Commitments

Sustainable energy solutions

100 million tons of CO_2e emissions avoided
thanks to the renewable and high efficiency products we sell in the regions we operate[1]

19 million tons of CO_2e 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 CO_2 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

100%

Heating gas condensing technologies' revenues from **hydrogen-ready* solutions** in Europe[2]

(29% in 2022)

>60%

Revenues in Europe generated by **renewable technologies** vs <40% from **fossil fuel products**[3]

(44% full year 2022)

Launch of **Demand Response ready products** in Europe and USA by 2023[4]

Launch of **Home Energy Management-ready products and accessories** in Europe and USA by 2023[5]

*Certified to be 20% H_2 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 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 continuing to invest to optimise the energy efficiency of its products, focusing on **electrification and renewable sourcing**.*

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 H_2-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.

Supporting initiative to be achieved by 2025

>2 mln

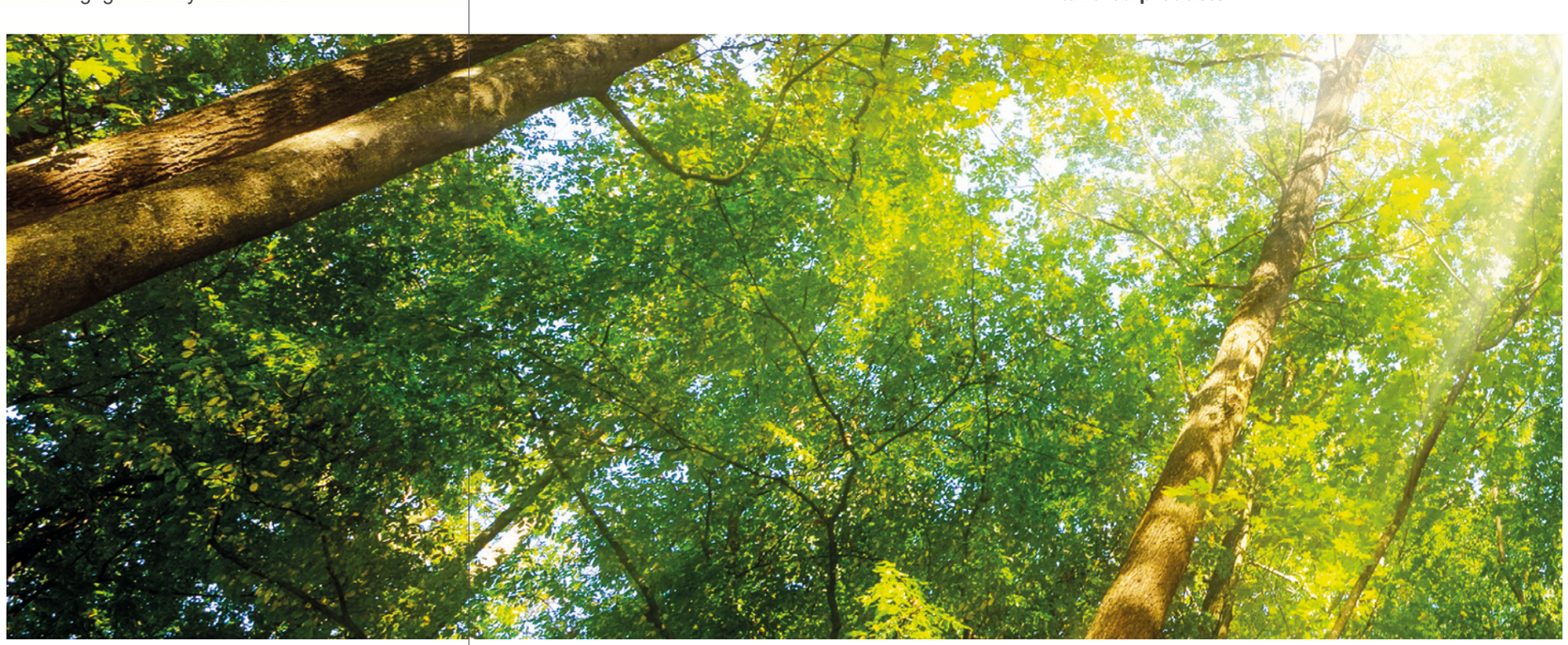
of **connectable products** sold

(~950.000 in 2022)

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**.



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.

Notes

1 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 $kgCO_2/kWh$ are kept constant until 2030 and defined specifically for macro-region and energy type.

2 Including Balkans, Switzerland, United Kingdom, Israel, Norway, Ukraine. Excluding Russia.

3 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.

4 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).

5 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.