

## Introduction

Based on Legislative Decree n.254/2016, as amended, in implementation of the Directive 95/2014 or the "Barnier Directive", large public entities are required to publish a Non-Financial Statement (NFS) as of FY 2017. This statement provides an opportunity to report on a group of business activities which help to understand the company's structure and business, its performance and its results, as well as its impact: a description of the company's main risks, the policies adopted and the business and organizational models used must be provided. The reporting system guarantees coverage of the most relevant non-financial topics related to five areas: environmental protection, social responsibility, human resources, protection of human rights and fight against corruption and fraud.

Paragraph 1073 of the Budget Law n.145/2018, which took effect as of 30 December 2018, amended Legislative Decree 254 and in addition to disclosing the main risks, entities are also required to describe how the risks are managed.

In accordance with the law, the De' Longhi Group's Consolidated Non-Financial Statement 2022 provides a description of the Company's non-financial qualitative/quantitative performances relative to a group of topics deemed material for the Group and its stakeholders.

Information on the material topics is included in this report: scenario and risks, policies, practices and targets, organizational and business models, as well as the main performance indicators.

The process involved in identifying important impacts and the relative material topics, introduced in the new 2021 GRI Standards, is described in the Note on Methodology.

## Description of the business model

A brief description of the De' Longhi Group's business model is provided below with a view to a better understanding of the information provided on the material topics identified for each of the five areas included in the Decree.

De' Longhi S.p.A. (hereinafter also referred to as the "Company" or "Group"), listed on Borsa Italiana's Euronext Milan market, is the holding company of a group of companies active in the manufacture and distribution of coffee making products, food preparation and cooking machines, as well as air treatment and home care products.

More in detail, the Group operates in international markets through 7 brands: De' Longhi, Kenwood, Braun, Ariete, Nutribullet and Magic Bullet (the last two were added following the acquisition of Capital Brands Holding Inc., an American company active in the personal blenders segment), in addition to Eversys, a Swiss brand acquired in 2021 active in the professional coffee machine segment.

## The impact of Russian-Ukrainian conflict: the Group's management

2022 was a year begun as one of the most relevant geopolitical events seen in the last few years unfolded, the conflict in Ukraine had a resounding impact on the lives of many, on global balances and on the international economic and social framework. The De' Longhi Group was involved both indirectly, as the European economic situation worsened, and directly, as it operates right in those regions which required a particular commitment to ensure that the human rights of all employees and workers were guaranteed.

As this report will explain in greater detail, the Group sought to support its Ukrainian employees from both an organizational standpoint, by helping with relocation process, and an economic standpoint, by guaranteeing salaries and raising funds.

The De' Longhi Group's approach made it possible to address the adverse economic impact adequately; for more information refer to the Report on Operations.

Currently the Company is committed to monitoring the international situation in order to provide more support to the personnel closest to the areas affected by the conflict and move forward with the management of the risk stemming from the ongoing conflict.

### De' Longhi's sustainability path

For more than five years, following the publication of the first Consolidated Non-Financial Statement, the De' Longhi Group has included sustainability in its business and involved all the Company's main divisions in this journey. Over the years the De' Longhi Group has implemented a well-defined model for the management of non-financial topics and has formalized specific goals around which its sustainability strategy has been developed. Thanks to the latter, today the Group is able to pursue concrete actions which mitigate its impact and improve its sustainable performances, generating value for both the Group and its stakeholders.

In the wake of a 2021 during which the Group changed its sustainability governance, 2022 marked a year of stabilization; conceived with a view to sustainable success, currently the governance bodies include:

1. the **Control, Risk, Corporate Governance and Sustainability Committee**, already operational in 2019, is a Board committee with preliminary and proactive guidance, as well as advisory functions;
2. the **Sustainability Steering Committee**, also already operational in 2019, comprised of different department managers, responsible for defining the strategy, as well as the relative sustainability plan;
3. three **Focus Groups** - one for each of the Group's sustainability pillars (People, Products and Processes). A Team Leader was selected for each group who is responsible for the supervision/implementation of projects included in the plan relative to her own area of expertise;
4. a **Group Sustainability Director**.

2022 marked a milestone in De' Longhi's sustainable path as it is the year in which the Group's first **Sustainability Plan** was defined. Approved by the Board of Directors in July 2022, the plan contains a series of initiatives and targets for each of the company's three pillars. It summarizes all of the short-, medium- and long-term initiatives that the Company is committed to in order to actively contribute to the global efforts for a sustainable future. As already mentioned, the Group's sustainability strategy is built around three pillars:

- **Products**, which emphasizes the Group's focus on innovative products, that are durable and energy efficient, made out of recyclable and recycled materials and guarantee a healthy life style for consumers;
- **Processes**, which embraces the entire supply chain and reflects the Group's commitment to the responsible and efficient management of resources, contributing actively to the fight against climate change, without neglecting social responsibility, guaranteeing the constant respect for human rights and working conditions in every phase of production;
- **People**, which focuses on the work done and the investments made to create a stimulating and equitable workplace aiming to attract, motivate and foster the growth of our people, as well as on the projects and actions taken to support the local communities in which the Group operates, helping them to grow and prosper.

**Eight areas of commitment** have been identified that revolve around these three pillars which further shape the Group's environmental, social and governance topics and contribute to the achievement of the Sustainable Development Goals - SGDs defined by the UN: including the fight against climate

change, the promotion of circular economies, inclusion and wellbeing, as well as the production of sustainable products.

In addition to the Sustainability Plan, there is also a **Manifesto**, which was conceived already in 2021: addressed to the Group's people, this document summarizes De' Longhi's commitment to involving the entire internal community. With respect, again, to sustainability De' Longhi participated in a tender of the Ministero dell'Università e della Ricerca (MUR), part of the **Piano Nazionale di Ripresa e Resilienza (PNRR)**, which aims to strengthen the research and development of sustainable technologies. Lastly, in 2022 De' Longhi also participated in the **Italian Green New Deal**, a nationwide tender which provides subsidies and financial concessions to support eco-friendly and circular transition projects.

### The Value Chain

The De' Longhi Group's work begins with research, development and product design. These activities are shared across the Group and are carried out by the technical offices based on product line, together with the Marketing and Design Divisions. R&D works transversely and adopts a per business unit approach and not only by brand. In the Hong Kong branch, there is also a technical office responsible for research projects developed in partnership with local providers.

After defining the products to be launched on the market, the Group focuses on the purchase of raw materials and semi-finished goods. Based on the De' Longhi Group's business model the production and assembly of the finished product is done at the six plants located in Italy, Switzerland, Romania

and China which covers 60% of sales. The Group also counts on qualified partners, selected based on meticulous quality standards, referred to as "Original Equipment Manufacturers" (hereinafter also referred to as "OEM").

Based on the Group's local for global approach, dedicated groups, specialized in the production of specific product lines, allow the Group to product lines which cover specific market areas and segments.

The production phase is followed by product testing: the main purpose of this activity, managed at each plant by a dedicated team, is to verify that the highest standards for product safety have been applied to all the Group's products. The quality controls are done based on specific internal audits by Quality Dpt. which also include a specific process for verifying the quality of the OEM products.

After the quality control, the products ready to be sold are transported to the Group's logistics hubs, strategically located worldwide and the products' place of departure. The finished products are distributed by providers of logistics services to all the markets covered by the Group's commercial network.

Lastly, the crucial role of Customer Care which provides support and technical assistance to the Group's customers during and after the purchase.

## The Group Stakeholders

In 2021 the De' Longhi Group, with the direct involvement of company management, updated the mapping of its stakeholders based on an analysis of the company structure, the value chain, businesses and those activities not strictly related to the latter, but which are an integral part of the Group's reality.

This update, confirmed in 2022, led to the identification of 10 categories of stakeholders, grouped together by the type of stakeholder, expectations, needs and existing relationships with the Group.

The Group interfaces with each group of stakeholders using different methods of engagement and listening based on principles of transparency and fairness, as well as clear and complete information. The latter is shaped by the Group's Code of Ethics and strives to foster the ability to make informed decisions. The main topics related to business activities that emerged through the different listening and communication channels used are reported below:

Stakeholders	Communication/listening channel	Main topics that emerged
Trade associations	Annual meetings, periodic meetings	Consumer rights, workers' rights, environmental performance
Shareholders	Corporate documents /Shareholders' meetings/ Events	Economic performance, business strategies
Local communities and NGO	Periodic meetings, sponsorship of specific initiatives	Sponsorships, social impact, contribution to the community, raising awareness of specific problems
Consumers	Satisfaction questionnaires, test panels, Contact Centers (voice channels, e-mail, chat and social), advertising campaigns, culinary events, Youtube "How to" channel	Customer assistance, product safety and quality, product availability, feedback about ease of use and product satisfaction, privacy
Employees	Employee Engagement Survey, annual performance reviews, periodic meetings to share results, corporate intranet used to access Group information, Group house organ, new HRMS	Organizational clarity, improved management of resources by managers, appreciation of individual contributions to the company, improvement in internal communications and access to information
Suppliers	Contracts, qualifications, assessments and periodic meetings	Way in which supplier relationships are managed
Future generations	-	Reduce emissions and fight climate change
Financial analysts, media	Interviews, meetings, road shows, press conferences	Economic performance, new products/ services/organizational models, specific social initiatives
Commercial partners	Sales meetings, audit	Product safety and quality, flexibility and adaptability to requests
Universities/research institutions	Dedicated meetings, partnerships on different research projects	Recruiting and talent acquisition, recruiting support

The European Union Taxonomy, introduced with EU Regulation 2020/852 (hereinafter the "Regulation") is part of an EU strategy for achieving the European Green Deal targets and making Europe climate neutral by 2050. The EU taxonomy provides a classification system based on which it is possible to define the economic activities that meet certain criteria of eco-sustainability - and, therefore, can be considered "sustainable". More in detail, based on Art. 3 of the Regulation, an economic activity is considered eco-sustainable or "aligned" if it:

- **Conforms to the technical criteria established by the European Commission.** More specifically:
  - **contributes substantially to one or more of the environmental objectives defined** in Article 9 of the Regulation: climate change mitigation and adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, the protection and restoration of biodiversity and ecosystems;
  - **does no significant harm (DNSH)** to any of the above environmental targets;
- **is carried out in way which guarantees the minimum safeguards for human rights**, including the fundamental rights at work as per Art. 18 of the Regulation, recognizing the importance of the rights and international conventions (including of the OECD, the United Nations and the International Labor Organization).

Based on the Regulation, in the first year of reporting (2021) the companies subject to an obligation to publish a Non-Financial Statement, like the De' Longhi Group, shall include in this statement the proportion of Turnover, CapEx and OpEx pertaining to the eligible and non-eligible activities referred to in the first two environmental objectives of the European Taxonomy (relating to Climate Change). With the term "eligible" the Regulation is referring to

an economic activity that is "described in the delegated acts [...] independent of the fact that this economic activity satisfies one or all of the technical criteria established in the delegated acts".<sup>1</sup>

As of the 2022 reporting period, the regulations are applied fully and, therefore, also apply to the portion of the "taxonomy-aligned" activities, namely of the activities which satisfy all the **criteria listed above (conforms to the technical criteria and guarantees minimum safeguards)**.

In this report, therefore, the De' Longhi Group must report on, with regard to the first two environmental objectives adopted formally up until now (Climate Delegated Act - Annex I and Annex II),<sup>2</sup> about how and to what extent its activities can be considered eco-sustainable economic activities pursuant to the EU Taxonomy.

The assessment of the Group's compliance with EU Regulation 2020/852 and the statement with the required quantitative KPI are provided in the following paragraphs.

As this regulation was only recently applied globally and is updated constantly, all the criteria and assumptions used are based on information and requirements available to date and, therefore, could be revised in the future.

## The analyses conducted

The De' Longhi Group carried out an in-depth analysis of its activities in order to identify which could be classified, based on the Taxonomy, as potentially capable of contributing to the mitigation and/or adaptation of climate change (the "**eligible**" activities). Based on this analysis the revenue stream generated by the sale of portable air conditioners could be considered an eligible activity under the climate mitigation objective, with regard, specifically, to **Activity 3.5 - Manufacture of devices for energy efficient buildings** of the Regulation. The identification of the sale of these products as eligible stems from the interpretation of the activity in light of one of the criteria for a substantial contribution (item F) which includes the "household appliances" category subject to the European parliament's Regulation 2017/1369 (energy labeling). Furthermore, even though the portable air conditioners are not manufactured in one of the Group's plants, the products are produced by a qualified partner, namely and "Original Equipment Manufacturer" (OEM), based on the technical specifications, including energy performance, defined by De' Longhi.

In addition to the core activities, in order to achieve its sustainability goals, the Group undertook a series of initiatives and projects which, following an analysis of the activities listed in the Climate Delegated Act - Annex 1, Art. 8 Art. 8, 1.1.2.2, item C, relative to the purchase of output from eligible economic activities and individual measures which make it possible for the activities to maintain low levels of carbon emissions, the Group identified the following activities as investments made during the reporting year and eligible pursuant to the Regulation:

<sup>1</sup> Eligible economic activity under the Taxonomy: an economic activity described in the delegated acts adopted pursuant to Article 10, paragraph 3, Article 11, paragraph, Article 12, paragraph 2, Article 13, paragraph 2, Article 14, paragraph 2, and Article 15, paragraph 2, of EU Regulation 2020/852, independent of the fact that this economic activity satisfies one or all of the technical criteria established in the delegated acts.

<sup>2</sup> The perimeter of analysis for the data included in this report refers solely to the goals for climate mitigation and climate adaptation, as at the time this report was achieved only one Delegated Act (n.2139/2021) relative to the technical criteria for the first two environmental goals had been adopted.

- 3.3 - Manufacture of low-carbon technologies for transport;
- 6.5 - Transport by motorbikes, passenger cars and light commercial vehicles;
- 7.3 - Installation, maintenance and repair of energy efficiency equipment;
- 7.4 - Installation, maintenance and repair of charging stations for electric vehicles in buildings.

The steps taken to **assess the eligibility** of the above activities under the EU Taxonomy are described below.

- **Criteria: substantial contribution to the mitigation of climate change:** the assessment aimed to establish whether or not the single economic activity identified contributes substantially to reaching the climate change mitigation goals shaping the specific quantitative and/or qualitative parameters defined in the Regulation. As a result, specifically, of the analysis of "3.5 - Manufacture of devices for energy efficient buildings", it emerged that a portion of the Group's activities is consistent with the substantial contribution criteria referred to in Item F of this activity (household appliances falling into the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 of the European Parliament and of the Council and delegated acts adopted under that Regulation), as part of the portable air conditioners belongs in one of the higher energy efficient classes (A++), identified in Regulation (EU) 2017/1369;
- **Criteria: Do No Significant Harm (DNSH):** the assessment of compliance with the DNSH criteria referred to in the Delegated Acts aimed to determine whether or not the single activities identified compromise the remaining environmental goals. As the mobile air conditioners are

produced by OEM, in order to be aligned with the DNSH under Activity 3.5 the law requires that the producer itself complies with the following criteria:

- *climate change adaptation:* based on the criteria outlined in Annex A, the organization must identify the physical climate change risks to which the activity is subject and its vulnerability using a specific procedure identified in the Delegated Act;
- *the sustainable use and protection of water and marine resources:* based on the criteria outlined in Annex B, the risks of environmental harm connected to the protection of water quality and the prevention of water stress in accordance the 2000/60/EU Directive of the European Parliament and the Council must be identified and addressed and a management plan for the use and protection must be prepared;
- *transition to a circular economy:* the criteria outlined call for an assessment as to the use of techniques in the manufacture of products which support (a) the reuse and use of secondary materials and reused components, (b) design conceived for high durability, recyclability, ease of disassembly and adaptability, (c) management of waste which favors recycling over disposal, (d) the disclosure of potentially dangerous substances, and the traceability, during the entire life cycle. In this regard, the Group adopts, where possible, these practices in its R&D activities and in the manufacture of products. For more information about the ongoing initiatives, refer to the chapter "*Product Quality and Innovation*";
- *pollution prevention and control:* the criteria outlined in Annex C require that the activity

does not result in the production, emission and trade or use of any polluting chemical substances whatsoever;

- *the protection and restoration of biodiversity and ecosystems:* the criteria outlined in Annex D require that the organization has carried out an Environmental Impact Assessment (VIA) or a 2011/92/UE Directive compliant test.

