



Sustainable Procurement Policy

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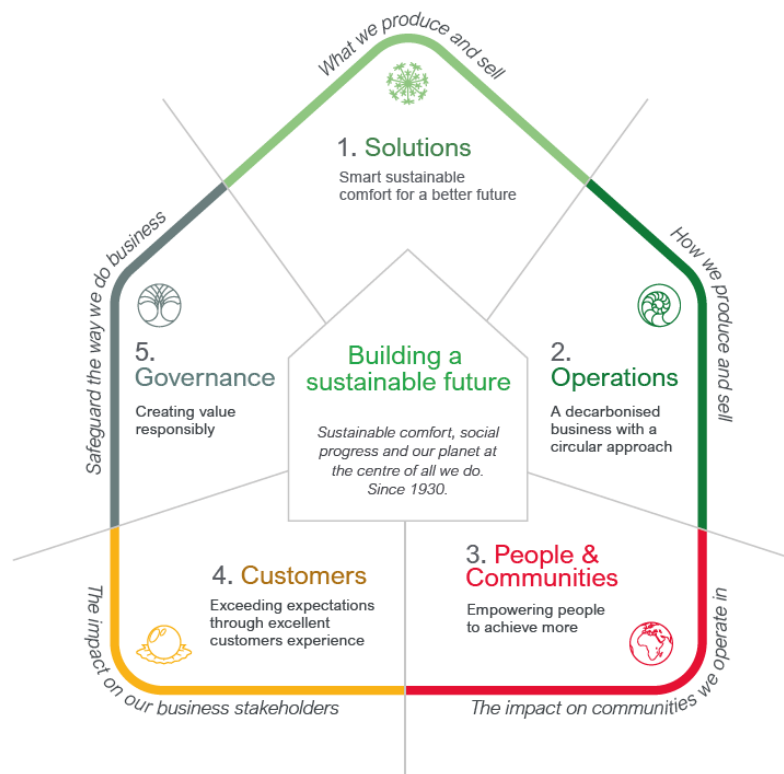
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Ariston Group in a few words & our “Road to 100” plan

“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." The Group is focused on ensuring the greatest comfort at the lowest energy cost, providing worldwide access to the most efficient technologies.

In 2023, we launched our 2030 ESG plan, "Road to 100", ¹outlining ambitious objectives for the Group and strengthening the Company’s commitments, embedded in its DNA since its very foundation. The plan set the foundation to guide the group towards the 100th anniversary of its foundation while ensuring adherence to environmental stewardship principles, the generation of local wealth and socio-economic progress, promotion of open market competition, and appreciation of cultural diversity. 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. The five engagement areas that define the key pillars on which Ariston has set its ESG strategical direction include **solutions, operations, customers, people & communities** and finally, **sustainable governance**.



As part of our commitment, within Operations pillar, we acknowledge the pivotal role that our supply chain plays in achieving our ESG objectives. Indeed, one of our pledges is to have a Responsible Supply Chain. We are aware that as part of our ESG efforts, we must take into consideration the environmental and social performance of our supply chain.

Thus, we have developed the herein Sustainable Procurement policy to involve our suppliers in our journey

¹ Source: https://www.aristongroup.com/media/files/4106_Road%20to100_Ariston%20Group_compressed.pdf

toward sustainability.

This policy extends the principles of our Code of Ethics and Code of Conduct, Product Regulations and Laws and set clear guidelines and expected behaviors throughout our supply chain, ensuring adherence to standards of compliance, business ethics, human rights, health and safety regulations, environmental and biodiversity conservation, quality assurance, business continuity, and confidentiality.

By collaborating closely with our suppliers, we anticipate making a significant contribution to society and the planet. We rely on the full engagement of all our partners to help us fulfill the commitments outlined in this policy and to ensure that the products and services the Group procures come from Suppliers acting in accordance with its Sustainable Procurement Policy (“Policy”).

Procurement department in Ariston Group

“We are committed to establishing a relationship with our suppliers to ensure a continuous and collaborative improvement of Environmental, Social and Governance performance to the highest global standard. We especially aim at ensuring that environmental protection and respect for human rights are values protected throughout all our value chain”.

Ariston Group’s Sustainable Procurement Vision

The Procurement function at Ariston Group is centralized and serves all departments transversally. The Group Procurement is led by the Head of Procurement who reports to the Chief Operating Officer.

