Ariston Group
Public Affairs Department
Via Broletto 44, 20121 Milano

B4Ukraine Coalition
contact@b4ukraine.org

30 April 2025

Subject: Response to Your Letter Regarding Ariston Group's Presence in Russia

Dear Members of the B4Ukraine Coalition,

Thank you for your letter and for sharing your concerns regarding Ariston Group's position in Russia. We believe that maintaining open and transparent dialogue on matters of global importance is more crucial than ever.

We would like to clarify the situation surrounding Ariston Thermo Rus LLC.

Ariston Group has operated in Russia for nearly fifty years, establishing relationships focused on corporate responsibility and adherence to laws. In 2005, the company opened a production plant for water heating products near St. Petersburg, serving both the domestic market and neighbouring European markets. A local management team was developed over time, with many key managers having long tenures with the group.

Since the beginning of the conflict in Ukraine, our operations in Russia have strictly complied with international sanctions and have been limited solely to serving local demand. As we have consistently communicated, we maintained these local operations out of a sense of responsibility toward our long-standing employees and to safeguard our industrial asset. We have not supported or contributed to the Russian war effort.

Contrary to certain recent media reports—which have regrettably mischaracterized the situation—Ariston Group has not made a decision to return to the Russian market. The reinstatement of ownership was the result of a legal and administrative development beyond our control. Specifically:

- On April 26, 2024, Ariston Group learned through a Reuters article about Russian Decree No. 294/24, placing Ariston Thermo Rus under temporary management by an entity within the Gazprom Group. This decision was made without prior notification to our local company or the broader group.
- On March 26, 2025, a new decree revoked the previous one, reinstating Ariston Holding N.V. as the legal owner of the Russian subsidiary. Again, this action was not officially communicated to us beforehand; we discovered it through a Bloomberg media report.

We have neither sought nor benefited from any safeguards against potential future expropriations, just as we were not informed when our asset was initially seized, nor when it was later returned.

Ariston Group remains fully committed to complying with all applicable laws and international sanctions. We continue to operate with transparency and accountability, guided by respect for human rights and responsible business conduct in every country where we operate.

We take your invitation for dialogue seriously and are available for a confidential private discussion, should you wish to explore these topics further.

Sincerely,

Ariston Group Public Affairs Department

B4Ukraine

Paolo Merloni
Executive Chairman
Ariston Group
Via Broletto 44,
20121, Milan,
Italy

April 18, 2025

Dear Mr. Merloni and the Ariston Group Leadership Team,

We write to you as B4Ukraine, a coalition of Ukrainian and international civil society organizations committed to curbing the financial support that fuels Russia's brutal invasion of Ukraine. Since 2022, we have actively engaged the business community, urging companies to exit the Russian market swiftly and responsibly, emphasizing the risks of remaining as well as the importance of respecting human rights and upholding the international rules-based order that underpins global prosperity.

We are therefore deeply concerned to learn of Ariston Group's recent decision to return to the Russian market and to resume the business of its local subsidiary. **We firmly oppose this decision and urge the leadership at Ariston to reevaluate their stance.**

Unlike other companies that have remained steadfast in their decisions not to re-enter the Russian market, in deciding to restart operations in Russia, Ariston has made a clear and conscious choice to re-engage with a regime in active violation of international law. This is not a case of passive complicity. This is a deliberate decision to do business with a government responsible for atrocities, crimes against humanity, and an illegal war against a sovereign European nation. It is an action that places Ariston on the wrong side of history.

This decision is not only unethical, but also strategically reckless. The broad sanctions regime remains intact. The United States has for now maintained its restrictions, while the European Union recently approved its sixteenth package of sanctions. Even if some policymakers consider relaxing their stance, the reality remains that the EU, UK, Japan, Canada, and numerous other countries and organisations have imposed sanctions on Russia, making it the most sanctioned country in the world, due to its crime of aggression.

Further, economic and regulatory conditions in Russia are no longer conducive to stable business operations. Ariston is re-entering the market with a landscape of restricted supply chains, financial barriers, and legal uncertainties.

Russia is a country where property rights are subordinated to political will; where expropriations are frequent, courts are instruments of state control, and businesses serve at the mercy of presidential decrees. Russia has demonstrated a pattern of malignant and systematic asset seizures, expropriations, and regulatory manipulation, using foreign businesses as leverage in political disputes. According to a study conducted by the London School of Economics, since 2022, over 500 Western firms have seen their assets expropriated under various pretexts, including companies in industries ranging from brewing and consumer goods (e.g., Danone, Carlsberg) to energy (e.g., Uniper, Fortum). The scope of legislation and Russian domestic case law showing the readiness for

expropriation has skyrocketed since the start of the full-scale invasion. By re-entering, Ariston is knowingly engaging in a market where it may see its assets re-expropriated.
These patterns show a blatant disregard for property rights, investor and shareholder rights, and are a general indicator of an authoritarian government. Accordingly, any western business re-entering faces the risk of Kremlin decrees that introduce new fees, taxes, and price controls; limit the repatriation of profits and dividends; and restrict asset sales and management decisions.