In order to comply with the criteria above the Group must assess whether or not the portable air conditioners manufactured by the OEM the Group has selected for this purpose are compliant. Toward this end, given the complexity of the analysis and in light of the recent application of the Regulation, based on a conservative and prudent approach, the Group finds that the production of the air conditioners (Activity 3.5) and the investments made in 2022 are not aligned given the lack of the information needed to assess compliance with the DNSH criteria. The Group, however, is committed to complying with all local environmental regulations in all the Countries in which it operates. For further information, refer to the chapter "*Mitigation of environmental impact*".

- **Criteria: Guarantees minimum safeguards:** the criteria outlined in the Regulation refer to the practices of an organization which aim to comply with the OECD guidelines for international companies and the United Nations principles relative to companies and human rights, including the principles and rights established in the eight basis conventions identified in the ILO Declaration on Fundamental Principles and Rights at Work and the Universal Declaration of Human Rights. The De' Longhi Group pays great attention to the standards and principles referred to in these documents, particularly with regard to consumers, corruption, competition, tax issues

and the respect of human rights. With regard to the latter, the Group is committed to guaranteeing ethical business practices which comply with the applicable regulations in all the countries in which it operates, carrying out its activities in accordance with the principles of the Group's Code of Ethics which, as of 2022, is applicable also to its suppliers. In addition to this document, the Group also published "Responsible Sourcing Guidelines" which define the criteria to be used when assessing and monitoring new supplier risks over time. The De' Longhi Group also audits its suppliers periodically in order to assess different social aspects, like the freedom of association and collective bargaining, hours and work conditions, health and safety, child or forced labor, discrimination and training of personnel. For further information refer to the chapters "Ethics and Compliance" and "Supply Chain Management". With regard to protection of consumers, competition, anti-corruption and tax the Group works constantly to prevent and mitigate any potentially negative impact. The Group's Code of Ethics, once again, has a key role in this regard, as great attention is paid to consumers and customers, to fair competition, the condemnation of corruption and compliance with the law, regulations and provisions of the competent tax authorities. For further information refer to the chapter "Ethics and Compliance".

With regard to the assessments made and described above, with a view to a conservative approach and given the lack of all the elements needed to determine alignment, the Group concluded that the sale of air conditioners and the relative investments made in the reporting period 2022, still eligible, are not aligned.



### Contextual information relative to the KPI calculation

As required in the Annexes of Delegated Act 2178/2021 of the Regulation, the assumptions and methodologies used to calculate the KPI (Turnover, CapEx and OpEx) for the eligible (or, possibly, aligned) activities are provided below. The methods of calculation, the composition in relation to the different activities provided for in the EU Taxonomy and the quantification process are provided for each of the KPI. In accordance with the Regulation the revenue generated and the costs incurred for intercompany transactions are not taken into account.

Group administrative and accounting divisions, relative to both headquarters and the individual production plants, were involved in the KPI calculations. Based on the indications found in Annex 1 of Delegated Act 2178/2021, they identified the accounting items to be associated with the different KPI, beginning with the items found in the consolidated financial statements.

Furthermore, to date no investment plans for CapEx and OpEx which satisfy the requirements set out in paragraph 1.1.2.2 have been drafted. For this reason, the two KPI do not include any plans for expanding the eligible economic and potentially Taxonomy-aligned economic activities.

### TURNOVER

The calculation of the denominator was based on the net sales figure reported in the De' Longhi Group's Annual Report for 2022 which amounted to €3,126,940,000. The item used specifically to determine the denominator was the revenue from the

Group's core business, namely the revenue from the sale of goods and services, net of discounts, VAT or any other direct tax: more specifically, the item included refers to "Revenues from client contracts" which is already net of the components attributable to cash discounts and rebates.

The numerator was calculated based on the portion of revenues generated by the sale of portable air conditioners net of discounts, rebates, VAT and additional taxes. The turnover generated by this category of merchandise is associated with Activity 3.5 - **Manufacture of devices for energy efficient buildings.**

### CAPEX

The denominator was determined based on the increases in value of tangible, intangible and right of use of assets (as per IFRS 16) recorded during 2022 which amounted to €157,059,000.

The numerator was based on the asset additions reported during the year and any investments relating to points a) and c) as defined in Annex I of the Delegated Act, § 1.1.2.2. More specifically, for Activity 3.5 - Manufacture of devices for energy efficient buildings, investments relating to R&D were identified.

With regard to the purchase of output from eligible economic activities and individual measures which make it possible for the activities to maintain low levels of carbon emissions, the Group identified investments in IFRS 16 tangible and right of use assets which pertained to the following activities:

- 6.5 - Transport by motorbikes, passenger cars and light commercial vehicles;
- 7.3 - Installation, maintenance and repair of

energy efficiency equipment;

- 7.4 - Installation, maintenance and repair of charging stations for electric vehicles in buildings.

Extraction of the data associated with the above categories was carried out to the extent allowed by the information made available by the management systems used at the legal entities comprising the consolidation perimeter.

### OPEX

The denominator was calculated based on the consolidated operating figures which amounted to €94,998,000.

The OpEx numerator was determined based on the expenses associated with the eligible activities listed above. More in detail:

- 3.5 - Manufacture of devices for energy efficient buildings: R&D expenses which were not capitalized;
- 7.3 - Installation, maintenance and repair of energy efficiency equipment: maintenance expenses incurred for building improvements.

The method used to determine the OpEx related to Item c) was similar to the one used for CapEx.

Economic activities	Activity code	Turnover (thousands of euro)	Percentage of turnover (%)	Substantial contribution						DNSH Criteria					Guarantees the minimum safeguards protection guarantees salvaguardia (S/N)	Portion of turnover aligned with the Taxonomy, 2022 (%)	Portion of turnover aligned with the Taxonomy, 2021	Enabling category (activity) (A)	Transitional category (activity) (T)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (S/N)	Climate change adaptation (S/N)	Water and marine resources (S/N)	Circular economy (S/N)	Pollution (S/N)					
<b>A. Taxonomy eligible activities</b>			4.06%																
<b>A.1 Eco-sustainable activities (taxonomy aligned)</b>																		N/A <sup>3</sup>	
<b>Turnover from eco-sustainable activities (A.1)</b>		0	0%	0%	0%	0%	0%	0%	0%	0%							0%		N/A <sup>3</sup>
<b>A.2 Eligible taxonomy activities but not eco-sustainable (not taxonomy aligned)</b>																			
Manufacture of devices for energy efficient buildings	3,5	126,857	4.06%																
<b>Turnover from taxonomy eligible activities but not eco-sustainable (activities not aligned with the taxonomy) (A.2)</b>		126,857	4.06%																
<b>Total (A.1 + A.2)</b>		<b>126,857</b>	<b>4.06%</b>															<b>0%</b>	
<b>B. Ineligible taxonomy activities</b>																			
<b>Turnover from ineligible taxonomy activities (B)</b>		3,000,083	95.94%																
<b>Total (A + B)</b>		<b>3,126,940</b>	<b>100%</b>																

<sup>3</sup> Given that this is the first year of application of the Regulation relating to reporting on Taxonomy aligned activities, comparison figures will be provided as of the next reporting year.

Economic activities	Codes	CapEx (thousands of euro)	CapEx (%)	Substantial contribution						DNSH criteria						Guarantees the minimum safeguards (S/N)	Portion of Taxonomy aligned Capex, 2022 (%)	Portion of Taxonomy aligned Capex, 2021	Enabling category (activity) (A)	Transitional category (activity) (T)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (S/N)	Climate change adaptation (S/N)	Water and marine resources (S/N)	Circular economy (S/N)	Pollution (S/N)	Biodiversity and ecosystems (S/N)					
<b>A. Taxonomy eligible activities</b>			0.52%																	
<b>A.1 Eco-sustainable activities (taxonomy aligned)</b>																		N/A <sup>4</sup>		
<b>Eco-sustainable CapEx (A.1)</b>	N/A	0	0%	0%	0%	0%	0%	0%	0%	0%							0%	N/A <sup>4</sup>		
<b>A.2 Eligible activities under the taxonomy but not eco-sustainable (not taxonomy aligned)</b>																				
Manufacture of devices for energy efficient buildings	3,5	191	0.12%																	
Transport by motorbikes, passenger cars and light commercial vehicles	6,5	481	0.31%																	
Installation, maintenance and repair of energy efficiency equipment	7,3	128	0.08%																	
Installation, maintenance and repair of charging stations for electric vehicles in buildings	7,4	14	0.01%																	
<b>Capex for taxonomy eligible activities, but not eco-sustainable (activities not aligned to the taxonomy) (A.2)</b>		814	0.52%																	
<b>Total (A.1 + A.2)</b>		<b>814</b>	<b>0.52%</b>															<b>0%</b>		
<b>B. Ineligible taxonomy activities</b>																				
<b>CapEx for ineligible taxonomy activities (B)</b>		156,245	99.48%																	
<b>Total (A + B)</b>		<b>157,059</b>	<b>100%</b>																	

<sup>4</sup> Given that this is the first year of application of the Regulation relating to reporting on Taxonomy aligned activities, comparison figures will be provided as of the next reporting year.



Economic activities	Codes	OpEx (thousands of euro)	OpEx (%)	Substantial contribution						DNSH Criteria						Guarantees the minimum safeguards (S/N)	Portion of Taxonomy aligned OpEx, 2022 (%)	Portion of Taxonomy aligned OpEx, 2021	Enabling category (activity) (A)	Transitional category (activity) (T)
				Climate change mitigation (%)	Climate change adaptation (%)	Water and marine resources (%)	Circular economy (%)	Pollution (%)	Biodiversity and ecosystems (%)	Climate change mitigation (S/N)	Climate change adaptation (S/N)	Water and marine resources (S/N)	Circular economy (S/N)	Pollution (S/N)	Biodiversity and ecosystems (S/N)					
<b>A. Taxonomy eligible activities</b>			0.84%																	
<b>A.1 Eco-sustainable activities (Opex Aligned)</b>																		N/A <sup>5</sup>		
<b>Eco-sustainable activities (A.1)</b>	N/A	0	0%	0%	0%	0%	0%	0%	0%	0%							0%	N/A <sup>5</sup>		
<b>A.2 Eligible activities under the taxonomy but not eco-sustainable (not taxonomy aligned)</b>																				
Manufacture of devices for energy efficient buildings	3,5	769	0.81%																	
Installation, maintenance and repair of energy efficiency equipment	7,3	25	0.03%																	
<b>OpEx for eligible taxonomy activities but not eco-sustainable (not taxonomy aligned) (A.2)</b>		794	0.84%																	
<b>Total (A.1 + A.2)</b>		<b>794</b>	<b>0.84%</b>																	
<b>B. Ineligible taxonomy activities</b>																				
<b>OpEx for ineligible taxonomy activities (B)</b>		94,204	99.16%																	
<b>Total (A + B)</b>		<b>94,998</b>	<b>100%</b>																	

<sup>5</sup> Given that this is the first year of application of the Regulation relating to reporting on Taxonomy aligned activities, comparison figures will be provided as of the next reporting year.

### Accounting Policy for the KPI

The Annexes to the Delegated Act require that the percentage of the Turnover, CapEx and OpEx associated with the eligible and aligned activities be provided. As mentioned in prior paragraphs, in order to comply with this legal obligation, the Group identified its eligible activities and, once it was assessed whether they might correspond to the alignment criteria, calculated the three KPI.

The following paragraphs provide the details called for in the Annexes to the Commission's Regulation (EU) 2178/2021 relative to the KPI which non-financial companies must provide in the Non-Financial Statement.

### TURNOVER

The Turnover KPI was calculated as the portion of the net sales deriving from the services associated with activities identified as eligible (numerator) divided by net sales (denominator). Net sales is defined as the amount generated by the rendering of services net discounts and any value added tax directly associated with the turnover. With a view to avoiding any double counting, the intercompany transactions were not included in the KPI calculation. Consequently, the KPI denominator corresponds to "Revenues from customer contracts" found in Note 1 of the Group's consolidated financial statements - and is in line with the provisions of IAS 1, par.82(a), mentioned in Annex I of the Delegated Act § 1.1.1.

### CAPEX

The denominator of the CapEx KPI was calculated based on the asset additions made in the reporting period to tangible, intangible and right-of-use assets.

The approach used to extract the data was based on an analysis of managerial consolidated reports. In accordance with the international accounting standards and the provisions of the annexes to the Delegated Act 2178/2021, for the purposes of the calculation the Group took into account the IAS 16 tangible assets, the IAS 38 intangible assets - excluding goodwill - and the IFRS 16 right-of-use assets - as was the case in the consolidated annual report.

### OPEX

The denominator of the OpEx KPI was calculated based on the Group's consolidated managerial operating results and the costs associated specifically with categories referred to in the Annex of Delegated Act 2178/2021. More in detail:

- The technical costs include the R&D expenses stemming from internal and external projects which were not capitalized.
- The right-of-use assets, only items recognized in the income statement relating to short-term leases, namely with a duration of less than 12 months and, therefore, exempt from IFRS 16 application.
- Third party maintenance which includes routine maintenance of assets and building renovations.

## Scenario and risks

For information on the ethics and compliance risks, as well as the relative risk management, please refer to the section "Risk management and Internal Control System relating to the financial reporting process" found in the Report on Operations.

For information on the management of the risks connected to ethics and compliance, please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

## Business and organizational model

Based on the Group's management and organizational model, the Legal and Internal Audit divisions work with the Financial Reporting Officer to the extent of her responsibilities, to guarantee compliance with the law and regulations. Both divisions also work with the Quality Division with respect to product and the qualifications/screening of suppliers (§Product quality and innovation).

Internal Audit, together with the Financial Reporting Officer, check and assess the control system in all the Group's branches and audit the accounting processes and procedures, as well as compliance with Law 262 relating to financial reporting processes. The purpose of these periodic audits is to ensure that the company documents are reliable, complete, accurate and timely, as well as compliant with the Group's operating, administrative and accounting policies. The audits are carried out with a view to gradually covering all the companies, paying particular attention to the most relevant ones based on the audit plan coordinated with the Director in charge and the Control, Risk, Corporate

Governance and Sustainability Committee.

Internal Audit and the Financial Reporting Officer also supervise the Enterprise Risk Management (ERM) system, implemented and updated by the Group over the years, which focuses on the assessment and monitoring of company risks. As part of this project, a number of activities were carried out over the last few years in order to integrate the ERM matrix with the risks perceived in each area by local and international management. These include the development of a dynamic Risk Management platform, which was rolled out over the first few months of 2021 at the Group's most relevant companies; the platform roll-out continued in 2022, as planned, and today is in place at a majority of the Group's companies. This phase will be completed in 2023 once the roll-out at Capital Brands and Eversys is over.

In the last year the risks linked to sustainability included on the platform, along with the climate change risks identified already in 2021, were updated. More specifically these include: circularity, product sustainability, compliance with health and safety measures, environmental damage caused by operations, human rights, energy management, impact on the stakeholders' sustainability interests, local communities, involvement of the communities in sustainability initiatives and fair trade practices.

This platform is dynamic and allows the personnel involved to update the selection of risks in a timely and independent manner, under the strict supervision of Internal Audit and the Financial Reporting Officer, as well as make changes to the risk map based on the user profile in order to guarantee the utmost control and separation of roles. The new risk platform was also integrated directly with the

SAP Success Factor for organizational purposes. A specific e-learning module was created so that all individuals subject to assessments receive adequate training.