To the Head of Procurement reports directly:

- The Procurement Sourcing Leaders, whose responsibility is divided between Heating, Water Heating and Indirect and Finished Goods. The Procurement Sourcing Leaders are supported by Global Category Buyers, whose responsibility is to promote and lead the strategic negotiation with Group Suppliers;
- The Supply Managers, who act as mediators between Procurement Department and R&D Department and whose responsibility is divided between Heating and Water Heating business units;
- The Procurement Area Leaders, responsible for local management of Procurement activities.

All Head of Procurement’s direct reports are involved in defining the principles of Ariston Group’s Sustainable Procurement Policy together with the Procurement & Manufacturing Processes Excellence team and the Group Environment, Social and Governance team.

All Procurement employees receive robust and comprehensive training on Sustainable Procurement.

Objectives

Program Goal

As part of our Road to 100 Plan, we do have ambitious goals to achieve that, in summary, encompass:

- GHG emissions reduction, -42% Scope 1² and Scope 2³ absolute GHG emissions and at least -50% Scope 3⁴ GHG emissions per million-Euro value added;
- A more efficient Resources productivity and in an implementation of a more Circular approach for the packaging and the products themselves. The former comes alive with our Sustainable Packaging definition that highlights the proactive approach to actively researching alternative solutions to our current packaging in order to decrease our environmental impact. On the contrary, the latter is to introduce recycled and recyclable materials in our products, minimizing use of concerning substances;
- Support of the development and well-being of its employees and the communities in which the Group operates, always placing the respect for Human Rights as a central priority.

The journey will not be simple, nor Ariston Group can achieve it all alone – We do rely on our suppliers as active players to drive change. For these reasons, we have set 2030 goals and mid-term milestones by 2025 to be reached that involve our supply chain.

Long-term targets by 2030

“Align 100% of our strategic suppliers with our ESG journey.”

Aligning suppliers with our ESG plan is vital as it ensures that our entire supply chain adheres to the same ethical and sustainability standards, promoting consistency and accountability across all operations. To achieve the target, the Group will look at its suppliers through the ESG lens, with the aim of minimizing 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 the requirements here in the Policy to continue the ongoing or start the commercial relationship; moreover it will include clauses in purchasing contracts, driving strategic suppliers to align to sustainability parameters. To ensure the ongoing alignment and monitor progresses, the Group asks its strategic suppliers to perform a yearly ESG assessment. This will allow Ariston Group to have a solid evaluation architecture and outline specific improvement strategies, action plans as well as risks, subject to continuous monitoring.

Medium-term milestones by 2025

To ensure that we will successfully reach 2030 targets, we have set 2025 milestones that will help us driving the change.

- 50% of strategic suppliers assessed on ESG performance by 2025. >80% of strategic suppliers assessed by 2026.
- >80% of products and services purchased from local⁵ suppliers.

² 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

³ 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

⁴ 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

⁵ *In the same country of the Group legal entity they are supplying.

Firstly, we aim to assess the ESG performance of 50% of our strategic suppliers. This assessment is crucial as it allows us to evaluate the sustainability practices of our suppliers, identify risks as well as areas for improvement. By assessing ESG performance, we will prioritize partnerships with suppliers who demonstrate a strong commitment to ethical and sustainable practices, thereby enhancing the overall sustainability of our supply chain.

Additionally, by 2025, we aim to procure over 80% of our products and services from local suppliers. Supporting local suppliers is integral to our ESG journey as it promotes economic growth, fosters community development, and mitigates the risk of supply interruption. By sourcing locally, we not only contribute to the resilience of local economies but also strengthen relationships with suppliers who share our values and commitment to sustainability. This strategy carries positive financial consequences by reducing inbound logistics expenses, minimizing customs tariffs. Moreover, decreasing long-distance transportation further aids the environment, notably by reducing CO2 emissions.

Together, these milestones underscore our dedication to integrating ESG considerations into our procurement decisions and fostering partnerships that drive positive social, environmental, and economic impacts. Through proactive engagement with our suppliers and a focus on local sourcing, we strive to create a more sustainable and resilient supply chain for the benefit of all stakeholders involved.

Responsible Procurement requirements

This Policy will serve as a tool to promote sustainable procurement practices. It is applicable to all stakeholders in the Group's supply chain. The requirements herein presented will be developed in the main three areas of ESG:

- E as Environmental. This will cover our areas of engagements of Solutions but mainly Operations;
- S as Social. This will cover Customers but mainly People and Communities;
- G as Governance. This will cover the area of engagement of Governance

Because we understand that the effort outlined in this policy could result into varying degrees of challenges for the suppliers based on their size and scale of operations, we have defined different levels of commitments.

