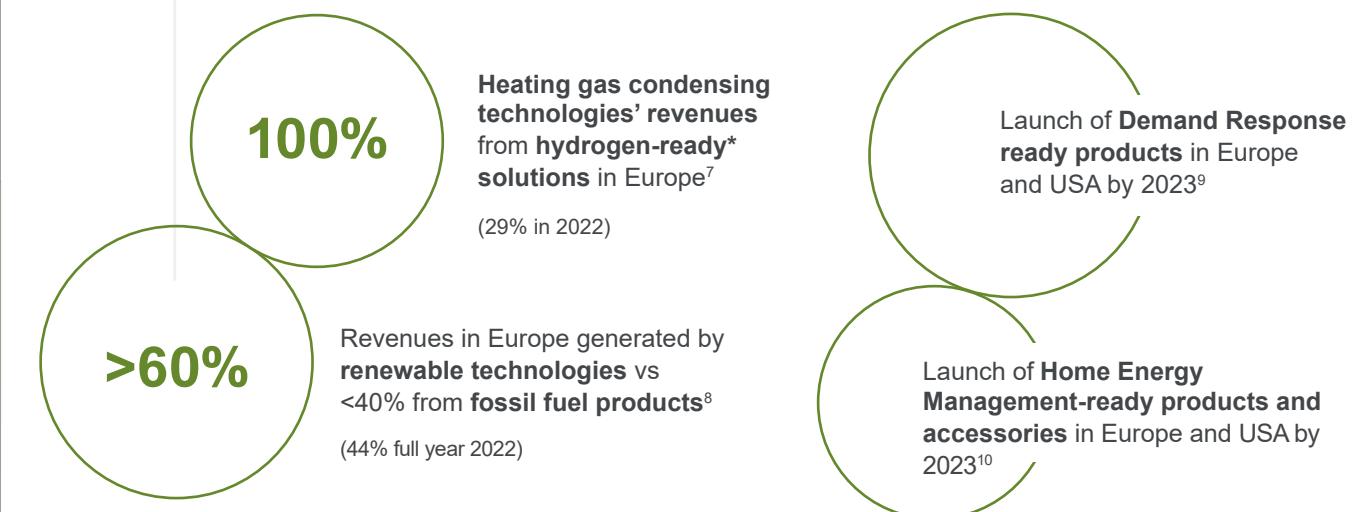
100 million tons of CO₂e emissions avoided thanks to the renewable and high efficiency products we sell in the regions we operate⁶

19 million tons of CO₂e avoided in 2022 (2020 base year)

2030 TARGET AND AMBITION

In the context of decarbonisation, we are moving fast towards **anticipating structural changes** driven by regulations and the market. Our goal is to continue **designing and offering highly energy efficient solutions**, which increasingly rely on renewable sources of energy, **while improving the efficiency of the installed park**. To achieve this across all our product lines, we are channelling investments in R&D, production capacity and the necessary skills and resources needed to contribute to the transition, which will lead to a significant avoidance of CO₂ emissions. The Group effort in boosting highly efficient products and solutions that rely on renewable technology will also contribute to the **reduction of Scope 3 emissions**, whose greatest impact is generated by the use of sold products.

Supporting initiatives to be achieved by 2025



*Certified to be 20% H₂ ready

HOW WE WILL GET THERE

EXPLORING MORE EFFICIENT AND LESS IMPACTFUL SOLUTIONS

The Group is aware of the climate urgency and the need to reach a decarbonised economy by 2050. Therefore, it has strong ambitions and is continuing to invest to optimise the energy efficiency of its products, focusing on **electrification** and **renewable sourcing**.

The overarching goal is to minimise the environmental impact of its solutions, enabling the lowering of greenhouse gas emissions, boosting the replacement of old solutions with more efficient technologies. Investments focus on improving the **technological know-how** including R&D, resources and necessary skills to stay abreast of the rapid evolution of the industry 4.0 realm. These also involve **production capacity** to meet the needs of the market, as well as **pre- and post-sales management**, to handle integration and installation challenges.

Different solutions are at different development stages and the Group is continuing to explore **lower-impact alternatives** to the combustion of natural gas, such as **biofuels** and **hydrogen**, whether pure or blended. Since the Company believes that the transition to a sustainable future cannot be achieved without the adoption of a **multi-technological approach**, external requests and technological solutions are being evaluated with the aim of improving the product range: from heat pumps to domestic ventilation, the enabling technology for nearly Zero-Emission Building (nZEB), through hybrid solutions and solar thermal. As a result, the Group is looking to maintain its alignment with market changes, while continuing to play an important

role in **key associations** at the global, European and national level, to contribute to shape agendas. These include the **European Heating Industry (EHI)**, where the Group's Executive Chairman Paolo Merloni is a member of the Executive Council, and **APPLiA**, the European Home Appliances association, or the **European Heat Pumps Association**. In line with its leading role in the thermal comfort sector, the Group will also share its expertise participating in the drafting of reports and position papers promoted by the EHI or the **International Energy Agency (IEA)**, collaborating with other players in the search for lower-impact solutions.

HEAT PUMP TECHNOLOGIES AS KEY LEVERS IN THE ENERGY TRANSITION

In light of their efficiency, these technologies play a **pivotal role** in the pathway towards **climate neutrality**. For this reason, Ariston Group is directing **significant investments** towards heat pumps, working hard to open new markets and supporting their mass roll-out, also considering the higher purchasing price with respect to other solutions and the different existing buildings' features. With regards to **electric heat pumps**, which rely on an electrically-driven vapour compression cycle, transporting heat through refrigerant

*The Group is continuing to invest to optimise the energy efficiency of its products, focusing on **electrification** and **renewable sourcing**.*

gases from the source to the sink, the Group is looking to **replace currently used refrigerant gases** with natural ones that have a much lower **Global Warming Potential (GWP)**. These include **propane**, a group of liquefied petroleum gases, the suitability of which is still being researched with products likely being released in the upcoming years.

The Group is also in the process of launching its **thermally driven heat pumps**, also known as absorption heat pumps (AHP), thanks to the collaboration between its innovative R&D centre

and the Politecnico di Milano university. Absorption heat pumps, which use heat to trigger thermal compression and ammonia as a natural refrigerant, exploit a special thermodynamic cycle, being able to **simultaneously guarantee high flow temperatures for radiators, constant heating power and efficiency on primary energy**. In addition, these pumps are small and can be easily integrated into the building-plant system without invasive interventions. This last aspect represents another important driver that the Group is currently focusing on: to develop heat pumps whose features make the replacement of a traditional boiler easy, guaranteeing a faster and smoother transition.

As regards **hybrid heat pumps**, which combine an electric heat pump and a condensing boiler with a **smart control** to switch between the two heat generators, the Group is working on integrating H₂-ready boilers within hybrid systems.

The Group effort in boosting highly efficient products and solutions that rely on renewable technology will also contribute to the reduction of Scope 3 emissions, whose greatest impact is generated by the use of sold products. The use of sold products contributes in fact to **98,34% of total Scope 3 emissions**, representing the biggest challenge of the Group in the decarbonisation strategy.

DEVELOPING HOME ENERGY MANAGEMENT AND DEMAND-RESPONSE SYSTEMS

While working on developing low impact solutions and moving towards heat pumps technologies designed to reduce carbon emissions, Ariston Group aims to **support the flexibility of electricity systems and help its customers to save on their energy bills**. With this purpose in mind, the Group will carry out initiatives over the next few years to implement Home Energy Management (HEM) and Demand Response (DR) systems. A HEM system autonomously **monitors, controls and optimises energy flows** within customers' homes, in order to minimise energy costs while meeting their preferences and habits (such as comfort, EV use, carbon emission, etc.). HEM systems unlock **self-consumption** when a home is run on solar power, enable consumption management of electric-based appliances to ensure certain thresholds are not reached thanks to adequate **peak management** and, finally, enable a shift in the consumption patterns when the **time of use** allows for cheaper electricity through fixed or dynamic electricity tariffs.

In parallel, and with the aim of leading the energy transition providing flexibility and therefore stability to the national grid, Ariston Group is focusing on **Demand Response (DR)**, a service offered to the grid based on increases or reductions of the energy consumption of multiple assets such as **water heaters**, in response to peaks in energy supply or demand. Grid requirements, along with the shift from fossil to renewable sourcing and the increase in energy demand are three key factors that make products equipped with such technology powerful tools to ensure higher levels of grid stability.

Smart homes for sustainable living

2030 TARGET
AND AMBITION

Over 5 million *of connectable products sold*

We strongly believe that sustainable living can be enabled through smart homes. **Connected Home Services represent a key instrument** to better comprehend our customers' needs and offer increasingly better tailored solutions, becoming a means to support users, reducing and monitoring their energy consumption easily and remotely. We therefore **strive towards a continuous improvement** of our Connected Home Services, also made possible by our Ariston Net app, Ariston Net PRO remote assistance platform and Ariston Net OPEN interoperability service to engage our key stakeholders.

HOW WE WILL
GET THERE

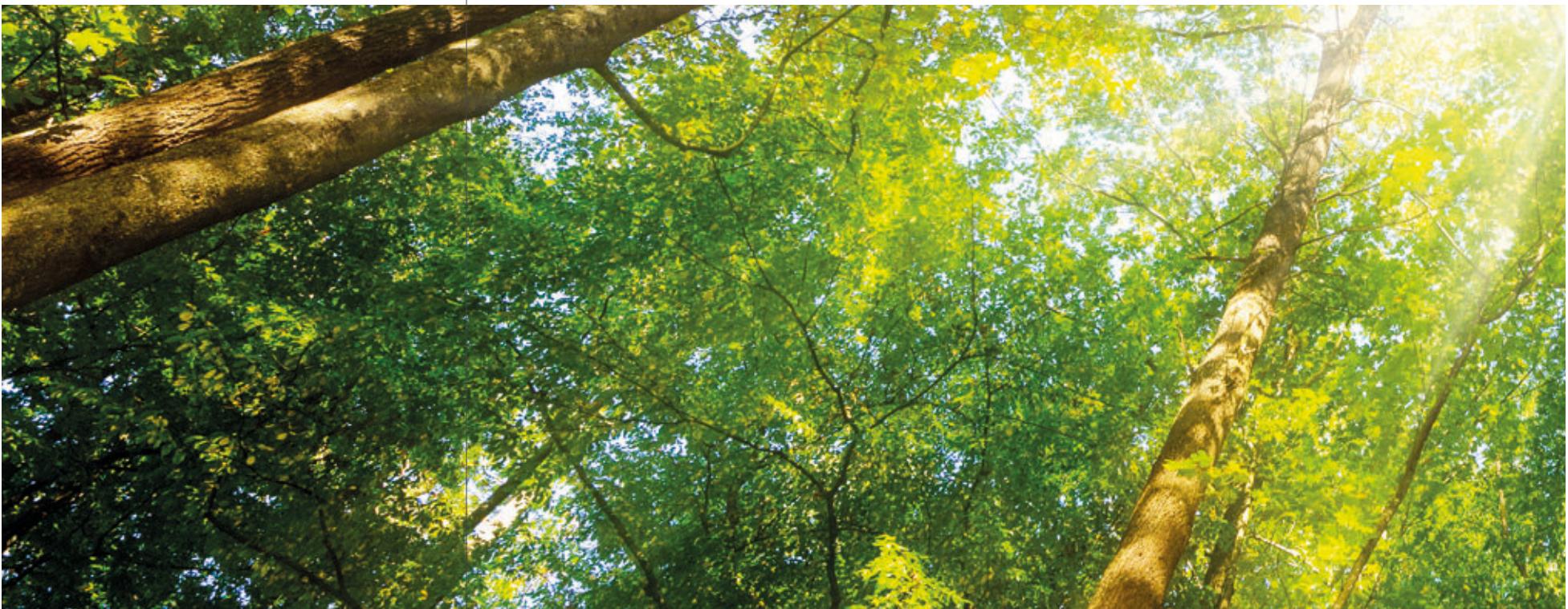
EXPLORING THE EVOLUTION OF CONNECTABLE PRODUCTS