Lastly, even though the Group does not have commercial relationships with public administrations, in order to increase control over compliance with internal regulations and the laws in effect in the different countries of operation, as of 2015 the Group also carries out other controls relating to any episodes of abuse of authority and corruption.

The Group also ensures that, in addition to transparency and compliance, **models of conduct** have been defined and implemented with a view to minimizing the risk associated with illicit behavior, subject to sanctions under the law and regulations. Toward this end, all the Group companies received "**Corporate Governance Guidelines**", since 2018. The administrative directors of the different branches are responsible for the application of these guidelines which call for adherence to the Group's Code of Ethics and define a system for the delegation of spending authority.

Lastly, the De' Longhi Group's Italian companies also adopted an "**Organizational, Management and Control Model**" pursuant to and in accordance with Legislative Decree 231/2001 which calls for the appointment of an independent Supervisory Board to oversee the correct functioning and compliance with the Model, last updated in 2021. In 2019 the Group had already adopted an internal control system which monitors the flow of information and the processes controlled by the system used to prevent the crimes indicated in Legislative Decree 231.

In order to monitor Group transactions with related parties and the relative risk, the Parent Company

also defined a procedure for the related party transactions subject to specific rules and approval, in accordance with the principles established by the Supervisory Authorities in CONSOB Regulation n. 17221 of 12 March 2010.

## Policies and objectives

The De' Longhi Group's **Code of Ethics** defines the ethical standards that must be adhered to by employees and in the course of all the relationships between the company and third parties, which aspire to legality, transparency, fairness, integrity and professionalism, as well as protection of privacy. In order to allow new hires to familiarize themselves with these standards, as of 2020 short induction sessions are held during which the highlights of the Code of Ethics and the 231 Model are illustrated. All new employees in Italy must provide signed confirmation of having received and read the Code of Ethics.

As part of the **Anti-Fraud Program** defined based on the guidelines of the Association of Certified Fraud Examiners (ACFE), in 2022 the Group moved forward with the improvements called for in prior years.

With regard to *the whistleblowing* platform, in 2022 the platform was again fully operative, and may be used by employees, suppliers and customers to send an anonymous report. In order to do this, a dominion outside the company systems was created which sends the encrypted information directly to the Whistleblowing Committee, a body comprising four Company members charged with analyzing and carrying out any further investigations of the reports received.

No significant reports have ever been received since the implementation of the system in 2020.

With regard to **cyber security**, the Group began working on a master data protection policy in 2020 and in 2022 new security systems were introduced and an alert system was implemented. These automated systems help to identify, analyze and prioritize any notices received, as well as guarantee that the correct parties receive the notices. The team charged with the management of this system comprises IT personnel, as well as members of the legal team. With a view to further increasing cyber security, the Group worked to increase awareness in this regard, supported by mandatory training in phishing.

### Key figures

No violations of the anti-corruption laws were recorded in the three-year reporting period (2020-22).

Information relating to persons apprised of the company policies and procedures, as well as the employees who received anti-corruption training in the three-year period 2020-2022, is shown below.

Category	Europe*			America & Asia-Pacific**			MEIA <sup>6</sup>			De' Longhi Group		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Number of people with whom the company's anti-corruption procedure and policies were shared</b>												
Managers	187	177	162	75	67	82	8	4	4	270	248	248
White collars	1,805	1,745	1,829	821	511	598	51	25	25	2,677	2,281	2,452
Blue collars	4,034	4,481	918	3,819	3,820	1,771	-	-	-	7,853	8,301	2,689
<b>Total employees</b>	<b>6,026</b>	<b>6,646</b>	<b>2,909</b>	<b>4,715</b>	<b>4,398</b>	<b>2,451</b>	<b>59</b>	<b>29</b>	<b>29</b>	<b>10,800</b>	<b>11,073</b>	<b>5,389</b>
Commercial partners	-	-	-	-	-	-	-	-	-	-	-	-
<b>Employees who received anti-corruption training</b>												
Managers	35	22	44	8	9	7	-	-	-	43	31	51
White collars	282	326	340	26	114	108	-	-	-	308	440	448
Blue collars	-	-	2	7,560	9,355	2,090	-	-	-	7,560	9,355	2,092
<b>Total employees</b>	<b>317</b>	<b>348</b>	<b>386</b>	<b>7,594</b>	<b>9,478</b>	<b>2,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,911</b>	<b>9,826</b>	<b>2,591</b>

<sup>6</sup> MEIA refers to the countries located in the Middle East, India and Africa.

\* \*The figures for Italy are included in Europe.

\*\* The hours of training for new hires, which addresses business ethics and anti-corruption, are taken into consideration for America & Asia-Pacific.

In 2022 the Board of Directors did not receive any anti-corruption training or information about policies and procedures in this regard.

No legal complaints relating to anti-competitive, anti-trust and monopolistic practices were filed in the three-year period 2020-22.

Similarly, no economic or in-kind contributions were made to political parties, elected representatives or people looking to hold political office in the three-year reporting period.

As in the two-year period 2020-22, no complaints relating to discrimination were filed.

Lastly, consistent with full disclosure in tax matters, the Group operates in full transparency and in accordance with local and international tax laws.

## Scenario and risks

The Group's international presence puts it in a privileged position to benefit from multiple cultures and traditions; fueled by this advantage, the De' Longhi Groups works every day to nurture the sense of belonging and **personal satisfaction**, as well as protect the **health and safety of the workplace**.

Ambition, courage, passion, expertise, heritage, teamwork and mutual respect are just some of the values that inspire the Group's people: loyalty and trustworthiness are the cardinal principles that motivate employees and contribute to the creation of an environment in which diversity adds value and helps to prevent any form of discrimination.

These values also form the foundation for the professional growth of its people and their sense of personal satisfaction, as well as the promotion of a safe, healthy workplace, which is key to retaining and attracting resources and talent, as well as business continuity.

The Group's exceptional handling of the unusual and unexpected scenario created by the Russian-Ukrainian conflict provides significant testimony to the cohesiveness of its people who moved quickly to provide economic and emotional support to the colleagues closest to the war zones.

For more detailed information on the risks connected to human resources management and risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraph 9 (Risks relating to the organization and human resources management).

With regard to the measures used to prevent and manage human resource risks please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

## Business and organizational model

The Chief Corporate Services Officer coordinates the Human Resources Division which is responsible for the management and development of human resources for the entire Group; local supervision is carried out by HR Managers in both the main geographical areas and the Group's more structured branches. They have many duties which include, mainly, all administrative aspects of employee relationships, the management and development of internal resources, talent acquisition development and retention, as well as internal communications, labor union relations, development of important initiatives tied to both employee engagement and the organization of workplace safety.

The corporate HR structure was defined based on the organizational changes made by the Group in the last few years. It calls for the breakdown of human resources management based on three macro-clusters, focused on the supervision of functional areas, as well as specific expertise:

- Brand Headquarters and commercial organization Europe
- Corporate Staff, Services and Organization of Operations Europe
- Commercial organization Asia Pacific and Operations China

The Director of Group Human Resources and Organization is responsible for the supervision of the remaining commercial units.

A global function which is crucial to the Group's activities, operational since 2019, is **Talent Acquisition and Employer Branding** which allowed the Group to structure a more integrated recruiting

process. A number of initiatives were developed in association with the employer branding strategy focused on increasing the recognition of the Group globally: these include updating the *People* section of the corporate website and the introduction of a new global LinkedIn page, which substituted the previous pages dedicated to single countries. There was a strong increase in followers and contacts in 2022: the number of followers, in fact went from 49 thousand at year-end 2021 to 58.3 thousand at year-end 2022 (+19%). The most successful social strategies resulted in the publication of 92 posts relating to 5 topics: CSR, Training, Career, Business and Innovation. In relation to this social network, the Group is developing a project which calls for more active involvement of the employees who will become veritable *brand ambassadors*, who will represent the Group all over the world and share its philosophy. Toward this end, for years De' Longhi has cultivated strategic relationships with Italy's best universities, like **Milano's Politecnico** and **Bocconi University**: in order to strengthen the tie with the academic world, structured partnerships were established with a view not only to attract the best talents, but also to increase research and training in collaboration with the two schools.

The partnership with Politecnico, for example, calls for the Group's participation in events and training courses tied to innovation, research and development. In the two-year period 2021-2022, the **Graduate Program**, developed with and implemented by Bocconi University, offered a 12-month work experience to around 10 new graduates from schools throughout Italy; of these 12 months, half were spent at the Treviso headquarters, while the remainder was spent at the Group's international branches. The goal was to then provide the young talent with a place within the company, at

headquarters or at an international branch. Lastly, by participating in Career Days and Roundtables, the Group had the chance to get to know and interact with students from other important Italian colleges, such as Ca' Foscari University in Venice, University of Udine and University of Padua.

2022 marked the launch of Staying Together which calls for a global remote working policy and a communication and training plan focused on supporting a Group approach to the new ways of working and addressing the key aspects of working life. The first step was taken in December when a survey was conducted in order to understand the most important areas for DeLonghi's people with respect to the new ways of working. The next steps in 2023 will, therefore, involve defining a dedicated plan of action.

In the last few years there has also been a rapid digitalization of the activities related to human resources. The PULSE platform, active already for several years, also allows Group employees to create personalized learning plans based on specific needs and access an on-line catalogue and e-learning courses.

The biggest novelties in 2022 include the launch of two new platforms, Speex and Of Course Me: the first provides language courses globally and the second provides information and useful materials on a vast range of topics, which allows employees to get to know more about topics they are interested in and which help professional development by creating an ad hoc training course. In 2022, the Global Catalogue offered 24 courses in soft skills and managerial skills, and obtained an average satisfaction score from around 450 employees of 4.2 out 5.

With regard again to ad hoc training, in 2022 the **Digital Lab**, designed to develop employees' digital expertise and sustain the growth of the Group's e-commerce channel, continued. During the second phase of this training program, all employees had access to 10 webinars focused on the development of a digital mindset and the use of technology.

During the year that just closed, 15 Operations employees had the opportunity to participate in a course to obtain the **Six Sigma Green Belt**, during which they were introduced to the tools and methods needed to be part of the data-driven improvement cycles used to optimize and standardize company processes. The course involved 1500 hours of training and the completion of 4 final projects. All participants also received certification at the end.

During the last year the Group also actively promoted the **Diversity and Inclusion** project, with a view to guaranteeing equal opportunity and no discrimination. The project focuses on two areas: the first is focused on assessing how many women are part of the organizational structures, paying particular attention to the gender pay gap and any corrective actions needed; the other aimed to understand the women's work experience in the company, in order to identify specific priorities and needs. In 2022 the first qualitative and quantitative analyses, aiming to identify any significant trends in the promotion of gender equality in the organization, were carried out; a roadmap was also defined and a Group-wide plan of action developed to promote gender equality in each phase of the work experience, along with metrics to be used to measure and monitor the progress made in this regard.

The Human Resources Division also guides the global **performance appraisal** process conceived to promote employee development through the use of a dedicated system which fosters an open and honest dialogue between managers and employees. This process was recently updated in 2022 with the definitive launch, after being tested in 2021, of FORWARD. Participation was excellent, reaching around 80%.

The new performance appraisal cycle is structured in three main phases, the first of which - called Set Up - calls for the identification of individual targets and the definition of a growth plan that is consistent with the company strategy and the team goals. In the second phase - called Sync - growth becomes an ongoing and interactive process thanks to the use of regularly scheduled checkpoints for feedback and self-reflection. Contrary to the past, the feedback is not only about the supervisor - subordinate relationship, but addresses the entire organization. The final phase - or Wrap Up - represents the moment of assessment, of understanding what needs to be improved and highlighting individual talents: at the end of the year this phase, in fact, takes into account observations of different stakeholders which allows the manager to provide a more complete, objective and constructive evaluation. In the first year of the Forward launch, around 80% of company personnel globally completed the first phase of the process.

#### **Conflict in Ukraine: the measures taken to protect the Group's personnel**

Its global presence inevitably exposed the De'

Longhi Group to the geopolitical and humanitarian issues linked to the Russian-Ukrainian conflict shocked the world in the first few months of 2022. Guaranteeing the safety of its employees was, from the very beginning, the Group's top priority and support was immediately provided to the local employees. The Group activated a task force in Poland in order to provide support to its colleagues and their families fleeing Ukraine. The jobs and salaries of all the Ukrainian employees who decided to remain in the country were also guaranteed, while initial assistance and a one-off stipend was also given to all those who decided to leave their jobs.

Fund raising was also begun which was open to all Group employees who wished to contribute to the support of their colleagues in Ukraine. The Group matched any funds donated which were then distributed to around 30 colleagues at the Ukrainian colleagues in what was a very emotional moment for the Group, which highlighted the strength of community and of people taking care of one another.

Human Resources is also supported by individuals in specific positions charged with improving work-life balance and protecting workers' health and safety such as the Head of the Prevention, Protection and Environment Department in Italy, Switzerland, China and Romania where the Group's production plants are located. Their responsibilities include assessing the risks related to the activities carried out by the Group employees and implementing any improvements needed including with a view to improving the ergonomics of the work stations in the plants and offices.

In terms of employee health and safety, in 2022 the

Group continued to pay great attention to the Covid-19 crisis and the anti-contagion measures adopted in 2020 and 2021 were maintained for a good part of the year. It was only when there was a consistent drop in the number of infections and changes in the law, that it was deemed opportune to gradually reduce the scope of these measures. A new Group smart working policy took effect as of August. This policy aims to transform the obligation of reduced in-person working in order to limit the risk of contagion, into an opportunity for a new approach to working which further improves employees' work-life balance.

With a view, once more, to guaranteeing and improving the health and safety of its people, the Group began work on a plan for risk mitigation and further improvement in workplace safety. The activity, carried out by cross-divisional HR/Operations team focused on the characteristics and risks relating to production organization and the supply chain: the goal is to define a multi-year, step-by-step path which reinforces a "Zero accident mindset". The team also selected three key KPIs to be used to monitor the progress being made toward the "zero accident" goal.

Looking at comfort in the workplace, consistent with past years, in 2022 further investments were made in ergonomic and in machinery which automates a few processes along the production lines which reduce the employees' use of force when moving merchandise considerably.

The security system was also audited in 2022. Any incidents are managed locally by human resources and the legal division which, in certain instances, will also involve the Supervisory Board.



### Policies and objectives

The Group's Code of Ethics dedicates an entire section to the management of human resources which testifies to the great focus on people, appreciated for both the professional and personal contribution they make every day to the achievement of the company's strategic goals. Particular attention is paid to the promoting equality opportunities throughout the recruitment process, in the work place and in professional advancement, avoiding any and all forms of discrimination with the respect to its employees and staff members. The Code of Ethics also condemns undocumented working relationships, any form of exploitation (including child labor) and any undue advantage over workers.

With regard specifically to the health and safety of workers, the Code of Ethics also requires that each employee pay the utmost attention to carrying out his/her duties, adhering strictly to all of the safety and preventive measures in place, while also

complying with all the instructions and directives relating to a safe and healthy workplace. A health and safety policy was formalized for the Mignagola plant in Treviso, Italy and in Cluj and Salonta, Romania after having adopted an operating system which complies with the international standard, ISO45001. At the plant in Sierre (Switzerland), which complies with the ISO 450001:2018 standard, is in place.

Some time ago the Group formalized a policy dedicated to the integrated management of topics relating to human resources including, for example, the compensation of the Board of Directors and the Executives with Strategic Responsibilities. Furthermore, consistent with the process of standardizing processes across the Group, in 2019 a new Group MBO policy had already been adopted, which aims, on the one hand, establish a link between compensation and performance by rewarding the results obtained and, on other, strengthen the sense of belonging to the Group and Group identity.