Suppliers **must meet the minimum requirements** set forth in this Policy to engage in business with Ariston Group. Additionally, Ariston Group encourages suppliers to **embrace preferred practices** that are believed to enhance its supply chains. Collaboration with suppliers is valued, and Ariston Group is committed to assisting them in adopting these preferred practices. Preferred practices are expected to be met especially by medium and large companies. The latter will be rated through a yearly assessment that will evaluate the ESG performance. The responsible buyer will reach out to these suppliers to confirm their designation as such.

In cases where suppliers fail to meet the minimum requirements outlined in this Policy, Ariston Group may provide assistance to bring them into compliance. If such efforts are unsuccessful, or if the supplier refuses to comply, Ariston Group will reconsider its relationship with the supplier, which may include termination. During this assessment, Ariston Group will consider potential impacts, including environmental, social, and economic factors.

Suppliers are obligated to adhere to this Policy and are expected to disseminate its requirements to their own suppliers, extending compliance throughout the supply chain to the Point of Origin. Furthermore, suppliers must promptly notify Ariston Group of any events, issues, or emergencies that could disrupt or impact Ariston Group's operations.

Suppliers must comply with all relevant national, regional, and local laws and regulations in the countries or regions where they operate. In the absence of specific definitions, suppliers are encouraged to uphold international norms.

Environmental

- Environmental protection

- Minimum requirements
 - Suppliers are obliged to comply, for all their products, processes, operational locations and production assets, with all the applicable environmental protection related laws, regulations and standards;
 - Suppliers must operate in the spirit of ISO 14001⁶ and the principles of our “Road to 100” plan for what concerns environmental protection and a more efficient use of energy, minimizing waste and water;
 - Suppliers, in proportion to the size and breadth of their business activities, are expected to implement an Environmental Management System (EMS) appropriate to the size and scope of their business operations. This system is intended to ensure compliance with environmental regulations and minimize adverse environmental effects
- Preferred practices
 - It is highly valued by the Group those suppliers that install a system that automatically and systematically detects and avoids potential risks on their products and/or services within the countries they operate
 - Suppliers are advised to obtain ISO 14001 certification or similar relevant certifications, standards or scheme
 - Suppliers shall strive to define and create a written Environmental policy
 - Suppliers shall strive to include, in their Environmental policy, air emission control
 - Suppliers shall have clear and specific targets of GHG emissions reduction
 - Suppliers shall make the best effort to identify, monitor and mitigate potential biodiversity risks or opportunities directly or indirectly linked with supplier’s activity (e.g. deforestation).

- Energy

- Minimum requirements
 - Suppliers are required to monitor their energy consumption, identify and implement potential efficiency improvements, while trying to minimize energy consumption and striving to increase the procurement of renewable energy
 - Suppliers, in proportion to the size and breadth of their business activities, are expected to demonstrate transparency and readiness by openly sharing and maintaining readily available data on their direct GHG emissions of Scope 1 and indirect GHG emissions of Scope 2
- Preferred practices

⁶ 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>

- Suppliers shall strive to obtain the certification ISO 50001⁷ or similar, of their Environmental Management System (EMS)
- Suppliers shall strive to define and create a written Energy management policy, to eventually be included within their Environmental policy
- Suppliers shall strive to be committed to SBTi⁷

- *Water*

- Minimum requirements
 - Suppliers are expected to commit in enhancing on a more efficient use of water in their own operations
 - Suppliers are expected to reducing water discharge and increasing treated water to be returned into the ecosystem
- Preferred practices
 - Suppliers shall monitor how and where the water is withdrawn, consumed and discharged, together with the related impacts.
 - Suppliers shall maintain readily available data on their interactions with water such as water withdrawal, discharge, consumption

- *Waste*

- Minimum requirements
 - Suppliers are required to minimize the waste directed to landfill according to the applicable laws
 - Suppliers who generate any water or waste discharge that represent harm to humans or environment must manage, monitor and treat it before being released into the environment
- Preferred practices
 - Suppliers shall implement actions to prevent waste generation within plants, operations, and value chain. They are advised to use the 5R methodology to address the waste management: Rejecting the unnecessary, Reducing waste production, Recycling materials and components, Reusing components, Revalorizing by prioritizing incineration with energy recovery when it comes to disposal operations and assessing available technology to treat non-recyclable materials
 - Suppliers shall strive to quantify the waste generated and to have data readily available
 - Suppliers shall strive to define and create a written Waste management policy
 - Suppliers shall have implemented a traceability process for the company's own e-waste
 - Suppliers will have to aim to zero the waste directed to landfill and to develop additional procedures to accelerate the elimination of waste to landfill

