

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 million euro value added**
(2021 base year)

2030 TARGET
AND AMBITION

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

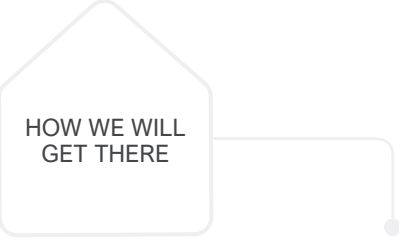
100%

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 AGECE 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

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**

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



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.

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.



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.