## Key figures

The Group had 8,555 employees at 31 December 2022, a decrease of 17% compared to the prior year. This direct and indirect effects of the global market conditions had a bigger impact on employment at the Chinese plants. Women represent 51% of the De' Longhi Group's workforce, in line with the prior year. 93% of the employees have permanent contracts, higher than in the prior year (88%).

Employees, by type of contract	Italy			Europe			America & Asia-Pacific			MEIA			De' Longhi Group		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Number of employees by contract type</b>															
Permanent positions	1,651	1,708	1,710	4,284	4,624	3,837	2,621	2,710	2,388	51	58	52	8,607	9,100	7,987
<i>women</i>	646	676	684	2,617	2,776	2,271	1,250	1,273	1,110	22	23	21	4,535	4,748	4,086
<i>men</i>	1,005	1,032	1,026	1,667	1,848	1,566	1,371	1,437	1,278	29	35	31	4,072	4,352	3,901
Temporary positions	34	31	22	131	417	171	605	803	374	1	1	1	771	1,252	568
<i>women</i>	17	17	15	76	211	61	273	358	200	1	-	1	367	586	277
<i>men</i>	17	14	7	55	206	110	332	445	174	-	1	-	404	666	291
<b>Total</b>	<b>1,685</b>	<b>1,739</b>	<b>1,732</b>	<b>4,415</b>	<b>5,041</b>	<b>4,008</b>	<b>3,226</b>	<b>3,513</b>	<b>2,762</b>	<b>52</b>	<b>59</b>	<b>53</b>	<b>9,378</b>	<b>10,352</b>	<b>8,555</b>
<b>Number of employees by contract type</b>															
Full-time	1,567	1,637	1,635	4,302	4,784	3,778	3,214	3,484	2,752	51	58	52	9,134	9,963	8,217
<i>women</i>	549	594	604	2,601	2,789	2,155	1,512	1,613	1,301	22	23	21	4,684	5,019	4,081
<i>men</i>	1,018	1,043	1,031	1,701	1,995	1,623	1,702	1,871	1,451	29	35	31	4,450	4,944	4,136
Part-time	118	102	97	113	257	230	12	29	10	1	1	1	244	389	338
<i>women</i>	114	99	95	92	197	180	11	18	9	1	-	1	218	314	285
<i>men</i>	4	3	2	21	60	50	1	11	1	-	1	-	26	75	53
<b>Total</b>	<b>1,685</b>	<b>1,739</b>	<b>1,732</b>	<b>4,415</b>	<b>5,041</b>	<b>4,008</b>	<b>3,226</b>	<b>3,513</b>	<b>2,762</b>	<b>52</b>	<b>59</b>	<b>53</b>	<b>9,378</b>	<b>10,352</b>	<b>8,555</b>
<b>Number of employees by gender</b>															
<b>Total women</b>	<b>663</b>	<b>693</b>	<b>699</b>	<b>2,693</b>	<b>2,987</b>	<b>2,332</b>	<b>1,523</b>	<b>1,631</b>	<b>1,310</b>	<b>23</b>	<b>23</b>	<b>22</b>	<b>4,902</b>	<b>5,334</b>	<b>4,363</b>
<b>Total men</b>	<b>1,022</b>	<b>1,046</b>	<b>1,033</b>	<b>1,722</b>	<b>2,054</b>	<b>1,676</b>	<b>1,703</b>	<b>1,882</b>	<b>1,452</b>	<b>29</b>	<b>36</b>	<b>31</b>	<b>4,476</b>	<b>5,018</b>	<b>4,192</b>

During the year the Group hired approximately 376 contract workers at the production plants.

Breakdown of the workforce		Unit of measure	De' Longhi Group 2020	De' Longhi Group 2021	De' Longhi Group 2022
<b>Manager</b>					
Men	< 30 years	%	-	-	-
	>30 < 50 years	%	1.7%	2%	1.9%
	> 50 years	%	1.3%	1.2%	1.4%
<b>Total men</b>		<b>%</b>	<b>2.5%</b>	<b>3.2%</b>	<b>3.3%</b>
Women	< 30 years	%	0.1%	-	-
	>30 < 50 years	%	0.7%	0.7%	0.7%
	> 50 years	%	0.2%	0.1%	0.2%
<b>Total women</b>		<b>%</b>	<b>0.7%</b>	<b>0.9%</b>	<b>0.9%</b>
<b>Total</b>		<b>%</b>	<b>3.2%</b>	<b>4.1%</b>	<b>4.2%</b>
<b>White collars</b>					
Men	< 30 years	%	1.5%	2.3%	2.8%
	>30 < 50 years	%	10.8%	10.2%	13.3%
	> 50 years	%	3.4%	3.4%	4.2%
<b>Total men</b>		<b>%</b>	<b>19.2%</b>	<b>15.9%</b>	<b>20.3%</b>
Women	< 30 years	%	2.1%	2.4%	3.0%
	>30 < 50 years	%	9.1%	9.1%	11.2%
	> 50 years	%	2.1%	2.1%	2.5%
<b>Total women</b>		<b>%</b>	<b>15.6%</b>	<b>13.5%</b>	<b>16.8%</b>
<b>Total</b>		<b>%</b>	<b>34.9%</b>	<b>29.4%</b>	<b>37%</b>
<b>Blue collars</b>					
Men	< 30 years	%	7.4%	7.7%	4.5%
	>30 < 50 years	%	15.5%	15.5%	14.6%
	> 50 years	%	6.5%	6.2%	6.4%
<b>Total men</b>		<b>%</b>	<b>28.3%</b>	<b>29.4%</b>	<b>25.5%</b>
Women	< 30 years	%	7.3%	6.7%	4.6%
	>30 < 50 years	%	23.7%	22.5%	20.8%
	> 50 years	%	7.4%	7.9%	7.8%
<b>Total women</b>		<b>%</b>	<b>32.9%</b>	<b>37.1%</b>	<b>33.2%</b>
<b>Total</b>		<b>%</b>	<b>61.2%</b>	<b>66.5%</b>	<b>58.7%</b>

In 2022, the De' Longhi Group's BoD comprised 6 men and 5 women, of which around 90% over the age of 50.

Composition of the Parent Company's BoD	Unit of measure	Italy			
		2020	2021	2022	
Men	< 30 years	n	-	-	-
	>30 < 50 years	n	1	-	-
	> 50 years	n	7	8	6
<b>Total men</b>	<b>n</b>	<b>8</b>	<b>8</b>	<b>6</b>	
Women	< 30 years	n	-	-	-
	>30 < 50 years	n	1	1	1
	> 50 years	n	3	3	4
<b>Total women</b>	<b>n</b>	<b>4</b>	<b>4</b>	<b>5</b>	
<b>Total</b>	<b>n</b>	<b>12</b>	<b>12</b>	<b>11</b>	

The success of the De' Longhi Group's products lies with its people. In order to foster their knowledge and expertise, as well as ensure adequate training in terms of health and safety, in 2022 the De' Longhi Group provided an average of 23 hours of training to each employee (+ 6% compared to 2021).

Training	Unit of measure	De' Longhi Group		
		2020	2021	2022
Average hours per employee	H	23.7	21.7	23

Formazione	Unit of measure	De' Longhi Group		
		2020	2021	2022
<b>Training by job level</b>				
Average hours for managers	h	15.2	14.3	15.5
Average hours for blue collars	h	10.3	17.6	19.9
Average hours for white collars	h	29.8	23.9	25.5
<b>Training by gender</b>				
Average hours for women	h	25.9	20.3	21.8
Average hours for men	h	21.2	23.1	24.3

With regard to health and safety, the Group recorded a total of 54 injuries over a total of almost 19 million hours worked in 2022. The figure, consistent the Group's overall performance, is 34% lower than in the prior year.

The Group's rate of injuries also fell, for the same reason, from 3.9% in 2021 to 2.9% in 2022.

Injuries and rate of injury by geographic area		Italy			Europe			America & Asia-Pacific			MEIA		
		2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Total hours worked	h.000	2,527	2,887	2,799	6,256	8,285	7,356	11,125	9,935	8,595	109	119	121
Injuries	n.	10	13	16	6	20	10	34	49	26	-	-	2
<i>In transit using means organized by the Group</i>	n.	-	-	-	4	4	-	-	-	-	-	-	-
Serious injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Fatal injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Occupational disease	n.	4	1	2	-	-	-	-	1	-	-	-	-
<b>Accident rate</b>	-	<b>4.0</b>	<b>4.5</b>	<b>5.7</b>	<b>1.0</b>	<b>2.4</b>	<b>1.3</b>	<b>3.1</b>	<b>4.9</b>	<b>3.0</b>	-	-	<b>16.4</b>
<b>Rate of serious accidents</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Rate of mortality</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Rate of occupational disease</b>	-	<b>1.6</b>	<b>0.3</b>	<b>0.7</b>	-	-	-	-	<b>0.1</b>	-	-	-	-

Group injuries and accident rates		De' Longhi Group		
		2020	2021	2022
Total hours worked	h.000	20,017	21,227	18,873
Accidents	n.	50	82	54
<i>In transit using means organized by the Group</i>	n.	4	4	-
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
Occupational disease	n.	4	2	2
<b>Accident rate</b>	-	<b>2.5</b>	<b>3.9</b>	<b>2.9</b>
<b>Rate of serious accidents</b>	-	-	-	-
<b>Rate of mortality</b>	-	-	-	-
<b>Rate of occupational disease</b>	-	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>

Infortuni e indici infortunistici dei contrattisti operanti presso gli stabilimenti produttivi		De' Longhi Group		
		2020	2021	2022
Total hours worked	h.000	2,644	5,343	2,120
Accidents	n.	4	12	14
<i>In transit using means organized by the Group</i>	n.	-	7	5
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
<b>Accident rate</b>	-	<b>1.5</b>	<b>2.2</b>	<b>6.6</b>
<b>Rate of serious accidents</b>	-	-	-	-
<b>Rate of mortality</b>	-	-	-	-

## Scenario and risks

The De' Longhi Group has always guaranteed a business model focused on products of the highest quality, key to maintaining consumer confidence and the brands' reputation in all its markets, as well as essential to long-term profitability and business continuity. A global player, the Group must continuously address a complex and varied regulatory environment which requires that particular attention be paid to compliance with the product quality standards applied in the different jurisdictions. Toward this end, based on the local for global approach adopted by the Company, all the products distributed must comply with the most stringent standards applicable in the numerous countries where the Group is present. Examples of the most well-known international regulations include EU Regulation n. 1907/2007 or REACH (Registration, Evaluation, Authorization and Restrictions of Chemicals) and the RoHS (Restrictions of Hazardous Substances) directive 2002/95/EC, both of which the Group's companies comply with even though the scope of application is strictly European.

The Group also assumes the manufacturers' responsibilities for damages caused by defective products. In these instances, the laws and regulations can be particularly severe in some jurisdictions, like the United States, the UK and Australia. In the United States and Australia, for example, as a result of the new regulations introduced a few years ago relating to the energy efficiency of portable air conditioners, the entire range of products distributed by the Group in the two markets had to be adjusted to in order to comply with the new level of energy efficiency.

The adequacy and effectiveness of the practices mentioned above are guaranteed by Product Safety&Liability, a Group team that interfaces with both the technical departments and the branches,

through the Legal divisions, working to prevent product risks, as well as manage any market complaints or reports generated internally. In 2022, thanks to expansion of this team, the Group succeeded in giving further impetus to preventive control activities and gained greater operational control of any reports received.

The manufacturer is also responsible for providing correct product information which may vary from country to country. In the United States, for example, the De' Longhi Group is subject to "Proposition 65" based on which the presence of any hazardous substances must be indicated on the packaging and warning labels used.

For more information about the risks connected to quality and product innovation, as well as risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraphs 5 (Risks relating to the De' Longhi Group's ability to achieve continuous product innovation), 6 (Risks relating to patents and trademarks) and 10 (Risks relating to product quality and product liability).

For more information on the measures used to prevent and manage risks relating to product quality and innovation, please refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

## Business and organizational model

Thanks to the more than 500 people divided into teams with different competencies, the De' Longhi Group's Quality Division is able to supervise all the legal aspects of the current laws and regulations relating to **product and food safety**. These teams include Regulatory Affairs which monitors any changes in international regulations and laws relating to products and contributes to development also by working with the Group's different technical



divisions. The Quality Division also defines the guidelines for product control which can be used by all Group companies. The corporate provisions defined are then adopted and applied locally by dedicated teams which operate on two levels: on the one hand, they work to monitor the quality of both the products which come from external suppliers and the ones made internally; on the other they monitor the quality of product categories being developed and when market complaints are received. The controls are carried out already during the design phase in order to prevent any anomalies or product malfunctions, as well as ensure that the highest safety and qualitative standards are achieved.

With regard to the production plants in China and Europe, including Eversys, the organizational model adopted by the Group was ISO 9001 certified, another tool that can be used to monitor product quality.

Looking at food safety, an ISO 22000 certified management model, which helps to ensure hygienic

and sanitary conditions for food and the products that it has contact with, was implemented at the Mignagola and Cluj plants. The 22000 standard, which is based on the HACCP principles and the Codex Alimentarius, focuses on identifying and managing possible risks, preventing accidents along the entire production chain, as well as assessing the compliance of products with laws and regulations. In all the other production facilities, the Group adopted an organizational model which, in addition to the same standard, is informed by the **Good Hygienic Practices** (GHP) and the ISO 1672-2 standard for food safety. The model was also developed in accordance with the **ISO 22005** product traceability standards and requirements in order to provide, for each component and finished product, information relating to the supplier and the client recipient of the product.

Furthermore, during the pre-production phase compliance with the highest safety standards of all the Group's products is certified by third parties in order to further guarantee compliance with

applicable regulations and laws. The Quality Division also monitors the production quality of its suppliers through specific audits (§ Supply chain management).

Lastly, with regard to **product information**, the technical departments work with the Marketing Division to ensure that the labels and booklets created comply with the regulations specific of all the countries where the products are distributed. More in detail, the Group pays careful attention to the product booklets and labels which, in order to meet the legal obligations must comply with specific requirements, including, for example, the need to include the product's country of origin and the presence of any refrigerants in the household appliances distributed by the Group. Instructions relating to how to safely use and dispose of the product at the end of its life cycle must also be provided in the product manuals.

The Operations and Technology Division oversees innovation and product design and is charged with developing well designed products that are easy to use and multifunctional. The product designs for each of the Group's brands should combine several elements, like ergonomics, silence and safety, without overlooking the use of high quality materials and technologies which, at the same time, enhance energy efficiency and correct food safety. The

Group has always invested in the research and development of products that are made to last over time, thanks also to parts that are easy to disassemble and clean.

As for innovation, the recent market trends have driven a noticeable increase in product digitalization which led the Group to invest in innovative solutions (see the section "Connected products").

Specific NPD (New Project Development) procedures provide the entire De' Longhi Group with guidelines for the design of new products. These procedures are monitored by the Marketing and Design divisions, as well as the technical offices, comprised of a total of more than 450 people spread out between the offices in Italy, the UK and the Dongguan plant in China. These offices, together with the Quality Division's Regulatory Team, develop solutions which comply with applicable laws. The Group's local for global approach calls for the development of products which comply with the most stringent standards applicable in the more than one hundred countries in which the Group's products are distributed.

The partnerships between Operations and Technology, several prestigious Italian and international universities, as well as a few commercial partners for which the De' Longhi Group designs and manufactures a collection of coffee products, allows for the

constant development of innovative products. In 2022, the partnership with Italian universities focused on product design and improving the user experience gave birth to the **"Eco-Design Guidelines"** developed in collaboration with Milan's Politecnico. The goal of the guidelines developed with the Milanese university is to provide the Group with new knowledge and tools to be in product development and ensure that the new products are innovative, efficient and environmentally friendly. More specifically, a few strategic guidelines were defined which, among other things, aim to minimize energy consumption during use, facilitate the recycling of the materials used, as well as disassembly.