Ariston Group is investing to expand the number of "ready to connect" solutions and to increase their **connected customer base**. Building on edge technologies such a Data Science and Artificial Intelligence, Connected Home Services have the power to generate extra benefits to both business stakeholders and end-customers. This value translates into the possibility for **smart products** to enable users to **save energy**, while making more **sustainable choices** and reducing environmental impacts, equally enhancing **customer proximity**. Moreover, an ongoing process of **dialogue** between tools and technologies allows the Group to understand the evolving needs of its stakeholders, to integrate more effectively within broader ecosystems and to consequently offer **more tailored products**.

Supporting initiative
to be achieved by 2025

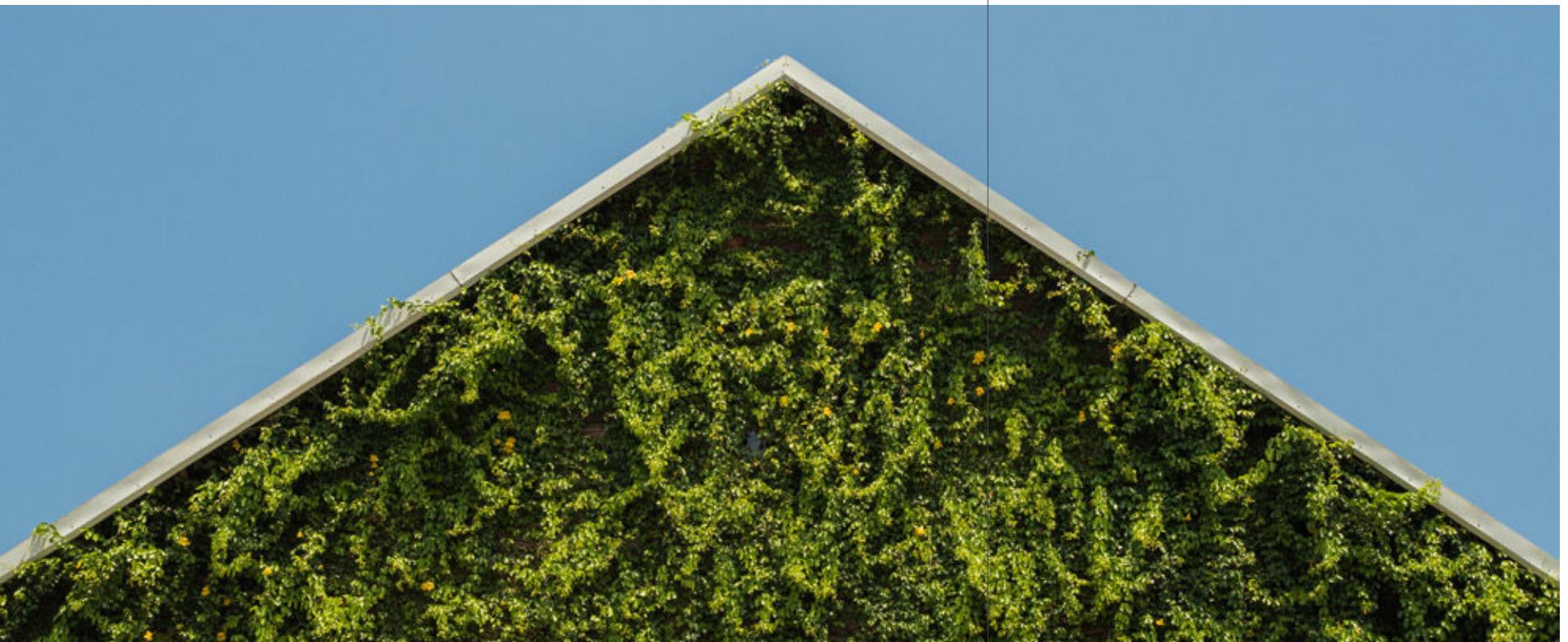
>2 mln

of connectable
products sold
(~950.000 in 2022)



*Building on edge technologies such as Data Science and Artificial Intelligence, **Connected Home Services have the power to generate extra benefits** to both business stakeholders and end-customers.*

The Group's objective is to continue working on improving the innovative services offered through its B2C, B2B and interoperability apps and tools, ultimately creating enhanced Connected Home Services that rely on advanced analytics and AI. More specifically, the Group is ready to dedicate its efforts towards testing and delivering various **value creation initiatives**, including:



Strengthening our Energy Saving capabilities

The Group will continue to leverage tools and services to influence the behaviour of users by increasing consumers' awareness, through the continuous improvement of smart functionalities, which optimise product performance and energy savings. The Company is looking to further expand its base of connected users by offering enhanced and customised services through the Ariston Net App, such as monthly energy reports, which provide end-customers with insights on their energy consumption and tips to improve an efficient use of the product. The simple adjustment of product settings makes it possible to achieve the perfect balance between savings, sustainability and comfort. All functions are always at the customers' fingertips through smart scheduling, geo-fencing features, which enables temperature adjustment based on the users' location, and optimum start services that recognise home thermal characteristics, preheating it based on individual preferences.



Scaling our prompt assistance service and easy-control features

Through the Ariston Net PRO App, designed for professionals, the Group allows service centres to provide excellent assistance in the shortest time possible, even remotely. The aim is to leverage on connectivity and AI to improve the features of the current tools available to professionals, which range from predictive care and the ability to anticipate potential faults, to tele-diagnosis and remote assistance services, which make it possible to find quick solutions and deliver real time adjustment of system parameters. With the rapid evolution of connectivity, operational efficiency and customer proximity can be increased, while reducing the need for physical intervention and, consequently, service costs and the carbon footprint.

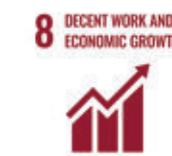
In the upcoming years, the Group will continue leveraging and seeking opportunities through innovation and new business models. Furthermore, to generate value for its end-customers, the Group is currently looking to define synergies with third parties, such as utilities and service companies.



2. Operations



*A decarbonised business
with a circular approach*



8 DECENT WORK AND
ECONOMIC GROWTH



9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



12 RESPONSIBLE
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13 CLIMATE ACTION



Discussing Operations with key opinion leader



Strategy VP EMEA Energy and Sustainability Services
at Schneider Electric Sustainability Business

Raquel Espada Martin

The recent health and energy crises have caused and will keep causing deep shocks to economies and societies, whose inflationary and volatile systems now, more than ever, require long-term stability and resiliency. Integrating sustainability into political and business strategies and transitioning to low-carbon economies represent a powerful tool to face the consequences of actual and future changes, and therefore a great **opportunity to increase resiliency while reducing costs**. To lead in the climate crisis means factoring climate risk into business strategy and actively identifying opportunities to drive change and accelerate new business models.

Companies that are not able to take this opportunity will face higher costs in the future, or even be forced to shut down their business, also as they will face higher interest rates when accessing capital, since financing is flowing, more and more, into sustainable activities. While the energy crisis has made future business needs clear in terms of cost reduction and resiliency, which can be achieved through **energy efficiency** strategies, resource scarcity and volatile prices are weakening and making supply chains fragile, whose disruptions have shown the urgency to integrate **risk diversification** strategies and to increase the **circularity of products and materials**.

Although the latest Climate Change Conference held in Egypt (COP27) had a strong focus on adaptation strategies, it is clear that mitigation, intended as reduction of CO₂ emissions, should still be the primary focus for countries and businesses, especially in light of the UE's **carbon neutrality goals** set by 2050. While countries reiterated their commitments to ensure that global temperatures would not go **beyond 1.5 °C**, as agreed in COP26 and in the Paris Agreement, only a few are fulfilling these commitments. However, to achieve these targets, companies also need to become **crucial actors** given the pivotal role they play in the energy transition.

To decarbonise operations, companies should first **define success, aligning on vision and strategy and build a strong business case** for climate action (Step 1), aligning corporate ambitions with the realities of current business operations (i.e. teleworking, supply chain disruptions, etc.). Step 2 will be the adoption of top-down and bottom-up analyses to **identify goals, define and communicate strong targets** and, finally, **prioritize actions to develop a carbon roadmap**. Step 3 will be to **deploy a program** with a practice programmatic approach. It is also key to sustain results (step 4) and be able to report on the KPIs selected to disclose the success of the decarbonisation program.

Nowadays, companies should start focusing on **electrification projects and energy efficiency measures** to achieve **Scope 1 emission** reduction targets within their production entities.

To lead in the climate crisis means factoring climate risk into business strategy and actively identifying opportunities to drive change and accelerate new business models.

Furthermore, it is important for businesses to diversify their **energy procurement strategies**, making it possible to increasingly integrate renewables by means of **Power Purchase Agreements (PPAs)** or **self-consumption**, which support companies in reducing their **Scope 2 emissions**. Since both categories of emissions are within an organisations' direct control and therefore easier to manage, these should be the starting point of a business strategy, which will have to go hand in hand with high impact actions such as **broad awareness and stakeholder alignment**.

The main objective for businesses should be always to reduce emissions but, along with establishing net zero trajectories, companies are also using offsetting practices as a lever to accelerate the journey.



Reducing **Scope 3 emissions**, instead, represents the hardest challenge for companies, as these refer to value chain emissions, which are significantly harder to manage as they are not directly under companies' control. To embrace the challenge and decarbonise the supply chain, businesses need to start to define a clear baseline and then proceed by building effective **governance and data management strategies**, especially when relying on a large network of suppliers and collecting a large amount of new data with new purposes in mind. This is precisely why **communication and engagement** should be considered as key levers to closely engage the supplier base and support it in achieving a reduction of its emissions. Clear communication through **training and the definition of targets**, along with the **provision of helpful tools**, will be key to support partners in this process, especially for small-medium enterprises, which might not have the capacity to make the transition on their own.

