



Code of Conduct for Suppliers

April, 2024

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Code of Conduct for Suppliers

“Sustainable comfort for everyone” is Ariston Group’s vision, a Group that now has a leadership position in the global thermal comfort market for residential and commercial spaces.

Our commitment to energy efficiency extends beyond mere product development, incorporating a deep-rooted belief in social responsibility as well, echoing the words of our founder, Aristide Merloni: "In every industrial venture, economic success has no value unless accompanied by a commitment to social progress." In 2023, we launched our 2030 ESG strategy, dubbed the "Road to 100", outlining ambitious objectives for the Group. These goals ensure adherence to environmental stewardship principles, the generation of local wealth and socio-economic progress, promotion of open market competition, and appreciation of cultural diversity.

As part of our commitment to Environmental, Social, and Governance (ESG) efforts, we acknowledge the pivotal role that our supply chain plays in achieving our ESG objectives.

Thus, we have developed this Code of Conduct for Suppliers as a testament to our dedication to fostering a supply chain that mirrors our values of sustainability, transparency, and ethical conduct. We aim to engage and collaborate with our suppliers, collectively working towards a future where responsible business practices and environmental consciousness are at the core of our operations. Together, we strive for a world where sustainable comfort is not just a vision but a shared reality for everyone.

This document obligates the suppliers and their suppliers to meticulously adhere to and uphold all the fundamental principles articulated here, across all their global activities and sites. Suppliers are required to establish a management system and provide training to their personnel with the aim of:

- Implementing this Code of Conduct and adhering to it.
- Ensuring compliance with local and national laws and regulations.

This document is crafted in alignment with the following standards and guidelines. We expect a commitment by our suppliers to act in particular in accordance to:

Compliance with law and internationally recognized standards

- The United Nations Global Compact,
- the UN Universal Declaration of Human Rights,
- the UN Principles of Business and Human Rights,
- the OECD Guidelines for Multinational Enterprises
- the 1989 International Labor Organisation Declaration on Fundamental Principles and Rights at Work.
- ISO 14001 that is the internationally recognized standard for environmental management systems (EMS)¹
- ISO 45001 that is an international standard that specifies requirements for an occupational health and safety (OH&S) management system²

¹ It provides a framework for organizations to design, implement, and continually improve their environmental performance. By adhering to this standard, organizations can ensure they are taking proactive measures to minimize their environmental footprint, comply with relevant legal requirements, and achieve their environmental objectives. The framework encompasses various aspects, from resource usage and waste management to monitoring environmental performance and involving stakeholders in environmental commitments. Source: <https://www.iso.org/standard/60857.html>

² It provides a framework for organizations to manage risks and improve OH&S performance. The standard establishes criteria for an OH&S policy, objectives, planning, implementation, operation, auditing and review. Key elements include leadership commitment, worker participation, hazard identification and risk assessment, legal and regulatory compliance, emergency planning, incident investigation and continual improvement. Source: <https://www.iso.org/standard/63787.html>

- the Supply Chain Due Diligence Act (LkSG), including the Stockholm Convention on Persistent Organic Pollutants ("POPs Convention"), the Minamata Convention on Mercury, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal

Environment

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 and apply changes within our direct reach (Scope 1 and Scope 2), but also engaging on those factors that are particularly impactful across our value chain (Scope 3³)

The suppliers shall be obliged to comply, for all their processes, operational locations and production assets, with all the applicable local, national, regional and international environmental-protection related laws, regulations and standards, and to install a system that detects and avoids potential risks within the countries they operate.

Suppliers are in particular expected to

- that no harmful soil change, water pollution, air pollution, harmful noise emission or excessive water consumption is caused that is likely to (i) significantly impair the natural basis for the preservation and production of food, (ii) deny a person access to clean water, (iii) impede or destroy a person's access to sanitary facilities or (iv) harm a person's health and
- that no unlawful appropriation of land, forests and waters, the use of which secures a person's livelihood, takes place in the course of business activities."

Environmental protection

The suppliers shall actively strive towards mitigating potential risks to both individuals and the environment, while safeguarding natural resources and ecosystems.

The suppliers shall act on the spirit of ISO 14001 and our 2030 ESG Plan, Road to 100⁴. This includes, but is not limited to, adopting energy-efficient processes, reducing waste, and responsibly managing natural resources.

We expect those who operates as manufacturers to set up and maintain an appropriate Environmental Management System (EMS) aligned with ISO 14001 or one suitable for their respective industry.

Energy, Water and Waste.

Energy

The suppliers shall monitor its energy consumption to identify and implement potential efficiency improvements, while also increasing the procurement of renewable energy. Suppliers are advised to have available data on their direct GHG emissions of Scope 1⁵ and indirect GHG emissions of Scope 2⁶.