The Group protects the design of new products and solutions through specific patents managed centrally by headquarters. There is an office in the Hong Kong branch which is in charge of research projects developed in partnership with local suppliers.

### Policies and objectives

One of the De' Longhi Group's founding values is the importance of product excellence which is guaranteed by ongoing research and development, focused, among other things, on the safety and wellbeing of the consumer. In the Code of Ethics, updated for the last time in 2018, the Group

commits to guaranteeing the highest quality standards for consumers and clients: the aspects considered during the design and manufacture of excellent products include price and durability, as well as the maximum environmental compatibility.

Lastly, some time ago the Group adopted a group-wide **Quality Policy** which reinforces the commitment to the development and distribution of safe products which comply with all current laws and regulations and meet the highest expectations of end consumers.

### Key figures

The qualitative efficiency of this process is assessed based on the First Time Quality Indicator (FTQ) which looks at the type of defects, functional or esthetic, linked to the single product. More in detail, the indicator expresses the number of perfect products as a percentage of total production. In the three-year period 2020-2022, the overall FTQ was stable confirming the Group's excellent performance. A second indicator, used to monitor product quality is the Service Call Rate (SCR) which measures the machines repaired in the first year under warranty and gives the level of defectiveness within two years after the purchase. The overall SCR in 2022 was slightly higher than in 2021.

In the three-year reporting period there were two instances of non-compliance related to product safety, one of which in 2022. The first instance, in 2022, relates to a voluntary market recall of an accessory ("Julienne Disc"), supplied with two models of Kenwood brand food processors in light of the risk that a component might detach. This action was carried out in agreement with the competent authorities in the countries involved (21). The second instance took place last year when a few Comfort products, manufactured by a third party supplier and distributed by the Group in the USA, Canada and Mexico, were taken off the market due to possible excessive overheating. The recall was carried out and managed directly by the third-party supplier in agreement with the local authorities.

In 2022 there was one instance of noncompliance relating to product information and labeling involving an Ariete brand product with incomplete documentation. Even though the lack of information did not create a consumer health risk, as a result of the report submitted by the Italian Chamber of Commerce, the Group was fined. In the two-year period 2020-2021 there were a total of three instances of noncompliance: the first, recorded in Italy (in 2020) and ended with a warning, is explained by the labeling an Ariete brand product which did not have the name and address of the manufacturer on the

7 Beginning in 2009, the FEA (Swiss Association of the domestic appliances industry) in agreement with the Swiss authorities, introduced the energy label for espresso machines, which became mandatory in 2014 for all machines sold in the Swiss market. In this context, the De' Longhi Group has decided to extend the certification in accordance with the standard EN 60661/2014 "Methods for measuring the performance of domestic coffee machines" to all coffee machines, regardless of the distribution market. The energy label proposed in the Swiss agreement classifies espresso machines on the basis of their energy efficiency on a scale that goes from class D to A+++.

label. The other two (recorded in 2021) were resolved by paying a fine agreed upon by the parties. Both instances involved Capital Brands.

In 2022, as in prior years, the Group continued with its investments in research and development aiming to enhance its capacity for innovation (please refer to the section "Research and development - quality control" for more information).

A few of the product designs which exemplify De' Longhi Group innovation are described below:

### Connected products

As in prior years, in 2022 the De' Longhi Group continued to invest in the development of sophisticated solutions which guarantee connectivity and ease-of-use through digital technologies like Wi-Fi, Bluetooth and touch screens. The variety of systems allows for both greater product personalization and facilitates the monitoring and prevention of malfunctions and, consequently, provide more efficient and customer care.

Over the last few years, a series of air conditioners has been developed for the European market which, in addition to being connected to specific apps, incorporates innovative technologies capable of locating the user (thanks to a geofencing system) and optimize consumption. As for the coffee segment, distribution continued of the "Primadonna Soul", the Group's first fully automatic machine that can be connected via Wi-Fi and managed through an application downloaded on the user's smartphone.

Various food preparation and comfort product lines featuring innovative user interfaces and connectivity have become standard: these include a series of Apple HomeKit products for heaters distributed in Japan, as well as a dehumidifier which can be connected via Wi-Fi that is sold in Europe.

### Durable and detachable products

During the development phase, coffee machines are subject to numerous tests relating to the durability of components and the finished products. More in detail, thousands of drinks are made under standard conditions in order to verify product reliability and durability. If for the La Maestosa and La Specialista models initiatives aiming to further improve durability, which already today is optimal, were ongoing, the reparability of the Nespresso brand models is monitored already during the planning phase. In order to accommodate the needs for machines that are easier to repair and require less time to substitute parts, in 2020 a project had already been started to modify the frame of the La Specialista coffee machines.

Similar projects have also been ongoing for the Kenwood brand kitchen machines, with a view to standardizing internal parts and reducing the number of parts in order to guarantee simpler and more effective repairs, thanks also to the use of more sustainable and functional solutions.

In addition to quality and durability, it is clear that one of the De' Longhi Group's objectives is to make products that are easier to repair, thanks to qualities like ease of disassembly, the ability to interchange parts across products from the same family (which has been the focus of many R&D activities over the last three years).

The great commitment to the development of products with these characteristics was confirmed also by the Red Dot award received by a number of Braun products like the New TexStyle 7 Pro, the PowerBlend 9 and the MultiQuick MQ 7. This recognition attests to the qualitative value that focusing on different criteria, including product durability, has.

Lastly, we would like to point out that the fully automatic coffee machines are equipped with patented systems which facilitate washing with water,

without having to use detergents and lubricants, while the milk system is cleaned using steam and hot water at the end of each use so that any remaining milk can be stored in the refrigerator and used again.

### Energy efficient and low GHG emissions products

The research and development of increasingly energy efficient products is not only a must for the De' Longhi Group, it is also a topic that is widely discussed by the general public and subject to changing regulations.

With regard to coffee, in 2022, as was the case in 2021, almost all fully automatic De' Longhi coffee machines are at least class A,<sup>7</sup> as are all the Lattissima and manual machines with electronic controls like the Dedica machine. In 2022, the commitment to more energy efficient coffee machines led to a study of ways to reduce the time needed for automatic shutdowns, optimize consumption during the stand-by phase reaching levels which are half the regulatory minimum and develop an innovative heating system for the filter cup. The development of the latter was carried out during the year in partnership with Milan's Politecnico which resulted in the production of a prototype of a manual machine with a magnetic induction system which rendered the heating system more efficient.

In 2021 the Lattissima One Evo model had already received an A+ energy class rating, the same energy class that the Nespresso platform machines belong to, thanks mainly to a decrease in the use of aluminum which made it possible to make a lighter, more energy efficient boiler. In addition to the Nespresso machines and the Lattissima One Evo, the weight of the boiler was also reduced in semi-automatic machines, like La Specialista Arte, and in fully automatic machines. The reduced



weight of the thermo-block made it possible to reduce energy and water consumption noticeably. Also, for many years all the fully automatic machines have been available in "Ecomode" which makes it possible to save energy during the warm-up phase; this function, along with the stand-by functions available for all product families, guarantee energy consumption that is lower than regulatory limits. All the manual coffee machines, which typically consume more energy than the fully automatic machines, are equipped with a patented De' Longhi system that makes it possible to cut off the power supply or turn off automatically after a period of inactivity, resulting in energy savings.

With regard to comfort, the migration of the whole range of European portable air conditioners to refrigerant propane gas was completed several years ago. This refrigerant has significant environmental advantages as it is a natural gas which has a lower impact on global warming (Global Warming Potential - GWP). In the US market, where the use of this gas is illegal, in 2021 the Group completed the migration of all the air conditioners to refrigerant synthetic R32 gas, which has a lower GWP impact compared to the gases used previously; while it is not as efficient as propane, it represents the best possible solution allowed under US law. These activities were the continuation of what was done already, beginning in 2018, to substitute the refrigerant gas used in the refrigerant circuits of products for the European market with propane gas in accordance with EU regulation n. 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases.

### Healthy lifestyle products

The De' Longhi Group's strategies for new product development include promoting healthy lifestyles, consistent with recent health trends and increasingly healthy eating habits. This has resulted in the willing of maintaining the principle nutritional elements of food unchanged.

All the De' Longhi brand coffee machines, fully automatic and manual, meet these needs perfectly; thanks to the electronically controlled boiler temperature these machines maintain the brewing temperature within the limits recommended in international sector standards. In the last few years, the Group has also started a partnership with the University of Padua which resulted in the development of different innovations, like a coffee machine that can make drinks using plant-based milk in order to meet consumers' new food needs and a structured "vibro-chemical" system which allows for an even flow of ground coffee which provides optimal flavor and aroma.

The quest for products that meet consumers' healthy food needs also drove the development of Kenwood brand products. Thanks to the Scrolling Technology, the Pure Juice line is able to reduce the overheating and oxidation of ingredients making it possible to extract juice from fruits and vegetables without compromising the nutritional properties. A number of initiatives relating to health were already begun at the beginning of the three-year reporting period, including the Multifry fryers which cook food using hot air. This reduces the use of vegetable oils (and, therefore, fat) and the environmental

impact related to the disposal of the cooking oils used.

Already in 2021 the Braun and Kenwood teams also worked to promote an online advertising campaign aiming to raise the awareness of consumers in relation to food waste and help them adopt sustainable modes of behavior.



### Scenario and risks

The loyalty built over time with customers and the high quality of the products distributed lie at the foundation of the **De' Longhi Group's brand reputation**. These aspects are cultivated in different ways, including clear and honest communication before the purchase to post-sales assistance capable of understanding and quickly responding to the end consumers' needs, particularly with regard to the protection of the customer's privacy.

While meeting the needs of the end consumer, the Group complies with the laws relating to consumer protection, including minimum product warranty periods, environmental compatibility and the recyclability of the materials used and management of problems stemming from any defects. The protection of data and consumer privacy is of primary importance to the Group: the greatest risks in this regard are represented by elements such as the obsolescence of telecommunication technologies and data processing.

For more information about risk management and the risks related to consumer relations, please refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

### Business and organization model

The De' Longhi Group's external communication is managed by the corporate Marketing and Communication Division which operates by brands, both at corporate and at local marketing offices level. There is also a Customer Care division which is

responsible for supporting the end consumer in the various phases of the customer journey and defining the strategy to be implemented by all the Group's branches. The division uses global contact and technical assistance centers, which are primarily outsourced. These organizations provide a service which is essential to customer care and strive to increase customer satisfaction and maximize product durability.

In 2020, as Covid-19 spread, the contact centers were subject to growing pressure explained by the use of remote working and the higher volume of contacts with customers across all the channels: phone calls, e-mail and chats. The higher volumes largely reflect online sales and the lack of in-person shopping during the pandemic. The trend described and the need for more resources was a challenge which the Group managed also by adjusting the technological infrastructure in order to guarantee top quality service.

In 2021 the roll-out of the CRM cloud for customer (SAP C4C), dedicated to the management of interactions with end consumers, continued. The modern tool, based on the multi-model database SAP HANA, fits perfectly with the other elements of the CRM, guaranteeing process optimization and traceability in customer relations. As for service, by implementing a control dashboard for the KPI, developed specifically using SAP Analytic Cloud, the Group benefitted from better control, in terms of speed, accuracy and qualitative detail, in all repairs. This made it possible for the Group to pursue one of its top priorities, namely reduce the average product repair time which was 10% lower than in the prior year.

In order to gather and analyze the Group's product reviews submitted by customers through the websites of the main retailers selling the Group's products, in 2022 the use of Wonderflow, a VoC management (Voice of Customer) tool was increased. This program, operational since 2020, makes it possible to combine the reviews coming from more than 65 retail channels and 15 countries worldwide, covering three continents (Europe, Asia Pacific and America). This technology also makes it possible to combine these reviews with the customers' direct feedback collected using the CRM. The use of this tool, based on Big Data Analysis, allowed for further improvement in the Group's listening strength, making "actionable feedback" on hundreds of thousands of communications relative to the Group's different product categories possible. This also makes it possible to create geographic clusters, monitor *performance* and define ways to improve the organization's efficiency, increase the quality of products and services, which helps to increase customer satisfaction.

2022 was a particularly important year for Customer Care: during the year another transformation project was launched which made it possible for Customer Care to be even more in tune with customers' expectations, increasingly demanding for the communication that the digital transformation provides. The improvements made reflect two analyses: on the one hand, numerous stakeholders were involved, present both domestically and in the branches; on the other, a benchmark analysis of the companies active and not active in the sector but with best practice customer care. As a result of this analysis, the Group's customer care strategy was redefined.

Looking at self service, in the wake of the pilot project launched in the UK last year, in 2022 an AI-powered tool was activated in the English-speaking countries which uses artificial intelligence to provide customers with simple and immediate replies to their queries. This tool is able to identify questions for which the answer has yet to be defined and propose solutions which, once checked by a team of specialists, will be made available to users. This helps to expand the Company's knowledge-base. To date the service is active in the UK, Australia, New Zealand and the United States and, thanks to the use of translation systems, the goal is to activate it in Italy and Germany, also.

The last three years, albeit for different reasons, have put significant pressure on the technical assistance services. The difficulties encountered, however, did not have a negative impact on repair times which were actually lower. The system, comprised of approximately 1,800 service centers worldwide (of which 300 in Italy), the majority of which outsourced, showed great resilience. The system, however, showed great resilience: despite the decreased availability of parts due to supply chain disruptions, it was possible to maintain high quality service at a limited cost. This happened thanks also to the investments the Group makes every year in direct repair facilities. In 2021, for example, the Group's largest repair center, located in Germany, was expanded. After an analysis was made of the technical and logistic processes in 2021, in 2022 the installed repair capacity was 50% higher at roughly 60 thousand machines per year.

In addition to sharing joint guidelines and standards, Customer Care constantly monitors the

quality of the support service teams and contact centers through inspections and analysis of the KPI. In order to guarantee the best service, specific training sessions are offered periodically to employees and specialized partners, held primarily online thanks to the availability of e-learning platforms. Similar to 2021, the periodic visits of repair centers, interrupted due to pandemic restrictions, continued. Lastly, the information provided by consumers is stored on Google Cloud Platform web-servers. The security of this platform is guaranteed by Google's modern service technologies, as well as Google's commitment to compliance with data protection laws and the main international standards for information security (ISO 27001) and cloud services (ISO 27017 and ISO 27018).

### Policies and objectives

In order to improve the longevity of the products and the customer experience, the De' Longhi Group works constantly to improve the assistance it provides to its clients, in line with the consumer codes defined inside the Countries in which it operates.

While a specific policy has yet to be formalized, the Group has always focused on improving its analysis and understanding of the consumers' most common requests, paying particular attention to product disclosures, as well as after sales assistance. Toward this end, in 2022 the customer feedback analysis was even more accurate thanks to the use of the C4C platform which strengthened

the ability to understand and make timely data driven decisions. This platform makes it possible to carry out intuitive text analytics, text mining, sentiment analysis and rating breakdown of the information provided by the European and international retailers, gathering information on both the Group's and the competitors' products. In this way, the Group can investigate different competitive aspects and achieve a more detailed analysis.

The Group's Code of Ethics has an important role in internal and external communications, as it is particularly focused on consumers and customers and listening to their needs is considered to be a driving force behind the ability to provide increasingly better solutions which both anticipate, or even influence, new market trends. The Group, therefore, works to guarantee that relationships with customers are professional, timely, attentive, open, respectful, collaborative and fueled by a passion that ensures the highest quality, as well as the best level of service possible.

Based on the Code of Ethics the disclosures made both inside and outside the Group must comply with the law, regulations, as well as professional best practices, and be clear, transparent, timely and accurate. Lastly, the Group is committed to protecting the confidentiality of the information and data in its possession, stated explicitly in the Code of Ethics and in compliance with current laws and regulations relating to customers and consumers. No specific policies have yet to be formalized for either of these areas.