At the same time, digitalisation goes along with electrification, with **investments in digitisation and innovation** becoming crucial for the management of an increasingly complex, integrated and distributed electricity system. But also, digitalisation goes hand in hand with Sustainability due to the need of new reporting requirements and to the fact that more and more stakeholders worldwide are demanding **transparency** around corporate ESG risks and opportunities. It is important to centralize global data tracking and management in a system backed by technology like artificial intelligence and/or machine learning for all resources, including energy, water and waste.

For many companies, the transition will be more challenging and, as sustainability is cross-functional, the need to integrate sustainability features right from the product design stage becomes crucial. In these cases, **innovation, along with new commercial strategies**, represent fundamental levers to make strategic decisions, such as procurement and sales strategies, considering new evolving drivers. In our case, Sustainability is hardwired into our business strategy and is about creating system value. In 2021, we accelerated at every stage: eco-design of our products, sourcing of green materials and packaging, differentiation with innovation and innovation with circular business models. For example, one of 2025 commitments has been that 80% of our product revenues will be covered by Green premium™.

Moreover, **collaborating with the broader ecosystem** can also help businesses in navigating the sustainability transition more easily, accelerating their innovation journey thanks to the fact that they can count on a larger business network.

Finally, to successfully deploy a sustainability strategy, a fundamental shift in **mind-set** is required. A **holistic** approach to sustainability allows to mitigate risks and brings tangible value added through a greater attractivity to **customers, new talents and investors**, while boosting innovation. However, to start the journey, companies need to focus on Scope 1 and Scope 2 emission reduction strategies and risk diversification, along with educating Top Management on the sustainability vision, in order to enable the **renewal of the business model** and make the Scope 3 challenge more easily achievable. As indicated before is time to implement actions and our learnings from past years to define the journey could be summarized in:



Scenario

Decarbonisation, circularity and sustainability across the value chain

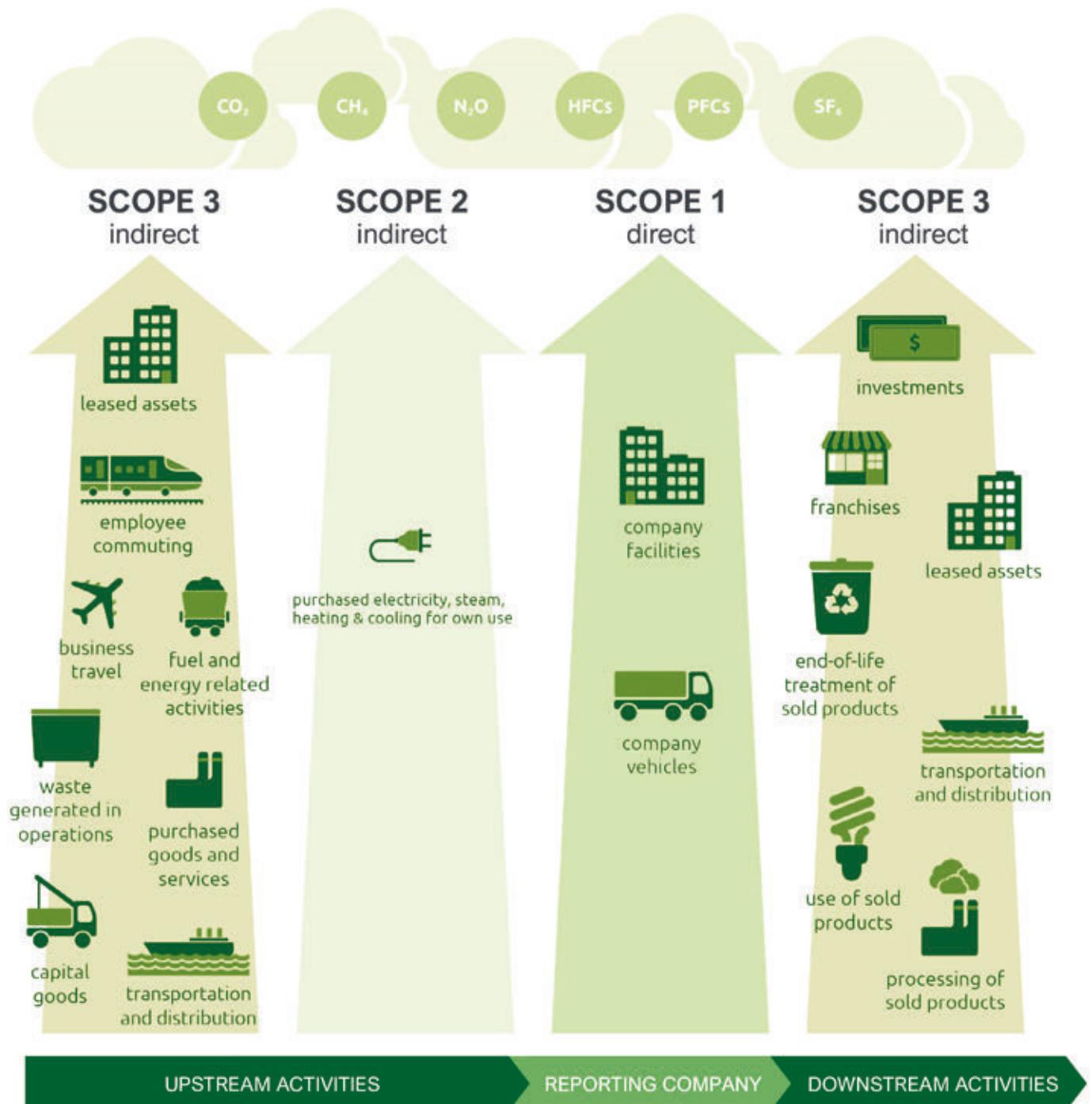
Businesses across the globe are increasing efforts to **minimise their carbon footprint** in order to reach **carbon neutrality by 2050**, as established in the **Green Deal**, and the **Fit for 55 Package** to reduce GHG emissions by at least 55% by 2030¹¹

REPowerEU Plan was unveiled to reduce the use of gas and hasten the switch to renewable energy¹² by increasing the EU's **target for renewable energy to cover 45% of energy consumption by 2030** (standing at 22% as of 2020¹³)

Corporate Sustainability Due Diligence¹⁴ and **EU Conflict Minerals Regulation**¹⁵ push companies to rethink their production systems and increase transparency and will help to regulate a responsible procurement integrating human rights and environmental concerns into business operations and corporate governance

Circular Economy Action Plan (CEAP) was launched to achieve sustainable production and consumption patterns. The main goal of the plan is to promote circular product design relying on durability, reuse and recycling, whose implementation could potentially lead to a 32% decrease in raw materials consumption by 2030¹⁶

Corporate emission inventory



Commitments



Resources productivity and circularity

42% Scope 1 and Scope 2
absolute GHG emissions reduction
(2021 base year)

>50% Scope 3 GHG emissions
reduction per milion euro value added*
(2021 base year)



In light of global decarbonisation targets, we are all called upon to **drive change and mitigate our CO₂ emissions**. This does not only mean setting targets within our direct reach (Scope 1 and Scope 2), but also engaging on those factors that are particularly impactful across our value chain (Scope 3). **We firmly believe that mitigation efforts are truly possible** by setting specific, measurable and science-based targets that can guide our emission reduction strategy while monitoring our improvement journey, year after year.

* Economic intensity. Emissions from use of sold products covering at least 67% of Scope 3 total emissions.

Supporting initiatives to be achieved by 2025



of production plants with energy efficiency improvement initiatives in place by 2023

Green Energy procurement increase in key countries

Zero waste to landfill by 2030
(3% in 2022)

Enhance on a more efficient use of water in our operations by reducing water discharge and increasing treated water to be returned into the ecosystem

HOW WE WILL GET THERE

REDUCING OUR CARBON FOOTPRINT

Within the broader decarbonisation context, Ariston Group is looking to achieve lower emissions and energy consumption systems not only within the business, but also across its value chain. It has therefore launched a **decarbonisation project** in order to reduce **Scope 1, Scope 2 and Scope 3 emissions**. For Scope 1 and Scope 2, whose emissions accounted in 2021 for 47.513 and 43.726 tCO₂ respectively, an emissions reduction strategy focused on making production processes more efficient will be deployed, increasing green energy procurement and leveraging on fleet decarbonisation. In the upcoming years, all the Group's plants will implement a set of interventions including compressors replacement, revamping or management improvement, building insulation, heat recovery and heat volume reduction, temperature and lighting management enhancements, inverters, meters and data collection

99,9% of total Group emissions are related to Scope 3 perimeter, which in 2021 accounted for 97.027.073 tCO₂. The **emissions coming from the use of sold products contributes to 98,34% of total Scope 3 emissions**, representing the biggest challenge in the Group decarbonisation strategy. As mentioned in the Solutions chapter, different levers will be activated to tackle these emissions: a stronger focus on renewable and H₂-ready solutions, the use of refrigerants with lower environmental impacts and the increase of connectable products to contribute to the energy consumption optimization. Nevertheless, the Group will also tackle the reduction of the emissions coming from: 1) the **production of purchased goods and services** by engaging with the supply chain; 2) the **upstream and downstream transport and distribution**; 3) the **disposal of products** by evaluating new circular opportunities.

systems installation, together with an air leakage research and resolution plan. Moreover, the integration of new installations and machineries, the enhancement of renewable energy systems for onsite energy generation and the implementation of shut down electricity saving applications will further accelerate the decarbonisation journey. In Italy a revamping of the industrial assets has already started to increase the plants efficiency.

EXPANDING WORLD CLASS METHODOLOGY

Already in 2011, Ariston Group adopted the **World Class Manufacturing methodology** to create a structured and replicable production system that enables the achievement of its business targets through **monitoring and prevention of waste and losses**, with the goal of improving **quality, safety, costs and environmental performance**. Whilst the WCM is now operational in **13 of the Group's plants**, the Company will work on expanding this approach to its remaining operations. At the same time, in 2018 Ariston Group adopted the **World Class Logistics (WCL) methodology**. In line with the WCM concepts, the WCL methodology constitutes a **shared approach** that allows processes to be standardised across the Group's warehouses at a global level, creating a replicable logistics system throughout finished goods and distributions warehouses. This methodology is now operational in two finished goods warehouses and is based on the goal of improving customer service levels, safety, cost and environmental performance, also thanks to a monitoring and waste and losses prevention procedure.