Water

³ Scope 3: Other indirect GHG emissions Scope 3 is an optional reporting category that allows for the treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company. Greenhouse Gas Protocol

⁴ Source: https://www.aristongroup.com/media/files/4106_Road%20to100_Ariston%20Group_compressed.pdf

⁵ Scope 1: Direct GHG emissions Direct GHG emissions occur from sources that are owned or controlled by the company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment. Greenhouse Gas Protocol

⁶ Scope 2 accounts for GHG emissions from the generation of purchased electricity² consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company. Scope 2 emissions physically occur at the facility where electricity is generated. Greenhouse Gas Protocol

The suppliers shall measure and monitor how and where the water is withdrawn, consumed, and discharged, together with the related impacts. They should commit to enhance on a more efficient use of water in their own operations by reducing water discharge and increasing treated water to be returned into the ecosystem. Moreover, suppliers are advised to have available data on their interactions with water such as water withdrawal, discharge, consumption.

Waste

The suppliers shall implement actions to prevent waste generation within plants and value chain. The suppliers are called to minimize aiming to zero the waste directed to landfill. Moreover, we suggest they follow the 5R methodology, so that waste reduction projects are prioritized by: Rejecting the unnecessary; Reducing waste production; Recycling materials and components; Reusing components; Revalorizing by prioritising incineration with energy recovery when it comes to disposal operations and assessing available technology to treat non-recyclable materials.

Any water or waste discharge that may represent harm to humans or environment shall be managed, monitored, quantified and treated before being released into the environment. Finally, suppliers are advised to have available data on their waste generation and related impacts, amount of waste diverted from or directed to disposal.

Substances of Concerns and Conflict Minerals.

Ariston Group holds a strong commitment to material compliance, and we expect our suppliers and suppliers to adhere to the regulations governing substance prohibitions, restrictions, declaration requirements, and applicable standards. To uphold transparency and accountability, Ariston Group reports to government agencies regarding Conflict Minerals and Substances of Concerns.

Our dedication to responsible sourcing extends to:

- Avoiding the use of minerals associated with human rights abuses. This commitment encompasses Conflict Minerals, specifically tin, tungsten, tantalum, and gold (3TG), sourced from conflict-affected and high-risk areas. Ariston Group actively engages in tracing the origins of Conflict Minerals present in products manufactured or contracted by the Group.
- Limiting the use of potentially hazardous substances and promoting their substitution wherever possible

The supplier shall comply with all applicable laws and the resulting obligations regarding the procurement of minerals and materials from conflict regions and high-risk regions that may contribute to human rights violations, corruption, the financing of armed groups or similar negative effects.

Collaboration between suppliers and the Group will be paramount in achieving the aforementioned goals related to substances of concern and conflict minerals. In the initial stage, suppliers are expected to contribute by improving traceability of the substances and materials they supply us with and providing transparent data on material composition and origin.

As our relationship progresses, collaboration will evolve to actively working together to replace these elements, ensuring compliance with current and future norms while upholding responsible sourcing, both environmental and social, practices.

Increasing Circular Opportunities in Materials and Process.

We aim to collaborate with our suppliers in rethinking the system, towards broader and simpler recycling, repair, reuse and remanufacturing practices, thereby advancing towards a circular approach. Together, we aim to identify synergies that facilitate the closure of the loop in our product lifecycle.

We recognize that suppliers play a pivotal role in this circular journey, beginning with the need to possess comprehensive data on their materials and those procured from their own suppliers. Suppliers shall have readily available information on material compositions, the presence of recycled content, and an understanding of recyclability levels on what Ariston Group purchase from them. Especially on recycled materials, we aim to receive a third party certification to prove the stated nature of that material. Additionally, suppliers shall minimize packaging, tailoring it to the volume and size of the products they provide, and increase recycled content and recyclability percentage of their products.

The goal is to streamline the handling of increasingly specific data, making it more accessible also for our customer, to identify inefficiencies and collectively enhance our processes.

Social

Ariston Group places a significant emphasis on social responsibility within its supply chain, extending the principles outlined in its Human Rights Policy⁷ to all suppliers and individuals under the purview of this policy. The Company expects strict compliance with the principles articulated in its Human Rights Policy, or an equivalent commitment expressed through an own Policy that aligns with or exceeds the standards set forth in Group's policy, as an essential foundation for establishing enduring partnerships with Ariston Group.

The requirements set forth in the Human Rights Policy serve as a benchmark for evaluating the suitability of suppliers and partners. Ariston Group is dedicated to ensuring that all entities associated with its operations uphold these fundamental principles, promoting a fair, just, and humane business environment.