- *Substances of Concerns and Conflict Minerals*

- Minimum requirements
 - Suppliers are required to attain comprehensive knowledge of the origins of the products and services they provide us. This entails implementing effective management systems aimed at identifying and tracing the sources of their offerings

⁷ <https://sciencebasedtargets.org/>

- with the relative proof of evidence
- Suppliers are asked to gain a complete understanding of the presence and the concentration of Substances of Concerns ⁸in the products they supply us with, sharing information anytime is required
- Preferred practices
 - Suppliers shall strive to limit the use of potentially hazardous substances and promote their substitution wherever possible.
 - Suppliers shall actively engage with their own suppliers as well to promote sourcing from responsible and ethical sources.
 - Suppliers shall try to trace back the origin, with relative evidence, until the very first Point of Origin meaning that, if they have acquired the product from others and the latter have done the same, they will need to trace it back to the very first supplier.
 - Open and proactive collaboration between the Group and the suppliers to work together to replace these substances
- *Circular Opportunities in Materials and Processes*
 - Minimum requirements
 - Suppliers are expected to maintain readily available data on their materials composition, presence of recycled content, understanding of recyclability levels on what Ariston Group purchase from them
 - Suppliers must avoid, in relation to the packaging, plastic whenever possible and progressively increase the percentage of recycled plastic to more than 35% by 2030
 - Suppliers are asked to provide a third-party certification to prove the presence of recycled materials within the materials they supply us with
 - Preferred practices
 - Suppliers are advised to perform a Life-cycle assessment (LCA) and a Carbon footprint study on their key products.
 - Suppliers shall minimize packaging, tailoring it to the volume and size of the products they provide, as well as increasing recycled content and recyclability percentage of their products.
 - Open and proactive collaboration between the Group and the suppliers in rethinking the system, towards broader and simpler recycling, repair, reuse and remanufacturing practices, thereby advancing towards a circular approach

Social

Ariston Group places a significant emphasis on social responsibility within its supply chain, extending the principles outlined in its Human Rights Policy⁹ **to all suppliers and individuals under the purview of this policy.**

- Minimum Requirements
 - Suppliers must comply with the principles articulated in the Group's Human Rights Policy, here the main aspects outlined in the Policy:
 - Prohibition of child labor
 - Prohibition of forced labor
 - Anti-discrimination

⁸ Substances of Concerns identified in accordance with current EU regulations such as POPs, Mercury, ODS, RoHS, Reach (Annex XVII included), Drinking Water Directive/Acts, Packaging and all applicable requirements. asked by

⁹ Human Right Policy: https://www.aristongroup.com/media/files/4418_Human%20Rights%20Policy_Ariston%20Group.pdf

- Freedom of assembly, association and collective bargain
 - Fair Remuneration and respect of working hours
 - Ensured Health and Safety at work
 - Right to privacy
 - Freedom of thought, opinion and expression
 - Suppliers are asked to have in place a mechanism and a channel to allow their employees to freely voice their concerns and openly report any violations
 - Suppliers are required to comply with their national, regional and local laws and regulations regarding health and safety (H&S) and disaster prevention
 - Suppliers are required to communicate to all employees clear procedures and practices to ensure an healthy and safe working environment. Suppliers have to provide their employees all the necessary equipment to work in a such place.
 - Suppliers must operate in the spirit of ISO 45001¹⁰
- Preferred practices
- Suppliers shall advocate for a written Health and Safety policy and procedure and to communicate it to all employees. The policy will need to include indication on dangerous / hazardous substances
 - Suppliers are advised to obtain ISO 45001 certification or similar relevant certifications, standards or scheme
 - Suppliers shall advocate for increasing diversity within their operations.
 - Suppliers shall strive to put in place programs for supporting employees in their further development plans based on specific learning needs and career paths
 - Suppliers shall bond with local communities by contributing into their social development and in increasing awareness on sustainable practices
 - Suppliers are expected to have a Human Right policy which states the main principles to respect to ensure a sustainable working environment and the grievance mechanism

Governance

- Minimum Requirements
- Suppliers are strictly prohibited from engaging in or condoning any instances of corruption, bribery, either directly or indirectly, extortion, or embezzlement
 - Suppliers must uphold robust and secure financial management practices aligned with the size and breadth of their business activities and according to the applicable laws.
 - Suppliers must establish adequate measures to safeguard the confidential information and intellectual property of their business associates, as well as personal data and information, which encompasses individuals' privacy
 - Suppliers must operate in the spirit of ISO 9001 or similar certification
 - Suppliers commit to understanding and adhering to all relevant regulations pertaining to competition, refraining from engaging in any anti-competitive behaviors. The supplier is responsible for independently defining its conduct and commercial policies in the market to uphold fair competition among all stakeholders
 - Suppliers have to implement suitable measures to safeguard the confidential information received from the Group, in alignment with nondisclosure agreements, terms and conditions, or contractual obligations stipulated by the Group. Furthermore, the supplier pledges to honor the intellectual property rights of third parties. Suppliers must comply with regulations in force concerning data protection and privacy.
 - Suppliers who have been sentenced for any serious, willful and criminal actions will not