OPTIMISING WATER AND WASTE RESOURCE MANAGEMENT

Aware of the essential role played by productive resources, the Group is committed to **measuring and monitoring their flows**, to continue improving its efficiency in terms of water and waste management. As regards to **water**, the attention lies on *how* and *where* it is withdrawn, consumed and discharged, together with the related impacts. The focus on **waste** includes actions to prevent its generation within plants and the value chain. An improved and more qualified **global data collection** process on water- and waste-related indicators was key to **building a baseline** that is not

only aligned with the GRI standards, but that also makes it possible to evaluate an **overarching view** on their impact on a global level. In order to work towards a coordinated improvement journey around these topics, Ariston Group is in fact developing a structured process to **collect, analyse and monitor detailed data** that will help eliminate **any inefficiencies and unnecessary resource losses**, also in line with the World Class Manufacturing programme.

EXPLORING CIRCULAR OPPORTUNITIES

Ariston Group is aware of the importance of a **circular approach** as an enabler towards reducing its environmental footprint. The current workstream is focused on assessing the current situation, launching feasibility studies and setting quantitative metrics, in order to identify the most effective solutions to be implemented in the future. With circularly already active through its recycling practices, the Group is looking to develop feasible ways to help it **rethink the system**, towards broader and simpler recycling, repair, reuse and remanufacturing practices. To do so, the Company is constantly examining impending regulations, analysing customer expectations and market trends and evaluating supplier collaborations to **stay abreast of significant changes**. While in 2022 a dedicated stream about components remanufacturing has been launched, in 2023 a wider assessment to enhance Eco-design and sustainable packaging will kick-off.

EXTENDING THE NEWLY LAUNCHED PRODUCT LIFECYCLE MANAGEMENT (PLM)

In 2020, the Group started developing a strategy for product lifecycle management (PLM) to **ensure best practices** throughout the **whole product lifecycle**. PLM is a **business process and IT tool** that integrates functions, data, processes and business systems, to guarantee that the entire lifecycle of a system or of a product is being managed correctly: from design, manufacturing, sales and marketing, to after-sales services and obsolescence. Key elements in the digital transformation of the business are **PLM software** solutions, which offer various **tools**, based on a complex and state-of-art IT infrastructure, aimed at improving the customer experience, accelerating innovation, improving

efficiencies and reducing costs. After a first phase of testing the **SaaS readiness**, the project has now entered the **implementation phase** which will continue in 2023 prior to its full launch. Ultimately, PLM clearly outlines the **roles and responsibilities** of the project team, while ensuring open communication channels, an agile project management and a high-quality data collection and control.

LEVERAGING LIFE CYCLE ASSESSMENT (LCA) RESULTS

An example of LCA implementation can be seen in France where, already in 2017, Ariston Group started working towards the achievement of the **PEP ecopassport**, an environmental declaration that meets the **ISO 14025 standard** on environmental labels and declaration. This is a voluntary initiative, based on the **LCA methodology**, which quantifies the environmental impacts deriving from heating and cooling products. Whilst such environmental certifications have so far been **obtained for a selected range of products**, the Group is now looking to **extend such approach** to more markets and solutions, not only to respond to customer requests, but also to better map the **environmental impacts of products** and therefore continue developing **more efficient solutions**.

FOSTERING TRACEABILITY AND TRANSPARENCY

Following the publication of the AGEC Law in France in 2022 (Anti-Waste for a Circular Economy Law), Ariston Group has taken steps to respond to the obligation of communicating **environmental qualities and characteristics of waste generating products**. As a producer, importer and distributor of water and space heating solutions on the French market, the Group has disclosed the level of **recyclability** and **recycled material of its products**, as well as the presence of **rare earth elements**, **precious metals** and **dangerous substances**. This process, which the Company is currently looking to expand, enhances **transparency** and therefore helps improve the **traceability** of raw materials in the **supply chain**, supporting the implementation of stronger circular approaches whilst fostering **awareness** on the use of resources, both from a social and environmental standpoint.

Responsible supply chain

Solutions

Operations

People & Communities

Customers

Governance

2030 TARGET
AND AMBITION

100% of our strategic suppliers aligned with our ESG journey

In line with our ambitions and the rapid regulatory evolution, we are **committed to focusing on and engaging our supplier base** on ESG-related aspects. We are aware that as part of our ESG efforts, we must take into consideration the environmental and social performance of our supply chain. For this reason, we are developing multiple tools and plans to **foster a relationship management driven by sustainability**. These include assessments, improvement and monitoring plans aimed at engaging and supporting our suppliers' base in our ESG journey.

Supporting initiatives to be achieved by 2025

Set ESG vendor rating criteria and policy for strategic suppliers by 2023

>80%

of products and services purchased from local* suppliers
(72% in 2022)

50%

of strategic suppliers assessed on ESG performance

HOW WE WILL GET THERE

RESHORING OPERATIONS

Ariston Group is working towards further implementing its **reshoring plan** in order to **reduce both the risks of potential supply chain disruptions** and the **carbon footprint** stemming from its global operations. The plan ensures **proximity between production units, supplier base and the end-market** towards which products are destined.

Alongside best-in-class and energy efficient projects for production plants, this approach will help reduce the costs and impacts of logistics by shortening the supply chain and selecting local suppliers, contributing towards an overall reduction of the Group's Scope 3 emission.



ENGAGING SUPPLIERS ON ESG CHALLENGES

Ariston Group is defining its **strategy** for a responsible management of the supply chain, renewing **supplier relationship management processes** to confirm its position as responsible business. The Company will look at its suppliers through the ESG lens, with the aim of **minimising impacts** and improving synergy in delivering environmental and social high-impact outcomes. In order to change the way the Group does business with its suppliers, the Company will define targets to be included in purchasing contracts, driving strategic suppliers to align to sustainability parameters. The plan will provide the Company with an assessment of **strategic suppliers** in order to develop a solid evaluation architecture and outline specific **improvement strategies** and **action plans**, subject to **continuous monitoring** in the years ahead. This initiative, combined with the **human rights due diligence** process will foster ESG awareness, engaging suppliers through even more innovative and strategic relationships.

DIGITALISING THE SUPPLY CHAIN

Ariston Group has defined a long-term vision for its **Digital Supply Chain (DSC) project**, defining and configuring the processes and the platform that will enable the Company to manage and integrate the supply chain in the upcoming years across **demand, Sales & Operations (S&OP), master planning and order management processes**. This also involves the **Sourcing & Procurement (S&P) model**, which necessitates a deep rethinking of roles, responsibilities, processes and support technologies to respond more and more efficiently to the strategic role of **digital procurement**. This transformation will enable the Group to work and manage suppliers in a "smarter" way, ranging from **paperless processes** to increased **transparency, data centralisation** and therefore **enhanced reporting**, with – of course – a better user experience.

*In the same country of the Group legal entity they are supplying.



3. People & Communities



*Empowering people
to achieve more*

3 GOOD HEALTH
AND WELL-BEING



4 QUALITY EDUCATION



5 GENDER EQUALITY



8 DECENT WORK AND
ECONOMIC GROWTH



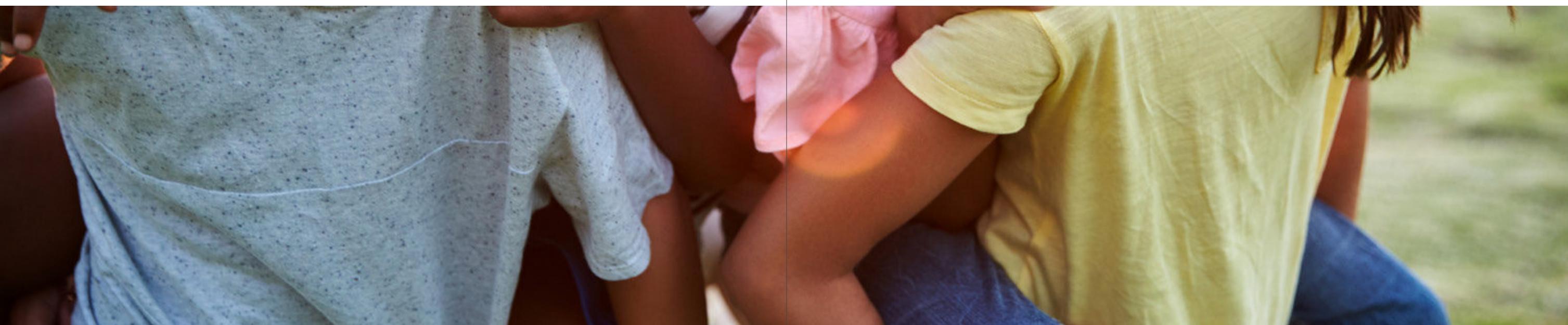
12 RESPONSIBLE CONSUMPTION
AND PRODUCTION



13 CLIMATE ACTION



17 PARTNERSHIPS
FOR THE GOALS



Discussing People & Communities with key opinion leader



Chairman and Senior Partner
at The European House – Ambrosetti

Marco Grazioli

Providing an excellent employee experience starts with **excellent attraction and retention processes**. The pandemic crisis has further split the social fabric and sharpened the distances between young workers' perceptions and what working really means. The gap between young workers and those who have been working for the company for a few years has therefore increased and is redirecting businesses towards the development and implementation of more effective attraction and retention strategies.

Effective attraction strategies rely on engagement activities aimed at the **younger generations**, in order to dialogue and actively listen to them for a more extended period of time before they enter the working world, as well as communicating a company's **values** and relevant **skills** to its future workforce. It is therefore good practice to start with **schools**, which acquire particular relevance especially when these are located in close **proximity** to a company's business operations. Moreover, the provision of **side-to-side trainings** carried out by experienced managers supports young workers in perceiving not only the technical skills required by their potential job but also, and most of all, its exciting nuances, inspiring young professionals when it comes to their future work by promoting the perception of the job as a path towards building personal identity. Senior experts, in particular, are in fact able to grasp these nuances and to transmit them to the new workers. However, we should be careful when referring to generations as defined categories, since these classifications could mislead companies' strategies **by targeting employees based on their age rather than on their work orientations**. This approach - together with a deep analysis on turnover levels - help companies identify areas where retention activities should focus on.

*Providing an **excellent employee experience** means taking care of a company's workforce by fostering **pleasant working environments** and ensuring **respect of individual rights and freedoms**.*

In addition to these actions, **fostering training and upskilling and reskilling initiatives** represent crucial elements to enhance retention levels, especially when **technological progress** evolves at an increasingly rapid pace. Investing in human capital development, indeed, benefits both financial performance and the attractiveness of the organisation. STEM subjects, for example, are crucial in order to leverage newly evolving technologies such as Artificial Intelligence or data science and, especially in certain countries, their level of enrolment makes more difficult for businesses to find competent talent and keep up with such **innovation**. Last but not least, for skills to be shared effectively, it is essential that high-performing individuals assume the responsibility to **train less experienced colleagues**, becoming a priority for companies enabling such experts to pass on their knowledge.

Players such as Ariston Group can help close this gap by offering **targeted internal courses** led by experienced individuals, who can share their know-how as opposed to involving external consultants. Moreover, to stay abreast of Industry 4.0 developments, a great opportunity lies in **partnerships with universities**, both at the national and the international level, as well as in **independent research centres**. This is an excellent opportunity to join forces, spread awareness and potentially, help stimulate the development and dissemination of new technologies.