### Key figures

No data breaches occurred in 2022. In 2021 there was one data breach. More in detail, a notice of non-compliance was received from the Italian authorities relative to the resale of the PEC service for the De' Longhi Group companies which affected the data of 5 people. Toward this end, the authorities were informed immediately and the Group is still waiting to hear about any developments. In 2020 there were no such breaches.

Looking at the service provided to end consumers, as mentioned above the average repair time was slightly higher due to the difficulties encountered in finding spare parts on the market, as well as the strong increase in sales volumes. The quality of the repairs made by technical assistance was monitored based on the First Time Fix (FTF) indicator which measures the percentage of repaired products that did not need further repairs in the six months following completion of the initial repair as a percentage of total product repairs. In 2022 the FTF was largely unchanged with respect to the previous years, coming in at around 95%, which indicates that almost all the products received adequate, quality repairs. This indicator is not linked to the speed of repairs and, therefore, was not impacted by COVID nor by the difficulties in finding materials.

As for instances of noncompliance in marketing and communications, in 2022 there was only one instance of non-compliance, which at the date of

this NFS had yet to be confirmed by the Italian Minister of Health, relating to a Braun product which was not labeled properly.

In 2021 there were two instances of non-compliance: in the first instance, the Italian Minister of Health filed a complaint relative to an Ariete product alleging that the chemical substance used by the product was registered as a detergent and not a disinfectant. The Ministry asked that all the product disclosures and marketing material relative to this product be changed, eliminating any and all references to the product's disinfecting actions.

The second instance of non-compliance involved Capital Brands and resulted in a fine agreed upon between the parties.

There were no instances of non-compliance in 2020.

## Scenario and risks

Preventing and managing the risks associated with the supply chain is essential to ensuring the continuity of the Group's business; toward this end, the Group encourages its suppliers to adhere to the best practices for product quality, working conditions, human rights, health, safety and environmental responsibility.

The De' Longhi Group's value chain comprises six plants located in Italy, Switzerland, Romania and China where the manufacturing and assembly of finished products is done. This activity covers 60% of sales and is supported by the OEM (*Original Equipment Manufacturers*).

After approximately three years since the inception of the Covid-19 pandemic, during which a revision of the tools used to assess and monitor the supply chain risks was necessary, in 2022 the operational hurdles stemming from the local restrictions, the closing of borders and health risks diminished, with the exception of the Chinese plants where a few difficulties still exist due to the legal restrictions which did not always allow for easy access to the country during the year. New operating measures were, however, introduced in order to address the risks connected to the outbreak of the Russian-Ukrainian conflict. While it wasn't necessary to rethink organizational procedures, problems like higher costs, particularly relative to energy occurred, and a revised production schedule was introduced. For more information about the supply chain risks and the relative management, refer to Item 8 "(Risks relating to manufacturing, commodity prices and supplier relationships). of the section "Risk factors for the De' Longhi Group".

For more information on the measures used to prevent and manage supply chain risks please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

## Business and organizational model

Supply chain management is carried out by the Supply Chain Division, together with Quality and Purchasing, with a view to ensuring business continuity, compliance with the highest quality standards and environmental, as well as social, requirements.

In order to respond to the specific needs of the different markets in which the Group operates effectively and quickly, three offices are involved in monitoring and supporting the providers of finished products based on product category and proximity to production: the offices focused on coffee and irons are in Italy; motor-driven products are managed through the UK office, while in Hong Kong the focus is on comfort.

Management of the materials for components (quantity and logistics) needed for production in Europe is entrusted to two teams of the Supply Chain Division, one in Italy and one in Romania. Management of materials in the Chinese plants is supervised directly by the plant directors with the support of three purchasing offices broken down by product category.

The Quality Division periodically audits and investigates the quality of the finished products and also conducts audits in order to ensure protection of

human rights and compliance, beginning in 2019, with the main environmental regulations, as well as the values and principles included in the Group's Code of Ethics which, as of 2022, is applicable to all suppliers and not only the suppliers of finished goods. The Group's Code of Ethics was, therefore, sent in Italian, English and Chinese, and subsequently uploaded onto the vendor portal. In the future the vendors will be subject to audits and specific controls related to the content of the Code. In the latter part of 2022 the "**Responsible sourcing guidelines**", which define the criteria to be used when assessing the risk associated with all the Group's new vendors, were also published on the vendor portal. In this way, the Group is able to verify the situation of each vendor completely and, by updating the assessment criteria each year, guarantee that the risks are being monitored correctly.

The social and environmental audits are done of the suppliers of the Chinese plants in accordance with the international standard SA 8000 (Social Accountability). More in detail, the audits make it possible to investigate a multitude of different social aspects including, for example, freedom of association and collective bargaining, work hours, work conditions, health and safety, child labor, forced labor, discrimination and training of personnel; the audits are typically carried out every two years with respect to both the initial and subsequent monitoring phases. In addition to the social accountability audits already carried out, environmental audits have also been carried out for a number of years. Environmental criteria were, therefore, added to the checklist of the Social Accountability audits which include: verification that the supplier has a management system in line with the ISO 14001

standard, with regard to issues like emissions, and waste management, in particular.

The information gathered, any corrective measures and the relative follow-up are logged into a specific system which monitors supplier updates and obligations. This assessment process is formalized and monitored based on a specific process which, beginning in 2019, established officially that all new suppliers are subject to the SCOC (Social Accountability Code of Conduct).

Thanks to the easing of the emergency measures implemented in the face of the Covid-19 pandemic, in 2022 more than 90% of the vendor audits were done in-person, and no longer remotely; moreover, out of the total vendor audits conducted in 2022, six involved new vendors.

Product quality is assessed based on a group of specific indicators:

- 1. Technical Factory Audit (TFA):** measures the effectiveness of the vendor's processes and evaluates the results of tests relating to product life.  
This type of audit is conducted every year and focuses on both the initial qualification, as well as subsequent periodic monitoring of vendors. As mentioned above, the checklist for this type of audit includes a section dedicated to environmental issues.
- 2. Quality Evaluation (QE):** measures product quality based on statistical sampling of each single lot.
- 3. On Time Delivery (OTD):** measures the delivery time of the supplier and, more specifically, the difference between the delivery date agreed upon and the actual one.

**4. Order Fill Rate (OFR):** measures the ability of the supplier to refill the entire quantity requested by the Group.

The assessments of product quality are included in a **vendor rating** which is used to classify partners in four categories - preferred, approved, probation and exit plan - as well as evaluate the structure and intensity of partnerships in the future, with a view also to continuous improvement.

#### Policies and objectives

The relationships between the De' Longhi Group and its vendors are governed by the Group's Code of Ethics which states the criteria that these relationships are subject to; more in detail, based on the Code the relationships with suppliers should be conducted in accordance with the law and applicable regulations, as well as the general principles defined in the Code. The supplier selection process, furthermore, should be done based on an objective comparison of quality, price, execution and assistance while avoiding any and all forms of favoritism or discrimination. Throughout any relationship with the Group, the suppliers are also required to comply fully with the law and the Code. The Group suppliers must ensure that the working conditions of its employees do not violate basic human rights, comply with international agreements and current law. The supplier must provide any of its sub-contractors with a copy of the updated Code of Ethics which has been translated so all the vendors can fully understand its content.

Once the new vendors have been selected, the Supply Chain Division and Quality will work to establish long-term relationships, which allow the Group to respond quickly to the needs of the market and production. Toward this end, logistics is focused on building a simplified direct network, which supports direct delivery, consistent with the Group's expectations.

#### Actions taken to ensure continuity

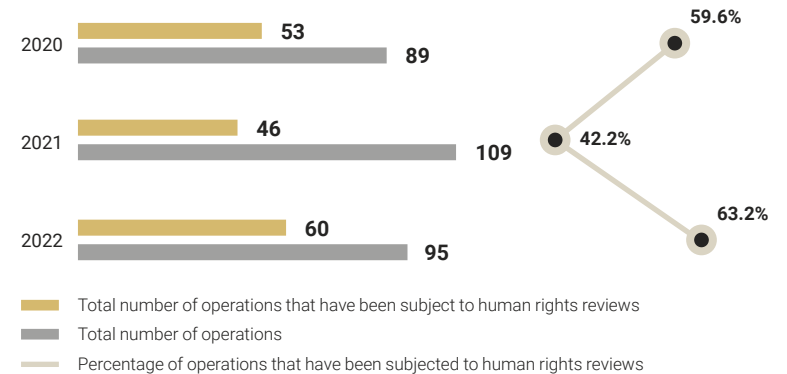
In 2022 e-commerce activities also continued. E-commerce makes it possible to eliminate the transfer of products to the retailer's warehouse which helps to improve the efficiency of the Group's deliveries by reducing the number of steps and, consequently, lessens environmental impact. If in 2020 the supply chain was impacted by the pandemic, mainly closed borders, the two-year period 2021-2022 was characterized by greater difficulty in finding raw materials and goods, above all in Europe, due also to the geopolitical situation created after the outbreak of the conflict in Ukraine. As in the past, the Group worked to guarantee continuity in supply chain management, including through the use of alternative sourcing solutions for raw materials and parts.

#### Key figures

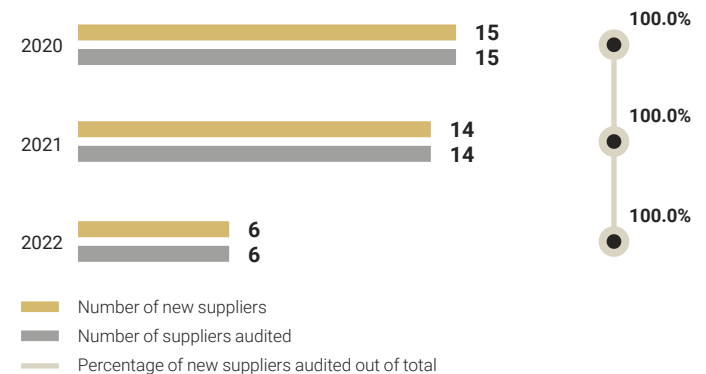
In 2022, all the new suppliers of finished products were subject to a social accountability audit, in accordance with standard SA 8000 (100%). To date none of the SCOC (Social Accountability Code of Conduct) audits had a "zero tolerance" outcome and, therefore, resulted in the termination of the relationship with the supplier.

With regard to environmental aspects, in 2022 audits of 6 or 100% of the new suppliers of finished products were carried out, consistent with the figure recorded in 2021 (100%). Lastly, in 2022 a total of 60 audits were carried out in order to verify that no human rights violations had occurred at the 58 suppliers of finished products and 2 Group plants, which covered almost 63% of the Group's operations, noticeably higher than in the previous year (42%).

#### Number and percentage of transaction subject to human rights assessments



#### New suppliers of finished products subject to social accountability audits



### Scenario and risks

The De' Longhi Group, which operates daily in an international environment of continuous change, pays constant attention to the proper management of its manufacturing processes. Consistent with the constant changes in the operating backdrop, the Group's environmental regulations are updated and adjusted continuously, forming a crucial part of responsible business management.

For more information about environmental risks, as well as the Group's risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraphs 15 (Risks relating to changes in the regulatory framework) and 16 (Risks relating to environmental damage), as well as the section "Risk factors for the De' Longhi Group".

For more information on the measures used to prevent and manage environmental risks please also refer to the table "The main risks associated with non-financial issues and management methods" in the Note on Methodology.

### Business and organizational model

At a Group level, the environmental aspects are managed by the Operations & Technology and Quality Divisions. More in detail, in 2022 the **ISO 14001** certified environmental management system in place at the production facilities in Mignagola, Cluj and Salonta was adopted also by the

two Chinese plants. This system makes it possible to carry out environmental assessments across the entire value chain, define the processes needed to monitor the Group's environmental impact and implement mitigation measures.

A number of years ago the Group installed solar panels at the Mignagola plant which last year produced 927,116 kWh of energy or 8% of the electricity consumed at the plant which lowers the environmental impact linked to the production of electricity considerably.

In 2022 meters which monitor consumption and energy efficiency were also installed at the Mignagola plant, the Treviso headquarters and the Cluj and Salonta plants in Romania. In 2022 further work was also done on the renewal of the lighting systems at the Italian, Chinese and Romanian plants: at Mignagola the installation of exterior LED lighting was completed and continued in the production areas; at the Cluj and Salonta plants the substitution of traditional lighting resulted in energy savings of 161,697 kWh and 73,509 kWh respectively, in 2022 alone. Movement sensors were also installed at these three plants so that the lights are activated only when movement is detected. Another important step in relation to the energy saving plan pursued by the Group was the installation of a co-generator at the Mignagola plant, completed in 2022 and operational officially since September. In the same plant a project which aims to substitute the water used for tests with air. This type of testing makes it possible to eliminate the residual water in the circuit and reduce testing times by

around 60%, as well as reduce energy consumption by 70% and overall water consumption by 90%. Lastly, at the Treviso headquarters a few charging stations for electric cars were installed in order to support the fleet of company cars which now comprises hybrid or 100% electric models. In terms of energy recovery, the substitution of hydraulic oil with a latest generation oil in the injection mold machinery at the Cluj plant resulted in energy saving of around 7% compared to 2021; in the same plant work began on the installation of a solar energy system which once operative at its the 3MWh capacity will cover around 15% of the facility's electricity needs.

In order to improve air quality, the chimney emissions are monitored constantly: with a view to reducing pollutant emissions, the solvent-based resin was substituted with a water based one which made it possible to reduce the Cluj plant's pollutant emissions by 18% compared to the prior year and Salonta's by 33%. Lastly, in 2022 new monitoring activities of the chimney emissions and the relative air quality were begun at Mignagola plant.

In the year that just closed, Research and Development continued to work on reducing the environmental impact of the consumers' use of the Group's products. Toward this end a number of initiatives, both Corporate and local were carried out which were focused mainly on energy efficiency, durability and product repairability, consistent with the Group's approach to sustainability. Please refer to the section "Quality and product innovation" for more information.

Consistent with the idea of a circular economy, the Group implemented several strategies for the responsible management for the waste generated during production. More in detail, at the Mignagola and Dongguan plants, projects were started that call for **the recovery of plastic scraps** which are reused in the manufacturing cycle. This reduces initial raw material costs and the amount of waste to dispose of.

The metal scraps are sold as raw materials, while paper, cardboard and nylon scraps are sent to be regenerated. In 2022 several initiatives to reduce scraps and reuse them when possible were launched; for example, beginning in the second half of the year, 100% of the plastic scraps from injection molds are recycled. Furthermore, 88% of the coffee dust is sold to an outside company which uses it to produce bricks, the remaining 12% is composted. At the Mignagola plant a project to reduce coffee dust during the testing phase was launched in 2022 and thanks to the recalibration of the grinder it will be possible to reduce energy consumption by 80% and the consumption of coffee by 100%. The use of this method will, in fact, make it possible to save a whopping 150 tons of coffee per year.

The Braun brand has been working for several years on sustainable packaging. In 2022, in fact, there was no EPS (Synthesized Expanded Polystyrene) in the packaging of 56% of the Braun products sold, an improvement of 6% against 2021. This result was possible also thanks to the LCAs (Life Cycle Assessment) carried out in 2020 of the



different types of packaging used in order to find more environmentally friendly alternatives, as well as the studies that the Braun and Kenwood brands have been working on for years. Thanks to the collaboration with universities and other partners, these studies focus on alternative and sustainable materials in order to substitute the use of plastic (the big bags) and EPS in packaging. The Kenwood brand is also working on the sustainability of its packaging and in 2022 58% of its kitchen machines had paper packaging, which will gradually replace EPS. With a view to the continuous improvement in the circularity of materials, as of 2021 studies and assessments of the software to be used in Group LCA activities were begun in order to standardize the studies and identify a project baseline.