Finally, in line with our strategic plan, "Road to 100", suppliers are expected to embrace our principles and act as enablers of social development. This entails becoming employers that create sustainable working environments by not only respecting human rights but also fostering employees' skills development, growth, and embracing diversity and inclusion. Suppliers should actively contribute to the growth of local communities, positioning themselves as responsible activators of growth and enablers for social development.

Prohibition of child labor

The suppliers shall not employ children younger than the legal minimum employment age in the respective country or legal system. Nevertheless, the suppliers shall only employ children from the age of 15, regardless of local regulations.

Employees under the age of 18 are entitled to special protection and may only be employed in accordance with the respective legal requirements in the country of employment. This means that no work shall be carried out that is classified as risky under ILO Convention 182.

Prohibition of forced labor

The suppliers shall not use forced labor, bonded labor, serfdom, compulsory labor, or other modern forms of slavery. All work of the employees shall always be done voluntarily. Trafficking in human beings shall not be used or contributed to.

⁷ Human Right Policy: https://www.aristongroup.com/media/files/4418_Human%20Rights%20Policy_Ariston%20Group.pdf

Employees shall not be deprived of ID cards or other working papers in order to keep them employed.

Furthermore, no psychological or physical constraints shall be exercised nor any form of harassment, any physical, verbal, sexual or psychological abuse, any threats or intimidation in the workplace and in the interactions with the value chain, with special attention to harassments and abuses related to gender and sexual orientation.

Anti-discrimination

Suppliers shall neither discriminate their employees in recruitment, promotion, remuneration, collection of performance, or other working conditions on the basis of their skin color, race, nationality, ethnical or political affiliation, social origin, disability, sexual orientation and identity, religious beliefs, nor gender or age.

Any incidents to this regard shall not be tolerated or promoted by the suppliers. Particular attention shall be paid to psychological hardship, sexual harassment or discrimination, coercion, threats, abuse or exploitation of a predicament.

Freedom of assembly, association and collective bargain

The suppliers shall allow that their employees have the free choice to join or refrain from joining a trade union or employee representation of their choice without threat, intimidation, or other influence. To this regard, the suppliers shall respect legal provisions and conduct collective bargaining or participate in accordance with local conditions. The suppliers shall neither favor nor disadvantage employees in employee organizations or trade unions.

Remuneration and working hours

The suppliers shall comply with the working time regulations of the respective country. If there are no national legal regulations on working hours, the international standards of the ILO apply. They shall pay an appropriate remuneration and comply with all applicable pay and remuneration provisions. In particular, the suppliers shall pay the employees on time and inform them comprehensibly and unambiguously about the basis according to which they are paid. In addition, the provisions on minimum wages in force in the countries concerned shall strictly be adhered to.

Health and safety at work

The suppliers shall be obliged to comply with the respectively applicable health and occupational safety regulations and to ensure a safe and health-promoting working environment. The aim is to preserve the safety and health of employees, prevent accidents that can lead to injuries or failures, and protect third parties.

In addition, training courses shall be offered which ensure that their employees are trained and informed about these topics.

The suppliers shall be obliged to set up an appropriate health and occupational safety management system, to constantly check it, and to apply it in an appropriate manner.

The use of security forces must not lead to a violation of the prohibition of torture and cruel, inhuman or degrading treatment, the violation of life and limb or the freedom of association and union.

Right to Privacy

The Suppliers shall be obliged to respect the confidentiality and right to privacy of their stakeholders and are committed to the correct use of the information and data they receives, especially regarding personal data. Suppliers shall minimize the collection of sensitive information and shall adopt adequate security and organizational measures to guarantee the safety of collected data.

Freedom of thought, opinion and expression

The Suppliers shall recognize and respect the freedom of an individual to hold or consider a fact, viewpoint or thought independently of the viewpoints of others and the right to a free expression of one's opinion. They shall not restrict in any way the freedom of opinion or religion of employees and shall encourage open discussion.

Grievance

Suppliers are also required to establish a grievance mechanism, ensuring that individuals within their operations have a channel to voice concerns and seek resolution.

Governance

For several years, Ariston Group has been dedicated to nurturing an ethical culture with the aim of attaining the highest standards in responsibility and business integrity. When choosing suppliers or service providers, the Group goes beyond seeking a mere source of goods or services. It endeavors to establish relationships founded on trust with suppliers who not only comprehend but also endorse the same values and ethical principles upheld by Ariston Group.

Anti-corruption and bribery

The suppliers shall comply with all national and international anti-corruption laws and other regulations applicable to them. In particular, they shall not tolerate any form of corruption or bribery, either directly or indirectly. They shall not grant, offer, or promise benefits to influence actions or gain an unfair advantage. This shall also include the waiver or acceptance or granting of acceleration payments, or other advantages granted to public officials for decisions which do not allow for margin of discretion, a gift or entertainment of an amount larger than a token value.