Providing an excellent employee experience also means taking care of a company's workforce by fostering **pleasant working environments and ensuring respect of individual rights and freedoms**, elements that are increasingly more relevant than professional advancement. Gender equality is among the key factors that shape and guarantee a diverse and inclusive working environment: globally, on average, women are paid about 20% less than men; the number decreases to 13% in Europe. It is of utmost importance that companies acknowledge **equal pay for equal work**. Although improvements have been made, a lot of work still needs to be done in this regard. While the number of women holding management positions has increased, this has been due to so-called "pink quotas" and the legal requirements set at the EU and national level, which nevertheless, did not favour a cultural transformation.

Finally, incentive mechanisms and educational aspects are the real bet. Incentives should be granted to all those individuals who want and need to take care of children or of the elderly. In regard to education, companies need to put in place **sensibilisation and supporting actions** for the enrolment of women in science, technology, engineering and mathematics (STEM) degrees but, most of all, to foster cultural transformation.

Beyond taking care of their own employees, large companies have the responsibility to **contribute and to provide support to the surrounding communities**. More specifically, management should dedicate a significant portion of its time to spread **awareness** amongst the communities affected by its operations, to promote **educational initiatives** in line with company values and ultimately, to **engage all the relevant stakeholders**.



Scenario

An ever-changing professional world

According to the **Global Gender Gap Index**, which benchmarked 146 countries in 2022, the global gender gap has been closed by 68.1%, with **132 years still needed to reach full equality¹⁷**

The more employees feel their well-being is at the core of a company's objectives, the higher the productivity levels tend to be. **81%¹⁸ executives offering greater flexibility** to their workers through new workplace policies

According to further predictions, **employee skills are expected to change** by approximately **40%** by 2025¹⁹. According to a Forbes study, 94% of employees would remain loyal to a company for much longer if the latter invested in their career and 87% of millennials believe that development opportunities are important in a job²⁰

Considering that each year almost **2 million people** die from work-related accidents, effective health and workplace safety policies are key to protecting workers' lives, in addition to contributing to the retention of talent by providing a comfortable working environment²¹

Shared value and Sustainability Awareness for the social development

Shared Value²² approach which reconnects a company's success to social progress in the communities it operates within

Behavioural changes play an important role in the journey towards decarbonisation and the active participation of citizens is crucial in this regard. The IEA predicts estimated **8% of emission reductions that derives from behavioural changes** aimed at diminishing energy demand²³





Excellent employee experience and engagement

To be a **certified world class employer** that builds a **sustainable working environment**

2030 TARGET AND AMBITION

For us at Ariston Group, "**people come first**". Our goal is, first and foremost, that of developing a meaningful and comprehensive people experience, in order to foster a sense of belonging to the Group and **increase the engagement as one Team**. We want our employees to feel that they are valued and cared for. That is why we are working on a set of initiatives that will enable us to become a certified world class employer, where our employees can thrive.

Supporting initiatives to be achieved by 2025

>60%

of managerial* positions filled through internal career paths
(60% in 2022)

At least 30%

female in Ariston Group Management* by 2030
(24% in 2022)

*Employees managing teams of people.



THE HR ROADMAP

HOW WE WILL
GET THERE

Ariston Group has always considered people as the main driver of its success – a staple in its industrial culture, throughout the Company's history of sustainable growth. In particular, the last 12 to 24 months have brought about significant operational changes due to the company's **listing** and the latest **acquisition** of the CENTROTEC Climate Systems company, the largest ever for the Group.

The continuous redefinition of the workforce that came as a result of these and other key changes adopted recently has required the Group to evolve its approach to resources management. The integration of different cultures, backgrounds and skills has always represented a great opportunity to enhance its wealth of human capital. Over the next years and as part of its **ambition to improve and to grow**, Ariston Group will focus on further implementing its HR Roadmap, focused on four key macro-areas: **branding and engagement**, **resources development**, **digitalisation of HR-related processes**, as well as **diversity and inclusion**. Implementing these pillars will enable the Company to fully focus on providing an **excellent people experience**, proving to be a **world class employer**.

Branding and engagement

Ariston Group is working towards sharpening its **brand positioning**, in order to keep attracting **new and diverse talent** and to maximise its recruitment process at the global, regional and local levels. In parallel, the Company is committed to leveraging on **internal communication** to voice its culture across the entire organisation, therefore further consolidating its identity. Communication, in fact, represents a powerful tool for disseminating the Group's values, fostering a strong sense of community through **inclusive, engaging and coherent messages**, with the ultimate objective of supporting the deployment of the business strategy and of driving results. A consistently shared corporate culture is, in fact, to be considered as a critical business enabler.

Resources development

Strongly convinced of the importance of its people, Ariston Group will focus on continuing to increase and enhance their **development opportunities**, since the future is fully focused on dealing with change. Managing change successfully starts in fact with offering career development and learning activities to managers and employees that trigger the much-needed **cultural transformation** within their behaviours and the Company itself. Mentoring and coaching activities, along with upskilling initiatives also aimed at implementing the new skills required by the latest technological innovation, are all key pillars of the Group's people's career development and learning paths. Resources development will be maximised by leveraging instructive learning platforms and increasing career mapping activities and internal mobility opportunities.



*The integration of different **cultures, backgrounds and skills** has always represented a **great opportunity** to enhance the Group's wealth of human capital.*

Digital roadmap

Strengthening the **digitalisation of HR processes** will be key for Ariston Group to guarantee an excellent people experience and management. The Company is working hard to streamline its main processes at the digital level, in order to increase integration and data quality and control, both for reporting purposes and most of all, to analyse trends and generational shifts, with the ultimate objective of **grasping, anticipating and meeting the needs of the workforce**.

Diversity and Inclusion

As part of the cultural transformation currently taking place, Ariston Group is committed to promoting equal opportunities and diversity. Dedicated training activities will be held in order to involve and educate the workforce on their cognitive biases, with the aim of disseminating **awareness at all levels**. As a subsequent step, more **concrete and specific targets** linked, for example, to management compensation or the % of diversity in the selection process will be set.

Education for the future



100% Countries* engaged in projects that foster **awareness on sustainable thermal comfort** as an enabler for **social development**

*Countries Ariston Group operates in



HOW WE WILL
GET THERE

CONTINUOUS COMMUNITY ORIENTATION

The Group's continuous community orientation has always been part of Ariston Group's DNA, as stated in Aristide Merloni's saying according to which "there is no value in the economic success of any industrial initiative unless it is accompanied by a **commitment to social progress**". This long journey, which has been shaped in different ways across time and countries, has the common goal to put people wellbeing at the centre of what Ariston Group does for the communities it operates in.

In line with the company vision "Sustainable Comfort for Everyone", Ariston Group is committed to **provide energy efficient solutions to people in need**, by collaborating with NGO and supporting community shelters in different countries. In order to match the social impacts with the environmental protection, the Group has also and will continue to have an educational role around energy efficiency topics. For example, through the **Aristide Merloni Foundation**, the Company will keep on strengthening its **social engagement** with local communities, organizing **conferences, educational initiatives** and establishing **partnerships** with schools, as well as with training centres. In addition and in continuity with initiatives held at the local level in select countries over time, the Group's aim is to further expand its programmes worldwide, focussing in particular on raising **energy efficiency awareness** among end-users, including younger generations.

The Group is also planning to develop tools aimed at better **communicating its journey** towards a more sustainable future, centred on the development of energy efficient solutions with the aim of encouraging sustainable consumption. As **digitalisation** is one of

*There is no value in the economic success of any industrial initiative unless it is accompanied by a **commitment to social progress**.*

Aristide Merloni

the most important enablers to disseminate energy efficiency awareness, the Group will continue to leverage its **websites and social media channels** to raise awareness amongst end-customers and the broader community. Whilst the Sustainability Report and the Road to 100 Report can be used as powerful tools to deepen the Company's sustainability-related efforts and goals, the Group is looking for new ways to continue to **effectively engage and educate its stakeholders on energy efficiency topics**. Country-specific blog selections, tailored articles, tips, energy reports, product pages and the Smart Home hub will be further improved and enriched to reach **an ever-broader audience**.

To offer more in depth contents on sustainability topics, the Group is planning to provide wider explanations relating to products' characteristics, such as efficiency, durability and performance in order to better explain technical specifications, such as consumption and materials, and to compare different product models. All this in order to provide the external stakeholders with a complete set of tools that allows them to better value and exploit the available sustainability features.

4. Customers



*Exceeding expectations through
excellent customer experience*

9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE



11 SUSTAINABLE CITIES
AND COMMUNITIES



12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



Discussing Customers with key opinion leader



Commercial Operations Director at Vodafone

Claudio Raimondi

The rise in availability of smart and interconnected technologies has rapidly switched the consumption focus from the product itself to a 360° experience model. To guarantee an **excellent experience**, companies need to exceed consumer expectations by ensuring continuity to their needs even beyond the purchasing moment. The improvement of **digital technologies** supports corporations that have decided to promote a **customer-focused strategy** based on a “product-as-a-service” approach.

First of all, **digital services** have created big opportunities, especially since the outbreak of the pandemic. The increasing spread of the relevance of **online purchasing is evident in many sectors**: in 2023, **24% of revenue in the home appliance industry** is expected to be generated from **online sales**. In the current market, in fact, the consumer expects to receive an **unprecedented level of attention**, to be able to place an order within a click and have it delivered directly at home with minimum lead times. Companies that will be able to follow such a swift change in customers' purchasing habits and expectations **will distinguish themselves and be awarded by the market**. Secondly, digital technologies enable a **direct communication** between consumer and manufacturer and have therefore paved the way to the “**product as a service**” approach. To deliver a **quality product means** going beyond the object functionality, as the product features are the tangible carrier of a broader good: **peace-of-mind** consumption. Nowadays, customers expect not only to buy a functional product, but also to get their hands on worry-free solutions that are easy to buy, install, use, update, repair and replace. Moreover, products should now be seen as part of an integrated system that aims to enhance the consumer's well-being. **Interconnection and interoperability** are key concepts in the development of these systems, enabling the exchange of information among a range of different products.

From a business perspective, these technologies constitute **both a great challenge as well as an opportunity for companies** to better understand their consumers' habits and preferences. **A customer-focused strategy**, in fact, starts precisely from data management: by collecting, storing and properly analysing customer data and information, corporations can gain access to a unique and unprecedented lever

*The improvement of **digital technologies** supports corporations that have decided to promote a **customer-focused strategy** based on a “**product-as-a-service**” approach.*

to anticipate and interpret customers' expectations, thus making it possible to strengthen the **relationship** between the company and the end consumer.