¹⁰ 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>

- begin any commercial relationship with the Group
- Suppliers who will not accept our Code of Ethics and our Code of Conduct will not begin or continue any commercial relationship with the Group
- Preferred practices
 - Suppliers shall advocate to obtain the certification ISO 9001¹¹, or similar
 - Supplier will adopt appropriate measures to promote similar compliance amongst its subcontractors, vendors, agents or other associated third parties
 - Suppliers shall strive to build a robust and resilient cyber defense mechanism, while increasing Security awareness through internal training.
 - Suppliers shall implement robust business continuity plans to ensure the seamless operation of their businesses, as well as the continuity of their engagements with Ariston Group

Policy implementation

To ensure the integrity of our Supply Chain the key elements of our Sustainable Procurement Policy need to be embedded in our Supplier Management Process. This process begins with the supplier selection, followed by onboarding, performance evaluation and improvement.

At any phase of our commercial relationship the supplier risk is evaluated in terms of financial risks, supply chain risk, reputational risk and, as per this Sustainable Procurement Policy, Environmental, Social and Governance risk.

The ESG evaluation process aims to ensure compliance with our principles and take places with different methods:

- *Certifications request*, that may be asked to suppliers to confirm compliance with current and/or upcoming regulations that concerns Ariston Group;
- *Third-Party assessment*, for which we rely on EcoVadis, a non-financial web-based rating platform that has developed a methodology for assessing the sustainability performance of organizations.

The assessment process we are developing with our partner EcoVadis includes an initial mapping phase of Ariston Group's entire Supply Base through EcoVadis IQ and a subsequent dedicated assessment through EcoVadis Platform.

EcoVadis IQ allows us to have a complete view of the risk exposure of our suppliers' Industry and Country without the need to directly contact the supplier and will consequently help us defining an action plan and prioritizing the suppliers to involve in a deeper EcoVadis assessment.

Suppliers selected for the EcoVadis assessment will be contacted by their reference buyers and invited to register on the EcoVadis platform where they will be able to complete the questionnaire and obtain an EcoVadis Scorecard.

The EcoVadis Scorecard provides an independent assessment of a company's Sustainability Management System, is internationally valid and recognized and once obtained can be shared with all business partners.

Sustainability assessments are managed through our partner EcoVadis in the following areas:

- *Environment*: Energy Consumption & GHGs; Water; Biodiversity; Air Pollution; Materials, Chemicals, & Waste; Product Use; Product End-of-Life; Customer Health & Safety; Environmental Services & Advocacy;
- *Labour practices and human rights*: Employee Health & Safety; Working Conditions; Social

¹¹ ISO 9001 is a globally recognized standard for quality management. It helps organizations of all sizes and sectors to improve their performance, meet customer expectations and demonstrate their commitment to quality. <https://www.iso.org/standard/62085.html>

Dialogue; Career Management & Training; Child Labor, Forced Labor & Human Trafficking; Diversity, Equity & Inclusion; External Stakeholder Human Rights;

- *Ethics*: Corruption; Anticompetitive Practices; Responsible Information Management;
- *Sustainable Procurement*: Supplier Environmental Practices; Supplier Social Practices

The ESG performance of each supplier evaluated is ranked on its EcoVadis Scorecard on a scale from 0 to 100, where 45/100 is considered by EcoVadis a sufficient score to grant a structured Sustainability Management System, therefore risks for Ariston Group are limited. On the contrary, suppliers with a score lower than 45/100 may put Ariston Group at risk.

Should a supplier not meet the minimum score of 45/100, Ariston Group will work with the supplier to develop time-bound corrective action plan managed through EcoVadis to move toward compliance. If these efforts are unsuccessful, and/or the supplier is unwillingly to comply with the minimum requirement level, Ariston Group will reconsider its relationship with that supplier, up to and including relationship termination.

Ariston Group Procurement management and governance

Completing and sharing the EcoVadis assessment is to be considered mandatory only for suppliers who will be contacted by their reference Buyer. In case of any doubts, suppliers are asked to contact the Buyer who sent them the request.

Ariston Group reserves the right to check compliance with the requirements of this Sustainable Procurement Policy at any time.