The Russian business environment is neither stable nor subject to rule of law. No credible board of directors can claim ignorance of the legal and economic risks: asset seizures, foreign currency restrictions, militarization of private enterprise, and a collapse of enforceable contracts. The return of Ariston to Russia demonstrates a dangerous tolerance for impunity and a willingness to operate in a jurisdiction devoid of reliable legal protections or ethical standards.

The Russian legislative framework continues to pose a high risk of business complicity in the war. As you are aware, under Federal Law No. 31-FZ businesses, including international companies that are operating on a full or limited scale in Russia, are required to conduct military registration of the staff if at least one of the employees is eligible for military service. They must also assist with delivering the military summons to their employees, ensure the delivery of equipment to assembly points or military units, and provide information, buildings, communications, land plots, transport, and other material means of support to the war effort.

We highlight that Ariston's decision may expose it to legal risk under Article 8a of Council Regulation 833/2014, which imposes a "best efforts" obligation on EU companies to ensure that any legal person or entity they own or control outside the Union does not participate in activities that undermine EU sanctions.

In the context of effective control and actions that undermine the sanctions, the European Commission's guidance states:

> "*In this respect, operators should be aware that Russia is a country where the rule of law is virtually not applied anymore, and that the Russian state has adopted several pieces of legislation unjustly targeting assets of companies from 'unfriendly countries' [...] inadequate risk assessment and management, coupled with risk-prone decisions of the EU operator, can be considered as a factor that contributed to the loss of control*."

Further, EU operators cannot rely on the argument that they lost "effective control" if that loss stems from foreseeable risks. As Ariston's own assets were previously seized without warning—and Russia has enacted legislation targeting foreign-owned firms (e.g., Presidential Decree No. 302 and Federal Law No. 470-FZ), Ariston cannot plausibly argue it was unaware of the risk or powerless to act.

Beyond financial and legal risks, Ariston is facing significant reputational risk. Any company that chooses to return to Russia could be seen as disregarding the human cost of the war in Ukraine. Some Russian officials have even suggested that businesses seeking to re-enter should contribute financially to the Russian military or establish operations in occupied Ukrainian territories. These decisions would directly associate a company's name with a government engaged in an ongoing conflict and occupation, one that has been widely condemned for violations of international law. Moreover, they could render the company complicit in violations of international law.

Ariston's decision to re-enter sends a signal that commercial interests supersede corporate responsibility, human rights and humanitarian law considerations. In doing so, the company risks not only its global reputation but its relationships with financial institutions, shareholders, and compliance-driven markets that view association with Russia's war economy as intolerable.

B4Ukraine states that businesses must not return to the Russian market until:

- Ukraine's sovereignty and complete territorial integrity are restored, as recognized by international law.
- Reparations are paid in full for all damages caused by Russian aggression, covering infrastructure, economic losses, and human suffering.
- Accountability is imposed for violations of international law, including the crime of aggression, war crimes, and crimes against humanity.

In light of these concerns, we respectfully request that Ariston Group publicly clarify its position and provide answers to the following:

1. What enhanced due diligence processes, including *heightened human rights due diligence*, did Ariston undertake before deciding to resume operations in Russia?
2. Specifically, has Ariston assessed whether its operations may directly or indirectly contribute to the ongoing conflict, including through financial contributions to the Russian economy or compliance with domestic laws that may involve participation in Russia's war effort?
3. How does Ariston reconcile this decision with its obligation to respect human rights under the UN Guiding Principles on Business and Human Rights (UNGPs) and other internationally recognised frameworks on business and human rights?
4. Has Ariston undertaken a formal assessment of whether it can operate in Russia without causing, contributing to, or being directly linked to adverse human rights impacts?
5. How does re-engagement with Russia align with Ariston's stated commitments to human rights, ethical conduct, and social responsibility?
6. If requested under Federal Law No. 31-FZ, is Ariston prepared to comply with obligations that require companies to deliver conscription notices to employees eligible for military service; or provide company assets, logistics, facilities, or information to support military operations? If not, what safeguards are in place to prevent complicity in such obligations?
7. Given that Ariston's assets in Russia were previously expropriated, what legal and operational protections has the company implemented to mitigate the risk of future expropriation or loss of control?
8. Which stakeholders, including Ukrainian civil society representatives or human rights experts has Ariston engaged with before making its decision to re-enter the Russian market?

It has been three years since Russia invaded Ukraine, committing the crime of aggression and breaching the UN Charter. Russia is violating international humanitarian and human rights law, committing over 162,838 documented war crimes. In recognition of the severity of abuses, in March 2023, the International Criminal Court issued an arrest warrant for Vladimir Putin to answer charges of war crimes. Under these conditions, decisions to re-enter the Russian market means ignoring the principles that led to withdrawal of hundreds of businesses in the first place and contradicting all principles of ethical business conduct and a business' responsibility to respect human rights.

We invite Ariston to engage in a confidential meeting to further discuss these issues. Should you be open to this dialogue, please confirm your availability by May 02, 2025. Please note that following this date, this letter and any response received will be made public on the B4Ukraine website.

Sincerely,

The B4Ukraine Coalition