The consumers' perspective has also been transformed. They have gained a new role, in fact becoming so-called **prosumers**: as their inputs are integrated into the **product development process**, the **outputs are solutions tailored to the customers' specific needs**, habits and expectations. Specifically in the **thermal comfort sector**, digital connected technologies offer the opportunity to broaden consumers' understanding of complex solutions: facilitating the dialogue between product and consumer, digital tools such as smartphone applications help customers to better understand all the available functionalities, leading to the creation of **user-friendliness**. Moreover, thanks to the use of **digital systems**, more channels are now becoming available to help consolidate the relationship with consumers and pay more attention to **after-sale services**. Companies like Ariston Group can now extend their durability as, indeed, offering a quality service also means being able to guarantee a top-tier **maintenance and repair assistance service**, also leveraging predictive algorithms and remote software updates.

Today, at the corporate level, it is essential to be equipped with tools that allow you to **make the most of the opportunities offered by the market** and to intercept and accommodate specific customer needs. An efficient internal governance must therefore be adopted: bringing decision-makers to the table will help to break down the issues and address them one at a time. Engaging all top management, marketing and operations managers in periodic meetings to discuss solutions and analyse and pass on market trends, for example, can enable a more cohesive response and approach to building a true customer-proximity based model.

Scenario

Proximity and excellence for customers:
the “prosumer” era

Servitization and digitalization have shaped new consumer habits characterized by the search for a comfortable and multichannel shopping experience that enhance **customer proximity**²⁴. By 2023, **24%** of revenue in the home appliance sector will be generated from **online sales**²⁵.

Consumers have become active players by sharing opinions on their online purchases: they are now an integral part of the production chain, being defined as “**prosumers**”²⁶

European Commission is paving the way for a more sustainable consumption approach through the **Circular Economy Action Plan (CEAP)**²⁷ and **Ecodesign for Sustainable Products Regulation (ESPR)** which enhance energy efficiency and other environmental sustainability features, such as durability and reparability²⁸



Commitments



Beyond customer proximity

Deliver excellent, tailored solutions and services to B2B and B2C customers and increase the loyalty of professionals

2030 TARGET AND AMBITION

In line with our core values, seeking to meet our customers' needs will continue to be pivotal in the years to come. Alongside creating value by offering products of top-notch quality and guaranteeing an excellent service, we strive towards further proximity to our customer base. Proximity, however, builds upon dialogue and it is precisely this driver that pushes us towards an active listening of end customers and professional intermediaries, enabling us to provide even better tailored services. Whilst consumers are a crucial stakeholder, so are professionals who ultimately deliver services to end-users acting as the final touchpoint.

Supporting initiatives to be achieved by 2025

Every
2 years

Quantitative B2C Ariston Brand Equity assessment

Voice of Our Professionals programme launch in 2023

+15%

Ariston website organic click performance per year

>8
key countries with active "OneTeam Professional" portal
(3 in 2022)

HOW WE WILL GET THERE

OneTeam PROFESSIONAL

In order to continue delivering excellent customer service, Ariston Group relies on a **network of professionals** that are just as crucial: these range from **installers** to **service centres** and **planners** (e.g. architects and project executors). To **support** their work with customised educational content, as well as with tools that facilitate their daily operations, the Group has developed an all-encompassing **digital infrastructure** that can be used by professionals as a reference point. Whilst the platform was initially launched in 2022, the Company sees its further development as a **strategic vector** to strengthen the **partnership** with its professional network by continuing to add digital services, training programmes and up-to-date information on products, to ultimately create a **one stop** for more markets. Optimising and facilitating the performance of professional intermediaries has the goal of further strengthening the relationship of **loyalty** between the Group and its partners, which can ultimately become true **ambassadors** of the brand.

B2B AND B2C BRAND EQUITY

With the awareness that **customer proximity builds upon engagement** and **active listening**, Ariston Group is embarking on a journey aimed at analysing **B2C perception in selected markets of the Group's brands**.

The Brand Health measures how powerful the brand is perceived by customers in terms of **meaningfulness**, which shows the emotional affinity to the brand, **salience**, which tests how quickly a brand comes to mind in a purchase situation and, finally, **difference**, which looks at the brand's differentiation with respect to other brands.

Ariston Group is planning to boost these assessments by extending the focus to professionals, through the development of a **B2B Brand Equity assessment**, which will be outlined to evaluate the perception of the brand's strengths and weaknesses amongst **professional stakeholders**.

The Company is fully aware that **consensus**, which can be built through the active listening of key stakeholders, will ultimately drive the Group forward to continue providing **even better tailored solutions and services**.

The “Voice of Our Professionals” initiative investigates the point of view of the professionals who install Ariston Group products, by exploring their journey and understanding what the Group should be focusing on.

GIVING VOICE TO OUR PROFESSIONALS

Ariston Group believes in the importance of the ideas and opinions shared by the professionals it relies on. For this reason, the Group is working on an initiative that allows for a tighter interaction with them. The **“Voice of Our Professionals”** initiative investigates the **point of view** of the professionals who install Ariston Group products, by exploring their journey and therefore understanding what the Group should be focusing on to be considered as the **preferred partner**. The intent is to carry out **interviews** with selected

stakeholders to discuss industry trends related to technology, markets, standards and brands, followed by a more **quantitative data collection** phase. The initiative has already been tested in 2022 by interviewing selected installers in Italy, France, Spain, the Netherlands and Poland to talk about the Group's brands offer and the perception of professionals. The plan for the upcoming years is that of expanding the tool to selected markets, as well as specific product lines to continue sharpening Ariston Group's value proposition. All these initiatives will bear a positive impact on the relationship with Professionals, shaping a more solid perception of the brand's value. Starting from 2023, a **Brand Equity Index** will be outlined to assess the brand's strength among its business stakeholders.

A SERVICE ROADMAP

To provide excellent services to end customers and solid support to Service Centres, especially given the continued increase in complexity of products and technologies, Ariston Group relies on people's **knowledge and skills development activities**, from technical training, to courses on how to install, repair and set up Ariston Group products range, to the provision of technical documentation and an extensive archive of informative material about the Ariston range. At the same time, to provide Service Centres with further **knowledge support**, in addition to a first level of assistance that is always at their disposal through specialised call centres, the Company is working on expanding the offer with a rich service package referred to as a **“Service Bundle”**, containing troubleshooting and technical documentation that is easily available on devices. The bundle is activated during the first set up of connected products and combines **connectivity** with **extended warranty** into a single package. The package includes the **Tutoring Service**, which provides a proactive and remote **products technical support** service, exploiting connectivity and further improving the efficiency of the assistance provided. In addition to these services, the Group keeps providing listening and meeting opportunities through online and on-site Technical Committees, designed to help improve its customers' capacity to detect and address actual and potential product issues, as well as its internal capability to understand how products are perceived by stakeholders.

In addition, the Group will work on further developing the **Over-The-Air (OTA) technology**, as a service to support product assistance by remotely enabling software updates and thus making it possible to reduce the number of product's replacements. Product readiness for this technology will be extended in the upcoming months and a **technical infrastructure** to fully integrate the OTA and Tutoring Service will also be created. Finally, the Group will build on its plan to continue monitoring the **Total Cost of Ownership (TCO)** for the end user. This activity helps the Group in identifying the main underlying of ownership costs and the relative improvement areas, to favour efficiency while also looking at sustainability-related initiatives.

In terms of mid-term objectives, the Company will work towards a further enhancement of customer proximity, to achieve an integration among the different aspects that guarantees a full support of both end-consumers and professionals. The goal is to achieve a **control room** that includes all the necessary tools to improve the **speed of service**, to increase the **First Time Right %** and, in general, to ensure that an **excellent service level** is being delivered.

CONSOLIDATING CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Building on its strategy of **managing interactions with customers even more closely**, Ariston Group has implemented its CRM tool in 2022. Whilst initially the focus has been on guaranteeing the correct adoption of the tool and an effective monitoring of the KPIs defined, the Group is now looking to further structure the data collected, sorting it through carefully designed dashboards, which can provide snapshots into specific markets and **customer segments**, country by country. The goal of these structured tools is not limited to achieving a greater customer proximity, improving processes and strategic approaches and monitoring the results of specific actions. Indeed, they will also support **decision-making processes** at all levels, **standardise** such information across the business and create as well as **share best practices** across the Group.

Trustworthy quality excellence

**>85 Quality score per year
in the cumulative Group Quality Excellence Index²⁹ (GQE)**

2030 TARGET AND AMBITION

"We care about customers over time as our utmost priority, providing products and systems designed to **fulfil their expectations of comfort and efficiency** with best-in-class services". In line with our internal ambition, our Quality Mission is driven by our Vision of **gaining customers' loyalty** and enable them to **become our best promoters**.

Supporting initiatives to be achieved by 2025

Establish and roll out a **Quality Roadmap Program** to operatively execute the **necessary initiatives** of improvement according to Quality Strategy

Quality Mission to be declined in a **Quality Strategy**

HOW WE WILL GET THERE

THE GROUP'S QUALITY JOURNEY

Ariston Group **cares about customers over time as its utmost priority**, providing products and systems designed to fulfil their expectations of comfort and efficiency, with best-in-class services: this is the **Group's Quality Mission**. In a process of continuity with past and current efforts, the Group's Quality mission focuses on five core dimensions: Products and systems, Services, Customer care, Mindset and awareness and Drive by data.

On **products & systems**, the goal is to pursue market and customer proximity by means of a comprehensive product portfolio always designed to fit **customers' needs**. This will pave the way to new technologies and strategic partnerships with suppliers, which will necessitate a concerted involvement of the relevant business functions. The quality of **services** will be guaranteed by the **continuous and timely support** provided by reactive and technically competent front-end services (pre-sales, sales and after sales), in collaboration with back-end functions, which will deliver maximum responsiveness to customers. Ensuring long-term satisfaction durability is, indeed, a crucial aspect of **customer care**. In this respect, **predictive maintenance and remote support** take on a key role, as the installed park of connected devices is constantly widening. Connected products can, in fact, be constantly monitored and managed remotely. This offers an opportunity for after-sales services to increase the efficiency of interventions, saving time for both consumers and technicians, as well as cutting down on the GHG emissions associated with transport for on-site visits. In order to build the **mindset and awareness** dimension, Ariston Group is looking to disseminate a **culture of quality across the entire organisation**, with a company-wide attitude focused on continuous improvement. To achieve this, making

decisions driven by numbers, data and facts is a further ambition of the Group, which goes hand in hand with strengthening its system architecture.

Today, customer centricity lies and will continue to lie at the core of the Group's quality ambitions, guiding its future innovation and growth. In the mid to long-term leading to 2030, Ariston Group is looking to foster traceability, enabled by logistics quality monitoring and reconditioned materials quality initiatives. The Group will also set the basis for a **Quality Academy** aimed at developing new talents and competencies, ultimately looking to standardise the methods and tools adopted.