Free competition

The suppliers shall comply with competition and antitrust laws applicable to them. They shall also act in accordance with international competition laws and national competition laws and shall not participate in price agreements, market or customer sharing, market agreements, or bid agreements.

Foreign trades legal requirements

The suppliers shall comply with all export control and customs regulations applicable to them. This shall also include export controls and sanctions which are defined on the basis of contractual regulations.

Money laundering

The suppliers shall undertake to comply with all applicable laws and regulations to combat money laundering. Therefore, they shall neither directly nor indirectly promote money laundering or terrorism financing.

Conflicts of interest

The suppliers shall avoid conflicts of interest that involve a personal or financial interest, business or personal actions or relationships, a previous or current employment relationship, due to which the possibility of an objective decision is impaired or may be impaired. Should there be a risk of a conflict of interest on the part of the suppliers, the suppliers shall submit this to the customer without being asked to do so in order to avoid the appearance of an interest.

These conflicts of interest shall include relationships with relatives, or persons related by marriage, partnerships or marriages, or investments.

Data Protection and Cybersecurity

The suppliers shall adopt adequate security and organizational measures in order to maintain the safety of data, in compliance with the Data Protection Manual and related procedure adopted by Ariston Group.

The suppliers shall strive to build a robust and resilient cyber defense mechanism, while increasing Security awareness through internal trainings.

Business Continuity Plan

The suppliers shall strive to implement robust business continuity plans to ensure the seamless operation of their businesses, as well as the continuity of their engagements with Ariston Group. This involves the establishment of comprehensive programs designed to mitigate risks and promptly address potential disruptions. These plans should encompass strategies for maintaining essential operations, safeguarding critical assets, and effectively managing crises. By proactively putting in place such measures, suppliers not only ensure the continuity of their own operations but also contribute to the reliability and resilience of the business relationship with Ariston Group.

Trade secrets

All information obtained in the context of the business relationship shall be treated confidentially and kept strictly confidential. They shall be protected against unauthorized access by third parties in the same way as own trade secrets are protected.

Intellectual property rights and know-how of third parties shall be respected.

Supply Chain

As Ariston Group is both a European and global entity, we are obligated to adhere to local obligations and standards, as well as to the evolving landscape of global sustainability directives. Consequently, we expect our suppliers to provide us with the needed information and eventually tools for us to be compliant with laws and obligations that we are called to respect.

In the event of a breach of the above-mentioned human rights and environmental expectations, Ariston Group and the supplier undertake to put an immediate end to the breach. If an immediate cessation of the violation is not possible, Ariston Group and the supplier shall take immediate remedial action. The supplier undertakes to cooperate with Ariston Group in the development and implementation of concepts for the termination and minimization of violations. The right to extraordinary termination of the business relationship remains unaffected by this.

If the supplier becomes aware of a breach, it must inform Ariston Group immediately and provide Ariston Group with the necessary information.

If Ariston Group assumes on the basis of credible information that the supplier does not or insufficiently fulfill the above-mentioned human rights or environmental expectations, Ariston Group is entitled to inspect the business premises and production facilities on site and to inspect the business records. The inspection shall be limited to compliance with human rights and environmental expectations. At the supplier's request, the audit shall be carried out by a neutral auditing company on behalf of Ariston Group. Alternatively, Ariston Group may request mandatory certification in accordance with recognized standards, provided that the certification covers human rights and environmental risks. Appropriate measures taken by the supplier to protect business and trade secrets shall remain unaffected.

The supplier shall ensure that its employees have unrestricted access to the complaints procedure set up at Ariston Group. The supplier undertakes to pass on information on the complaints procedure to its suppliers.

Ariston Group shall be entitled to terminate the business relationship immediately for good cause ("serious breach"). Important reasons include in particular:

- breach by the supplier of its obligations arising from this Code of Conduct without the respective defect having been remedied immediately after notification by Ariston Group;
- Suspension of payment by the supplier, application for insolvency of the supplier's assets or opening of insolvency proceedings.

Controls and complaint management

Ariston Group reserves the right to check compliance with the requirements of this Code of Conduct at any time.

Employees of the supplier or also third parties may contact Ariston Group at any time to report violations of the Code of Conduct for Suppliers.

All that is not explicitly mentioned here but is present in the Code of Ethics⁸, which the supplier is nevertheless subject to agree to, is to be considered valid and applicable.

By signing this Code of Conduct for Suppliers, we confirm that all requirements have been understood and adhered to by us. Should difficulties arise, we will approach Ariston Group unsolicited.

⁸ Code of Ethics: <https://investor.aristongroup.com/en/home/codice-etico.html>