The packaging efficiency initiatives also involved the Group's internal logistics and operations: at the Chinese plants and the one in Cluj the goal is to reuse the plastic and cardboard packaging of the components delivered which are otherwise disposed of upon arrival. The pallets, used throughout the Group's operations, are worthy of a separate discussion. In Romania, 50% of the wooden pallets were replaced with pallets made out of recycled plastic; similarly, in the Mignagola and Dongguan plants the wooden pallets were substituted with pallets made out of recovered, recycled plastic.

Responsible waste management is also expressed through the special attention given to recycling, at both the offices and the production facilities, in order to minimize the quantities disposed of. In the production plants, special signage helps to correctly separate hazardous waste from non-hazardous waste.

### Policies and objectives

A few of the Group's facilities, including in Mignagola and Cluj, have adopted an Environmental Policy which has a number of objectives, in addition to compliance with all current legislation in each Country where the Group operates: these include commitment to the steady improvement of environmental performances, optimization in the consumption of resources and energy, reduction or, if possible, elimination of any form of pollution, as well as the deployment of technologies and processes which minimize environmental risks.

A Group Environmental Policy has yet to be formalized, although the Code of Ethics states clearly that all activities are shaped by the need for environmental protection and public safety in accordance with the law. Well aware of the impact of its activities on economic and social development, as well as general wellbeing, the Group strives to achieve a balance between economic initiatives and environmental needs, including, above all, with a view to future generations. This commitment ensures that the projects, processes, methods and materials are based on scientific research and development, as well as the best environmental practices, that respect the community, as well as prevent pollution and protect both the environment and the landscape.



### Key figures

In 2022, consumption fell 12% with respect to the prior year (372,130 GJ in 2022 compared to 422,263 GJ in 2021). This decrease is attributable to lower production volumes (-41% in the units manufactured), which reflects the Company's overall performance in the year.

The ratio of direct consumption, for heating and transport, to indirect consumption (electricity through district heating and cooling) reached 45% in 2022. This figure is higher than in the two previous years (26.7% in 2021 and 30.1% in 2020). The inversion of the trend is explained by the installation of the co-generator at the Mignagola plant which was completed in 2022 and operational officially since September which covered around 37% of the Group's natural gas consumption.

During the reporting year the Group acquired guarantees of origin covering 52% of the electric consumption at Group production facilities.

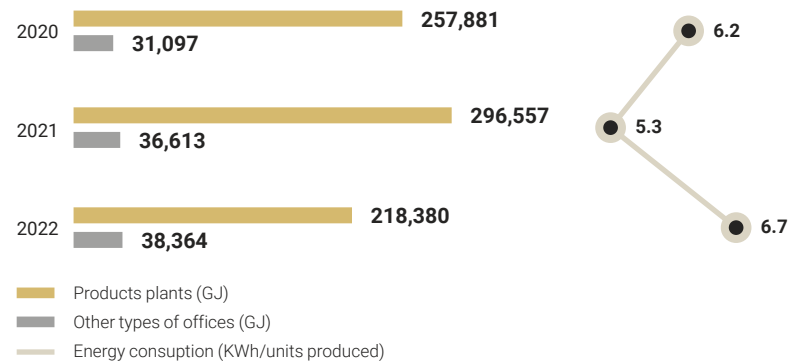
Energy consumption	u.m.	Production facilities			Other types of offices <sup>8</sup>			De' Longhi Group		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
<b>Direct energy consumption from non-renewable sources</b>										
Gas	GJ	2,824	3,948	4,945	6,646	7,181	8,883	9,470	11,129	13,828
Diesel	GJ	5,180	6,991	5,696	16,010	18,274	18,759	21,189	25,265	24,455
Natural gas	GJ	46,388	42,869	66,777	5,034	5,115	5,934	51,422	47,984	72,711
LPG	GJ	587	518	347	667	712	707	1,254 <sup>9</sup>	1,231	1,054
Fuel oil	GJ	-	-	-	142	61	1	142	61	1
<b>Total</b>	<b>GJ</b>	<b>54,979</b>	<b>54,327</b>	<b>77,765</b>	<b>28,498</b>	<b>31,343</b>	<b>34,284</b>	<b>83,477</b>	<b>85,670</b>	<b>112,049</b>
<b>Direct energy consumption from renewable sources</b>										
Energy produced from renewable sources and consumed	GJ	3,567	3,423	3,338	40	-	-	3,607	3,423	3,338
<b>Total direct consumption</b>	<b>GJ</b>	<b>58,546</b>	<b>57,750</b>	<b>81,103</b>	<b>28,538</b>	<b>31,343</b>	<b>34,284</b>	<b>87,084</b>	<b>89,093</b>	<b>115,387</b>
<b>Indirect consumption</b>										
Electricity purchased	GJ	257,881	296,557	218,380	28,984	34,291	35,398	286,865	330,848	253,778
District heating	GJ	-	-	-	2,113	2,322	2,599	2,113	2,322	2,599
Cooling	GJ	-	-	-	-	-	367	-	-	367
<b>Total indirect consumption</b>	<b>GJ</b>	<b>257,881</b>	<b>296,557</b>	<b>218,380</b>	<b>31,097</b>	<b>36,613</b>	<b>38,364</b>	<b>288,978</b>	<b>333,170</b>	<b>256,744</b>
<b>Total consumption</b>	<b>GJ</b>	<b>316,427</b>	<b>354,307</b>	<b>299,483</b>	<b>59,635</b>	<b>67,956</b>	<b>72,648</b>	<b>376,062</b>	<b>422,263</b>	<b>372,130</b>

<sup>8</sup> "Other types of offices" includes the offices, distribution branches, warehouses and, in general, all of the De' Longhi Group's structures not related to production.

<sup>9</sup> The 2021 figure relative to GPL consumption includes the consumption of a De' Longhi Group asset for which this information was not available in 2021.



The indirect electricity consumption per unit of production was higher (6.7 kWh in 2022 versus 5.3 kWh and 6.2 in the two-year period 2020-2021).



In 2022 total CO<sub>2</sub> emissions (calculated using the "Location Based" method) reached 34,635 tons, 22% lower against the 44,447 tons recorded in 2021 (based on CO<sub>2</sub> emissions calculated using the "Location Based" method). Consistent with energy consumption, the CO<sub>2</sub> emissions are explained primarily by the consumption of electricity (about 84% of the Group's total CO<sub>2</sub> emissions).

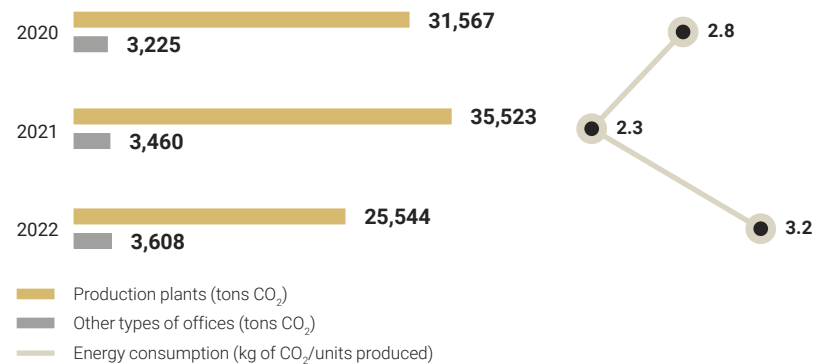
There was a noticeable reduction in market-based emissions (-46% vs. 2020) as during the reporting period the Group purchased guarantee certificates covering the electrical consumption 2022. During the reporting year the Group acquired guarantees of origin covering the electric consumption 2022 at Mignagola (Italy), Cluj and Salonta<sup>10</sup> (Romania), Eversys (Switzerland) and the commercial offices located in the UK and Ireland.

Emissions [ton CO <sub>2</sub> ]	Production facilities			Other types of offices <sup>11</sup>			De' Longhi Group		
	2020	2021	2022	2020	2021	2022	2020	2021	2022
Direct	3,235	3,249	3,067	2,003	2,215	2,416	5,238	5,464	5,483
Indirect - Location Based	31,567	35,523	25,544	3,225	3,460	3,608	34,792	38,983	29,152
Indirect - Market Based	33,854	23,452	16,417	3,980	1,974	4,259	37,833	25,426	20,496
<b>TOT (Direct + Indirect - Location Based)</b>	<b>34,802</b>	<b>38,772</b>	<b>28,611</b>	<b>5,228</b>	<b>5,675</b>	<b>6,024</b>	<b>40,030</b>	<b>44,447</b>	<b>34,635</b>
<b>TOT (Direct + Indirect - Market Based)</b>	<b>37,089</b>	<b>26,701</b>	<b>19,484</b>	<b>5,983</b>	<b>4,189</b>	<b>6,675</b>	<b>43,072</b>	<b>30,890</b>	<b>25,979</b>

<sup>10</sup> The Salonta plant (Romania) purchased guarantees of origin solely for a part of the reporting year.

<sup>11</sup> "Other types of offices" includes the offices, distribution branches, warehouses and, in general, all of the De' Longhi Group's structures not related to production.

The comparison of Scope 2 CO<sub>2</sub> emission per unit manufactured shows an increase in this indicator which went from 2.8 kg of CO<sub>2</sub> per unit manufactured in 2020 to 2.3 kg of CO<sub>2</sub> per unit manufactured in 2021, to then reach 3.2 kg di CO<sub>2</sub> per unit manufactured in 2022. This increase is attributable to the drop in units manufactured by the Group in 2022.



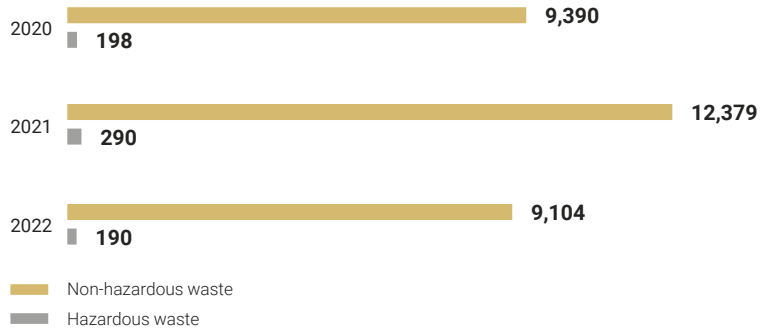
In 2022 9,294 tons of waste were produced, a decrease of 27% compared to 2021; around 98% of this was non-hazardous, while the remaining 2% was hazardous. The decrease in the total waste produced reflects the company's performance in the year, characterized by a sizeable drop in production and the resulting decline in total CO<sub>2</sub> emissions.

Approximately 87% of the waste produced was reused, regenerated, recycled or composted. More in detail, the amount of hazardous went from 11% of the total in 2021 to 29% in 2022, indicative of an improvement in the Group's ability to recover these hazardous wastes.

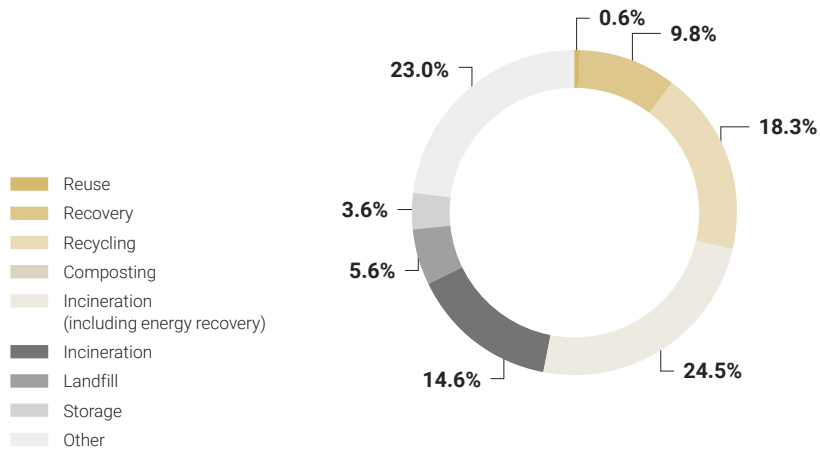
All of the waste produced by the De' Longhi Group in 2022 was treated offsite.

Waste produced	u.m.	2020		2021		2022	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Reuse	ton	2	0	1	0	1	0
Recovery	ton	58	1,907	21	2,396	19	2,055
Recycling	ton	34	6,658	10	8,572	35	5,989
Composting	ton	0	98	0	198	0	50
Incineration (with energy recovery)	ton	16	550	33	904	46	500
Incineration	ton	38	0	48	0	28	18
Land fill	ton	16	91	67	215	11	190
Storage	ton	34	21	51	23	7	14
Other	ton	0.2	64	59	71	44	289
<b>Total</b>	<b>ton</b>	<b>198</b>	<b>9,390</b>	<b>290</b>	<b>12,379</b>	<b>190</b>	<b>9,104</b>

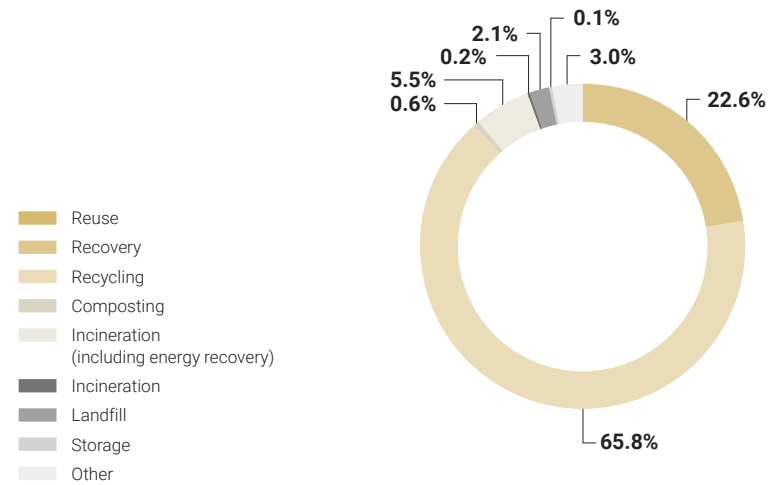
Waste produced at the production plants in 2022 (tons)



Hazardous waste produced in 2022 broken down by disposal method



Non-hazardous waste produced in 2022 broken down by disposal method



### Reporting scope and standards used

In accordance with the Decree, the reporting scope corresponds with the scope of consolidation used in the consolidated financial statements, namely the continuing operations fully consolidated using the line-by-line method in the financial reports, unless provided otherwise. With regard to 2022, the companies De'Longhi Brasil - Comércio and Importação Ltda and De'Longhi Bosphorus Ev Aletleri Ticaret Anonim Sirketi were excluded insofar as they are currently being liquidated or are dormant and at 31.12 had no employees.

The figures relative to 2022 include the companies belonging to the Capital Brands Group, acquired at the end of December 2020 and Eversys, the control of which was acquired in 2021. The date of inclusion in the scope of consolidation coincides with what was determined for the financial figures.

The information and figures used in this section refer to FY 2022.

The De' Longhi Group used the "with reference" option of the GRI Sustainability Reporting Standards (hereinafter the GRI Standards), published by the GRI - Global Reporting Initiative, to prepare its NFS. More in detail, when preparing the NFS, reference was made to the Standard GRI 1: Foundation, the reporting principles and the GRI content index.

### Definition of the material topics

The materiality analysis guides De' Longhi in the choice of the topics to report on in order to provide a complete and clear picture as to the economic, environmental and social impact of the Group's activities. The materiality analysis included in the report for the year ended on 31 December 2022 was updated in order to comply with the new GRI Standards 2021.

The company's material topics are identified, in accordance with the Standard, based on the impacts, current and potential, that the organization's business and commercial relationships could have on the economy, the environment and people, including on human rights. This includes negative and positive impacts, short-term and long-term, intentional and voluntary, reversible and irreversible.