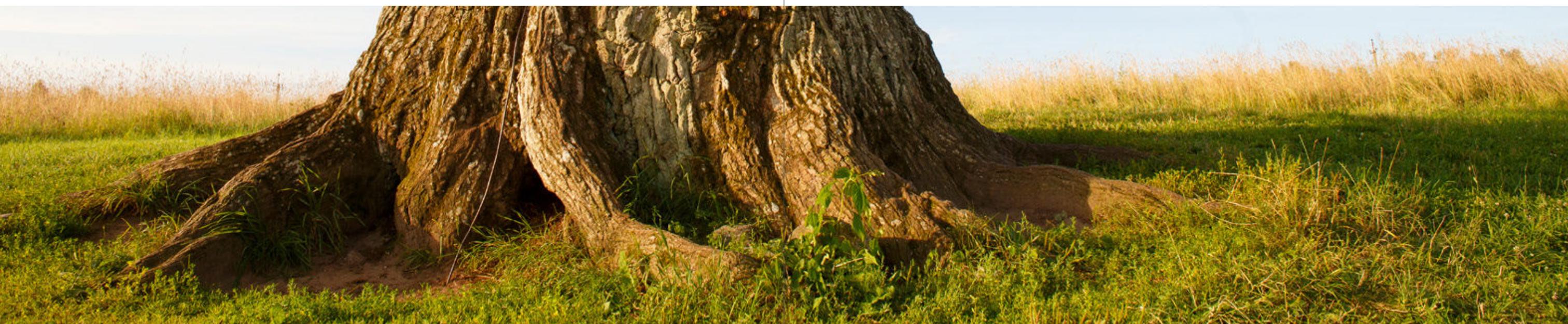




5.Governance



Creating value responsibly



Discussing Sustainable Governance with key opinion leader



Board Member and Independent Advisor
in Governance and Sustainability

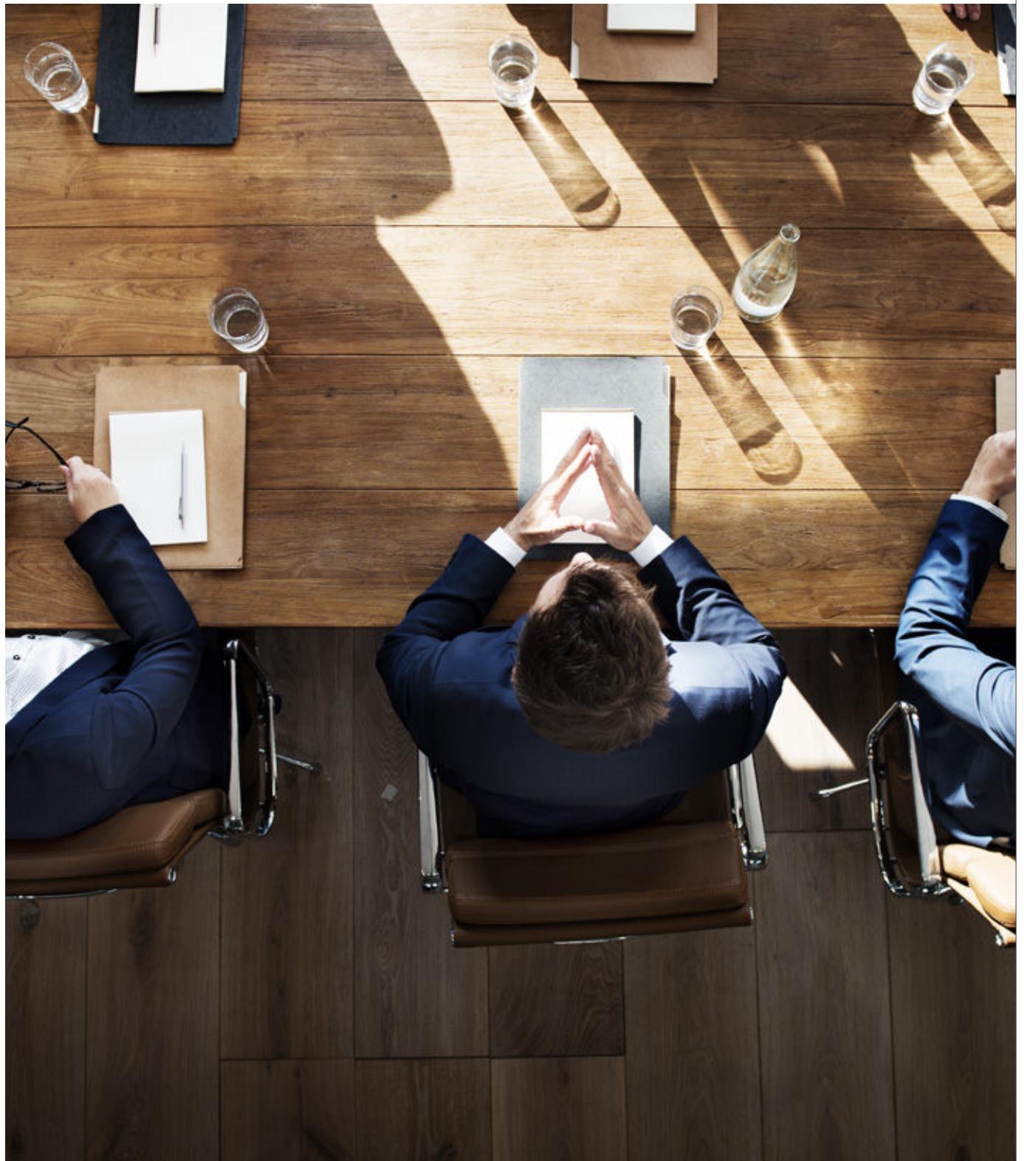
Patrizia Giangualano

Nowadays, it is no longer an option for companies not to have a structured sustainable governance in place. The integration of sustainability into the practices of companies' governance means turning the gaze to the future and to long-term changes, and the Board of Directors must be able to **address future challenges** linked to the sustainability trends. Sustainable governance therefore starts with a **solid structure** in place, guided by a Board who develops a **long-term ESG vision** to determine how a company will look like in the future, whose scenarios are full of uncertainties. Therefore, it is crucial that the Board anticipates these changes and guides the company accordingly through structured **risk management processes**, which help address sustainability-related impacts that could lead to reputational repercussions.

*Sustainable governance starts with a **solid structure** in place, guided by a Board who develops a **long-term ESG vision** to determine how a company will look like in the future.*

The success in the integration of sustainability strategies is also linked to stakeholders listening and the consequent identification of the **material topics** that are most relevant according to the company's business and the interests of its stakeholders. The material topics must be linked to emerging risks and future scenarios based on the adoption of a robust **Enterprise Risk Management (ERM) model**, which provides companies with risk-appetite frameworks that need to be constantly reviewed by management and supported by a carefully designed system of checks through **internal audits**. Audit plans are built on the basis of the priority of risks, including sustainability. In this framework, it is also important to define **roles and responsibilities** beforehand, alongside **policies** to effectively manage and respond to ESG impacts. This does not only apply for the holding company, but also for its subsidiaries.

In line with the constant evolution of regulatory and reporting standards, businesses should be guided by the objective of **preventing and mitigating ESG impacts**. However, this exercise does not only look inward at a company, and goes beyond to encompass its suppliers. This is the reason why **risk assessments in the supply chain** are becoming fundamental to understand the criticalities faced by companies within a broader perimeter. Historically, larger players have been able to work in synergy with suppliers conveying their values over time, whereas small and medium enterprises face more challenges, with their future depending on the ability of the former to share tools and best practices with them. When innovation leads the way and economic sectors transform to keep pace with change, companies must be able to get suppliers on board in order to pave the way for a full and complete transformation. Therefore, it is important to avoid negative competition and instead embrace and foster **partnerships** aimed at also achieving a successful integration of sustainability along their supply chains.



A structured risk assessment sets the basis for defining **clear-cut and forward-looking ESG strategic plans**, as targets will have to be based on the analysis of impacts generated and suffered by the business and its stakeholders. In order to implement risk-based plans and guarantee targets are reached, it is pivotal to **link management's economic compensation to the company's sustainability goals**. This applies to both short and longer-term remuneration, which should be carefully coordinated by remuneration committees prior to being evaluated by the Board, as **short-term decisions** can often be discordant with **longer-term ones**. At the same time, today, remuneration and disclosure policies linked to sustainability are key issues of concern for investors, together with the **integration of diversity** in a company's Board. Whilst progress has been made on **gender equality** thanks to recent legislation, more diversification is also needed in terms of **competencies, age and nationality**, since the presence of different, technical and specific skills and backgrounds sets the basis for fostering and strengthening the collaboration between members. It will therefore be crucial to bring the right people on board, who know how to collaborate and address change, responding to future challenges.

In this context, **committees are fundamental and should complement and work side-to-side with the Board**, especially the ESG Committee, which could bring unquestionable benefits if combined with the theme of innovation.

Finally, as sustainability is a cross-cutting topic, all committees should be strictly interlinked, to ensure ESG topics can be integrated at all levels.

All these aspects sit at the core of the European Union's agenda, the region at the forefront of sustainability integration. In fact, having contributed to industrial development and having seized the greatest benefits from the mechanisms of linear production, Europe was able to reach an important level of well-being – but also of **awareness** – about the damage to the environment and people, before



A structured risk assessment sets the basis for defining clear-cut and forward-looking **ESG strategic plans**, as targets will have to be based on the analysis of impacts generated and suffered by the business and its stakeholders.



other countries or regions. This awareness brought the EU to fast-track on **sustainability-oriented policy and regulatory initiatives** that recently started including smaller businesses, since making global decisions means understanding impacts on a global scale, actions that in fact are part of a **larger and global effort** which began in 1972 with the Club of Rome. Whilst the EU is leading by example, ultimate success in this complex scenario will be made possible through a web of long-term **partnerships and collaboration amongst companies**, institutions, associations and governments at the global level.

Scenario

Sustainable Governance

According to **EU Directive** to improve gender balance on **company boards** by 2026 publicly listed companies have members of the underrepresented sex hold either at least 40% of non-executive director positions or at least 33% of all director positions, including both executive and non-executive directors³⁰

Corporate Sustainability Reporting Directive (CSRD) and the related new reporting standards developed by European **Financial Reporting Advisory Group (EFRAG)**³¹ extend reporting obligations to all large companies in the EU and set **more stringent commitments**, including improvement goals on topics such as the role and composition of the Board of Directors and Management, political involvement and risk management

In December 2020, the EU Commission presented the **EU Cybersecurity Strategy**, with the goal of strengthening Europe's resilience to cyber threats, which is currently being implemented. The Commission is drafting proposals to address both the cyber and physical resilience of critical entities and networks, namely a **Directive on measures for a high common level of cybersecurity across the Union**





Long-sighted sustainable governance



Ongoing **yearly commitments** developed to meet **high governance standards** on ESG

The Group's approach of strengthening its environmental, social and governance responsibilities follows the line of **continuous improvement towards an increasingly structured and solid sustainable governance**. While long-term attention will be directed to **consolidating an external stakeholder engagement strategy** and broadening its sphere of public policy influence, in the short-term, Ariston Group is committed to continuing to **develop policies, strategies and tools** related to diversity, remuneration, risk management, tax strategy and business conduct.

Supporting initiatives to be achieved by 2025

At least
33%

female among Ariston Group
Board members
(18% in 2022)

Risk and Crisis
Management enhancement

Codes of Business Conduct continuous improvement:
Code of Ethics, corruption and bribery, human rights

Tax Strategy strengthening

ESG RISK MANAGEMENT

HOW WE WILL GET THERE

Ariston Group embraces the current shift towards the integration of an **ESG risk assessment culture**, through the **identification, prevention and monitoring** of actual and potential impacts on the economy, the environment and people. The Group has built its ESG impacts mapping exercise in line with the requirements defined by common reporting standards, such as the Global Reporting Initiative (GRI)³² and the proposed **Corporate Sustainability Due Diligence Directive (CSDD)**. Along this line, it has started engaging the integration of **ESG risks** into the existing **Enterprise Risk Management (ERM) process**, ensuring that these risks – which may bear operational, economic and regulatory repercussions at a global level – are included in the Company's broader risk portfolio with a respective priority level, inherent versus the residual risk rating and **mitigation actions**.

STRENGTHENING OUR SUSTAINABILITY GOVERNANCE MODEL

On the basis of its vision towards building an **even more solid ESG governance**, the Group is gearing up for strengthening its current structure. So far, the path taken has led to the definition of three levels of responsibility for sustainability-related topics: an **ESG Committee** at the Board of Directors level, an **ESG Council** at the Group Management level and a dedicated **ESG Department**. The ambition is to continue acting across a range of different aspects including diversity, compensation and training amongst the Board of Directors and executive management. With regards to diversity, on October 28 2021, the Group adopted a **diversity policy** to ensuring diversity in skills, experience, education, background, nationality, gender and other characteristics of directors, when selecting new candidates for the Board. These targets will be supported by a plan aimed at driving organisational engagement and enrolment, ultimately bringing about a **cultural transformation** in the business by setting practical action items. After a first year of educational activities on Decarbonisation and Human Rights, **training initiatives on environmental, social and governance topics** will continue to be on the Company's agenda.

In line with the **rapid regulatory evolution** at the EU level, Ariston Group is and will continue working towards the close integration of current and emerging sustainability-related issues, both in terms of its conduct, as well as in relation to operations. The Group's approach and implementation will be continuously reflected in the **Code of Ethics**, a dynamic document, subject to periodical updates to internalise trends and rapidly evolving requirements, showing the Company's desire to constantly renew itself with the **ambition to continue to improve and grow**.

AN ALL-ENCOMPASSING BUSINESS CONTINUITY PLAN (BCP)

In line with the Company's listing and regulatory context, action plans have been launched to **further strengthen Ariston Group's risk management and control systems**. More specifically, and as part of the Board of Directors' responsibilities, a Business Continuity Plan (BCP) was defined in order to identify, measure, monitor and verify, on a yearly basis, the **risks linked to the Company's business continuity** (e.g. risks arising out of extreme natural events, raw materials scarcity, cyber-attacks affecting business operations). The plan enables the definition of **procedures** that guide the Group in responding to, recovering from and restoring activities to pre-defined levels following interruptions, defining resources, services and activities required to ensure continuity of critical organisational functions. Whilst the Business Continuity Plan has already been implemented for **all key production facilities based in Italy**, Ariston Group is looking to expand it in the short-term to the **rest of its key plants at a global level**, in order to outline specific risks and identify tailored remediation plans.

*The Group's approach will be continuously reflected in the **Code of Ethics**, a dynamic document showing the Company's desire to constantly renew itself.*



HUMAN RIGHTS DUE DILIGENCE

With the Corporate Sustainability Due Diligence Directive (CSDD) proposal in Europe likely to be adopted as law, it will be necessary for companies to focus on aligning long-term business operational and governance procedures with human rights and environmental considerations. In this context, the Group is already working towards the implementation of an all-encompassing human rights due diligence. Whilst **human rights** have already been recognised as a pivotal dimension for the Company, both in the **Code of Ethics** and in its long-standing **corporate values**, the organisation has decided to take a further step in order to enhance the management of this issue: the perimeter focuses on the human rights impacts generated within the Group's operations at a global level and the assessment will also be extended to the supply chain.



ITC SECURITY MODEL AND 360 DIGITAL TRANSFORMATION

Ariston Group will continue to work towards an all-encompassing **digital transformation plan** that involves the **whole organisation** across its processes, activities and services. The Digital function is continuously exploring new opportunities to further **digitalise operations, support functions** across the Group (e.g. HR, supply chain, finance). Examples include the roll-out of its **Customer Relationship Management (CRM)** tool to manage interactions with customers even more closely or the **Product Lifecycle Management (PLM)**, that will be implemented to manage the entire lifecycle of a product, from design to obsolescence. Closely in line with its digital transformation journey, the Group is currently in the process of building a comprehensive model to **evolve its cybersecurity approach**, in light of newly emerging threats, to make its architecture more resilient to cyber-attacks. The Company developed a **three-year strategy** based on a **predictive approach**, analysing past events to gain insights and transforming these insights into action. The strategy is also based on a **preventive and proactive security approach** aimed at analysing current events to avoid unknown threats. Ultimately, **empowering and training employees** is crucial in order to minimise risks. The Group, in fact, is determined to continue providing them with the tools and knowledge they need to play an active role in **minimising threats**. Based on this plan, the Group is looking to explore and invest in new solutions and tools to make this process as effective as possible and to fully prevent cyber-attacks.

*Ariston Group is currently in the process of **building a comprehensive model** to evolve its **cybersecurity approach**, in light of newly emerging threats, to make its architecture **more resilient** to cyber-attacks.*

TOWARDS A COHESIVE GROUP TAX POLICY

Given the importance the business attributes to having a **clear-cut** tax strategy which fosters transparency and contributes to the Company's reputational, economic and social well-being, 2022 saw the birth of the **Group's Tax Strategy**. The strategy sets out to define the Company's approach to taxation, including purposes and principles, and its relative governance structure, in terms of management roles and responsibilities. In line with the applicable Non-Financial Reporting standards and legislative obligations, it is essential for companies to manage and mitigate tax risks, on an ongoing basis, implemented by means of a **Tax Risk Control Matrix**, and have appropriate **monitoring mechanisms** in place. These topics are outlined in the **Tax Control Framework (TCF)**, which aims to identify roles and responsibilities entrusted to the **Tax Risk Officer (TRO)**. Amongst the key tasks, the TRO updates risks and controls incorporated in the matrix, verifies the adequacy of control mechanisms and guarantees the efficiency of the internal control system. Whilst the Tax Control Framework has been approved for the Ariston Holding S.p.A. Company, the Group aims to implement it in its operations across the globe.

Notes

Solutions

- 1 Eurostat (2022): Energy consumption in households
- 2 IEA (2020): Roadmap to Net-Zero 2050
- 3 IEA (2022): Renewables 2022: Analysis and forecast to 2027
- 4 IEA (2022): The future of heat pumps
- 5 IEA (2017): Digitalisation and Energy
- 6 To estimate avoided emissions, the Group assumes that efficient product categories are going to gradually replace products with lower efficiency in the installed park, whose average efficiency has been internally assessed. Technological developments that lack visibility have not been considered. The emissions avoided have been calculated assuming an average expected lifetime of the products of 15 years and considering emissions across their entire lifecycle. The estimation of sales projections of the product categories in scope is based on the forecasts from the Group's Strategy Master Plan. Assumptions on average emission factors kgCO₂/kWh are kept constant until 2030 and defined specifically for macro-region and energy type.
- 7 Including Balkans, Switzerland, United Kingdom, Israel, Norway, Ukraine. Excluding Russia.
- 8 The perimeter considered refers to revenues generated in Europe (Including Balkans, Switzerland, United Kingdom, Israel, Norway, Ukraine. Excluding Russia), for both domestic and commercial heating and for water heating products. Renewable technologies refer to heating heat pumps, heat pump water heaters and solar water heaters. Fossil products includes boilers and gas water heaters (both storage and instantaneous). Electric water heaters, air conditioning, accessories and cylinders are excluded from the calculation. The KPI percentage is calculated as the weight of renewable technologies on the sum of renewable technologies and fossil products.
- 9 Demand Response (DR) is a service to the grid based on increases or reduction of the energy consumption of multiple assets (e.g. water heaters), in response to peaks in energy supply or demand. Such technology applies to electric storage water heaters (ESWH).
- 10 A Home Energy Management (HEM) system autonomously monitors, controls and optimises energy flows within the home, in order to minimise customers' energy costs while meeting their preferences (such as comfort, EV use, carbon emission, etc.). Such technology applies to ESWH.

Operations

- 11 European Commission (2020): European Green Deal
- 12 European Commission (2022): REPowerEU:
A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition
- 13 European Commission (2022): Renewable energy targets
- 14 European Commission (2022):
Commission moves to ban products made with forced labour on the EU market
- 15 World Bank Group (2020): Minerals for Climate Action
- 16 Ellen MacArthur Foundation (2021): The circular economy in detail

People & Communities

- 17 World Economic Forum (2022): Global Gender Gap Report 2022
- 18 LinkedIn (2022): Workplace Learning Report
- 19 LinkedIn (2022): Workplace Learning Report
- 20 Forbes (2019): What workers value: Training gains on compensation in importance
- 21 WHO/ILO (2021): Almost 2 million people die from work-related causes each year
- 22 Harvard Business Review (2011)
- 23 European Commission (2020): A new Circular Economy Action Plan for a cleaner and more competitive Europe

Customers

- 24 Home Appliance World (2014): New purchasing processes: from pre-sales to after-sales
- 25 Statista, 2022
- 26 Tilli (2022): Putting the power in your customer's hands: The rise of the prosumer
- 27 European Commission (2020): A new Circular Economy Action Plan for a cleaner and more competitive Europe
- 28 European Commission (2022): Ecodesign for Sustainable Products
- 29 The Quality Excellence Index is a tool leveraged by Ariston Group to assess the capability of the organization to implement the Quality Roadmap. The Quality Roadmap is a plan of annual initiatives whose completion determines the attribution of a score, which will be accumulated year after year.

Governance

- 30 EU Directive 2022/2381 on improving the gender balance among directors of listed companies and related measures
- 31 European Commission (2021): Proposal for a Corporate Sustainability Reporting Directive
- 32 Global Reporting Initiative (GRI) Standards, GRI 3: Material Topics 2021

Road to 100

2030 Ariston Group ESG Plan



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