The Group's material analysis was carried out in four different phases:

1. Understanding of the Group's operating environment: an analysis of different documents was carried out using different sources, both internal and external, including documents published by a panel of companies active in similar sectors, sector trends identified by consulting the publications of the main international trade associations and organizations, and newspaper articles

relating to important events that affected the company during the year.

2. Identification of De' Longhi's current and potential impacts: during this phase the organization identified the current and potential impacts that its activities and business relationships could have on the economy, the environment and people, including the human rights of the latter. The current impacts are those happening now or have materialized over time while potential impacts are those that could materialize in the future.
3. Assessment of the significance and relevance of the impacts: all the impacts were assessed by evaluating the degree of significance determined based on the Standard's criteria.
4. Prioritization of the most significant impacts for reporting purposes: the Group's most significant impacts were prioritized and the most relevant impacts informed the identification of the material topics included in this Non Financial Statement.

The Group also assessed and classified its impacts based on two parameters, severity and probability. The severity of a real or potential negative impact is determined by its scale (how serious is the impact), the scope (the breadth of the impact) and the

irremediable characteristics (how difficult it is to mitigate or remedy the damage caused). The probability can be defined as the likelihood that the impact will materialize, taking into account the preventive actions adopted by company. The impacts that the De' Longhi Group might have caused were classified based on their severity and probability, namely based on their significance. As a result of the analyses, the Group approved a list of 13 material topics: three relating to the environment, two to governance and eight to social aspects. Lastly, after having identified the significant impacts and defined the material topics, the GRI associated with the impact to be reported on were identified.

The list of the material topics determined after the identification and grouping of the relevant impacts is provided below. The Topic-Specific GRI Disclosures for each material topic are also provided.

Legislative Decree 254	Material topics	Impacts	GRI Topic-Specific Disclosure
<b>Environmental aspects</b>	Management of the GHG emissions and fight against climate change	The use of fossil fuels and electricity generates direct and indirect Green House gases which contribute to climate change. In order to mitigate and offset any impacts, the Group works to implement solutions which will help to save energy and encourage the use of energy from renewable sources.	GRI 302-1, 302,2 GRI 305-1, 305-2, 305-4
<b>Human resources management</b>	Inclusion and equal opportunities	An inadequate management of the aspects relating to inclusion and equal opportunities could lead to episodes of discrimination. Through policies, procedures and initiatives coordinated with HR, the Group works to reduce the risk of these episodes.	GRI 405-1 GRI 406-1
<b>Environmental aspects</b>	Waste management and circular economy	The use of non-recyclable materials and inadequate management of the manufacturing waste could have a negative impact on the eco-system. In order to mitigate the impact, the Group adopts avantgarde waste management practices, fully compliant with the laws in effect.	GRI 306-3, 306-4, 306-5
<b>Human resources management</b>	Health and safety of workers	The health and safety of workers is a top priority for the Group. In order to avoid any potential risks stemming from production, the company adopts specific management practices to manage health and safety on the job and is committed to ongoing monitoring and improvements.	GRI 403-9
<b>Human rights</b>	Respect of human rights	The Group is committed to protecting human rights. In order to lessen the likelihood of a violation, relative to both operations and along the value chain, De' Longhi has implemented specific initiatives aimed at monitoring the practices of its suppliers. The Group also provides training courses in topics and procedures relating to the respect of human rights.	Non GRI KPI: transactions evaluated in light of human rights
<b>Social aspects</b>	Promotion of sustainable lifestyles	Aware of its role as an influencer with its customers and stakeholders, the Group promotes the adoption of healthy lifestyles, the use of sustainable food products and good practices for a healthy and balanced diet.	-
<b>Social and environmental aspects</b>	Responsible management of the supply chain	Irresponsible management of the supply chain could have a negative social and environmental impact. The De' Longhi Group has, therefore, adopted tools and mechanisms which reduce the risk that the impact materializes.	GRI 414-1 GRI 308-1
<b>Environmental aspects</b>	Innovation and eco-design	The irresponsible use of materials, including the during the procurement phase, could damage the eco-system. For this reason, the Group has defined guidelines in order to promote innovative and sustainable solutions in the choice of materials.	-
<b>Social aspects</b>	Product safety and labeling	Labeling which is not transparent and complete could cause products to be used incorrectly and compromise consumer safety. At the same time, failure to monitor quality during procurement and production could have repercussions. The Group, therefore, works to guarantee constant quality and product safety controls, as well as transparency in labeling.	GRI 417-2 GRI 417-3 GRI 416-1
<b>Social aspects</b>	Consumer satisfaction	For De' Longhi consumer satisfaction is of the utmost importance. For this reason, it promotes surveys relating to consumer needs and preferences order to establish loyalty and a lasting relationship.	-
<b>Fight against corruption</b>	Ethics and business integrity	De' Longhi is committed to conducting its business in accordance with principles of integrity, transparency, legality, fairness, prudence and in compliance with the law.	GRI 205-2 (b, c, e) 205-3
<b>Human resources management</b>	Talent acquisition and retention	In addition to the employee satisfaction, a key aspect for the Group is talent development by investing constantly in human resources which guarantees stability, appeal and the creation of jobs.	GRI 404-1
<b>Social aspects</b>	Use of consumer data	By promoting campaigns to heighten awareness as to the risks stemming from the use of personal data, the Group works to guarantee the protection of consumer privacy.	GRI 418-1

### The main risks associated with non-financial issues and management methods

The possible risks, inflicted and caused, associated with the issues identified by the De' Longhi Group as "material" are reported in the following table, as well as the main risks associated with and the relative management of each Legislative Decree 254 area.

Legislative Decree 254	Main risks	Risk management tools
<b>Fight against corruption</b>	<ul style="list-style-type: none"> <li>• Risks connected to administrative liability of legal entities, particularly with regard to Legislative Decree 231/2001 which introduced specific rules relating to liability for a few types of crimes to the Italian legal system</li> <li>• Risks tied to the Group's current or past commercial relationships with related parties</li> <li>• Reputational risk</li> </ul>	<ul style="list-style-type: none"> <li>• Group Code of Ethics</li> <li>• Model of organization, management and control pursuant to Legislative Decree 231/2001</li> <li>• Group's internal control and compliance system</li> <li>• Corporate Governance guidelines</li> <li>• Procedure for Related Party Transactions</li> </ul>
<b>Human resources management Human rights</b>	<ul style="list-style-type: none"> <li>• Risks connected to human resources management, particularly with regard to the Group's ability to recruit, develop, motivate, retain and promote personnel with the attitudes, values, specialized professional and/or managerial skills needed to meet the Group's changing needs.</li> <li>• With regard to the Chinese platform, there are also a few risks related to high turnover of Chinese blue-collar workers</li> <li>• Risks tied to possible instances of discrimination</li> </ul>	<ul style="list-style-type: none"> <li>• Group Code of Ethics</li> <li>• Model of organization, management and control pursuant to Legislative Decree 231/2001</li> <li>• Group's internal control and compliance system</li> <li>• OHSAS 18001 compliant organizational model</li> <li>• Worker safety and health policy in place at European plants</li> <li>• Compensation policy for the BoD and executives with strategic responsibilities</li> <li>• Performance review process</li> <li>• MBO procedure</li> <li>• Employee surveys</li> <li>• For the Chinese plants: incentive schemes to foster staff retention, investment in training and the development of more qualified internal resources, improvements in living and working conditions inside the different plants</li> </ul>

Legislative Decree 254	Main risks	Risk management tools
<b>Social aspects</b> <b>Environmental aspects</b>	<b>Product quality and innovation</b> <ul style="list-style-type: none"> <li>• Risks connected to the De' Longhi Group's to continue with product innovation</li> <li>• Risks associated with patents and trademarks</li> <li>• Risks connected to product quality and liability for violations of the quality standards applied in the different jurisdictions where the Group operates</li> <li>• Risks connected with regulatory changes, relating in particular to environmental protection, especially the regulations relating to the safety and energy efficiency of electric household appliances, recyclability and environmental friendliness</li> </ul>	<ul style="list-style-type: none"> <li>• Group Code of Ethics</li> <li>• UNI EN ISO 9001:2015 certified Quality System</li> <li>• Food safety management model</li> <li>• Quality policy</li> <li>• NPD procedures</li> <li>• Quality audits</li> <li>• Constant monitoring of regulatory changes</li> <li>• Registration of product patents and trademarks</li> </ul>
<b>Social aspects</b>	<b>Consumer relations</b> <ul style="list-style-type: none"> <li>• Risks associated with warehouse size and the timeliness of deliveries; more in detail, in the event the Group doesn't have an adequate quantity of products it could run the risk of not being able to meet customer demand in a timely manner. Another risk stems from potential supply chain issues which could impact the adequacy of the service provided to customers</li> <li>• Risks relating to IT systems: in relation to events which could compromise service continuity and integrity of the data</li> </ul>	<ul style="list-style-type: none"> <li>• Group Code of Ethics</li> <li>• Model of organization, management and control pursuant to Legislative Decree 231/2001</li> <li>• Group's internal control and compliance system</li> <li>• GDPR policy (includes policy for the storage of data and procedure for the management of data breaches)</li> <li>• Training of employees in IT safety and privacy</li> <li>• Presence of structures dedicated to monitoring the level of customer satisfaction</li> </ul>
<b>Social aspects</b> <b>Human rights</b>	<b>Supply chain management</b> <ul style="list-style-type: none"> <li>• Risks connected to supplier relationships with regard, in particular, to reliable product quality, logistics and timely deliveries, as well as relationships with company employees</li> <li>• Risk of being dependent on a single supplier for certain types of components for strategic products</li> </ul>	<ul style="list-style-type: none"> <li>• Group Code of Ethics</li> <li>• Model of organization, management and control pursuant to Legislative Decree 231/2001</li> <li>• Procedure for Related Party Transactions</li> <li>• Social accountability audits</li> </ul>
<b>Environmental aspects</b>	<ul style="list-style-type: none"> <li>• Risks relating to environmental harm: the manufacturing done by the Group at its plants and facilities could harm third parties, cause accidents or environmental harm if serious breakdowns or malfunctions were to occur</li> <li>• Risks connected to climate change: extreme weather conditions (like floods, high levels of precipitation, hurricanes) could undermine the Group's ability to operate</li> <li>• Risks connected to inappropriate energy management practices: poor sustainability practices</li> <li>• In energy management could make it more difficult to reduce the energy footprint and/o accelerate climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Group Code of Ethics</li> <li>• UNI EN ISO 14001:2015 certified environmental management system for the European plants</li> <li>• Group's internal control and compliance system</li> <li>• Environmental policy applicable also the production facilities in Mignagola and Cluj, as well as the Kenwood plant</li> <li>• With regard to climate change risks, the Group adhered to management principles and methods inherent in the UNI EN ISO 14001:2015 environmental management system. Furthermore, in the two-year period 2021-2022 the perceived risk stemming from the possible impact that climate change could have on the business was mapped</li> </ul>



### The reporting process and the methods of calculation used

The content used in the NFS 2022 was prepared by all the relevant company divisions and those responsible for the aspects referred to in the report.

The main methods of calculation used, and the relative updates, are listed below:

- As done for the previous year (2021), in terms of GRI Disclosure 403 (Occupational Health and Safety), the Group used the more updated version issued by the GRI in 2018. More specifically, as required by the GRI Standards, the number of injuries recorded includes travel on transportation organized by De' Longhi and excludes the other instances.

The historical data also reflect an update of the calculation used to estimate the hours worked at one of the Group's production plants.

- **Injury rate** is the total number of injuries expressed as a percentage of the total number of labor hours multiplied by 1,000,000, excluding commuting accidents (i.e. resulting in absences of more than 6 months);
- **Severity rate** is the total number of serious accidents expressed as a percentage of the total number of labor hours multiplied by 1,000,000;
- the **first-time quality (FTQ) indicator** is the number of products without defects as a percentage of total production for the year;
- the **service call rate (SCR)** is the number of machines repaired in the first year under warranty as a percentage of total yearly sales. This indicator is calculated quarterly on a rolling 12-month basis;
- the **first-time fix (FTF)** indicator is the number of repaired products that did not need further repairs in the six months following completion of

the initial repair as a percentage of total product repairs;

- **greenhouse gas emissions** are calculated based on the international standard ISO 14064-1:2018. The only greenhouse gas considered was carbon dioxide (CO<sub>2</sub>). The self-produced energy from renewable sources was excluded from the calculation of greenhouse gas emissions as it is considered to be of zero greenhouse gas emissions.

The emission factors used to calculate CO<sub>2</sub> emissions were determined as follows:

- **Direct emissions (Scope 1):** the emissions linked to the consumption of natural gas, diesel heating fuel, gas, diesel fuel and LPG for the company cars was determined based on the emission factors reported in the table of national standards published by the Italian Ministry of the Environment, for the years 2020, 2021 and 2022.
- **Indirect emissions (Scope 2):** indirect emissions are linked to the consumption of electricity and district heating; the emissions linked to electricity were calculated based on a location and market-based approach. Location based emissions were calculated by taking into account, for each country, the factors referred to in the most recent version of Table 49 - Primary socio-economic and energy indicators published by Terna (Italian grid operator), in the International Comparison section, based on the most recent Enerdata data used to calculate Scope 2 emissions, 2019 version for 2022 and 2021, 2018 version for 2020. In the event a country was not listed in the above table, we used the emission factor for the continent. When there were several branches in several countries, the highest of the emissions factors among these countries was used.
- With regard to the market-based emissions, when available, the residual mixes found in the

"European Residual Mixes", published by ABI for the years 2019-2021, were used. For the United States an average residual mix per eGrid Subregion, calculated based on the residual mixes shown in the document Green-e Energy Residual Mix Emissions Rates for the year 2020, were used for the years 2020, 2021 and 2022. An average residual mix per NERC Region, calculated based on the residual mixes shown in the document Green-e Energy Residual Mix Emissions Rates for the year 2018 was used for Canada. As for the countries for which no residual mix figures were available, location-based emissions factors found in the above mentioned Terna table were used conservatively.

District heating emissions were calculated using the emissions factors found in the document "UK Government GHG Conversion Factors for Company Reporting" published by the Department for Environment Food & Rural Affairs (DEFRA) table for the three-year period 2020-2021-2022.

<b>Statement of use</b>	The De' Longhi S.p.A. Group reported the following disclosures in the GRI Content Index for the reporting period 01/01/2022 - 31/01/2022, using the GRI Standard method "with reference to"	
<b>GRI 1 used</b>	GRI 1: Foundation 2021	
<b>GRI Standard</b>	<b>Disclosures</b>	<b>Location</b>
	2-1 Organizational details	42
	2-2 Entities included in the organization's sustainability reporting	42
	2-3 Reporting period, frequency and contact point	79
	2-4 Restatements of information	(*)
	2-5 External assurance	148
<b>GRI 2: General Disclosures 2021</b>	2-6 Activities, value chain and other business relationships	45
	2-7 Employees	57
	2-8 Workers who are not employees	57
	2-9 Structure and composition of the governance	58
	2-27 Compliance with laws and regulations	65, 117
	2-29 Approach to stakeholder engagement	44
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	74
	3-2 List of material topics	75
	3-3 Management of material topics	75
<b>GRI 205: Anticorruption 2016</b>	205-2 Communication and training relative to anticorruption laws and procedures	53
	205-3 Confirmed incidents of corruption and actions taken	53
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption inside the organization	70
	302-3 Energy intensity	71
<b>GRI 305: Emissions 2016</b>	305-1 Direct greenhouse gas (GHG) emissions (Scope 1)	71
	305-2 Indirect GHG emissions from the consumption of energy (Scope 2)	71
	305-4 GHG intensity	72
<b>GRI 306: Waste 2020</b>	306-3 Waste generated	73
	306-4 Waste diverted from disposal	73
	306-5 Waste directed to disposal	73

GRI Standard	Disclosures	Location
<b>GRI 308: Supplier environmental assessment 2016</b>	308-1 New suppliers screened using environmental criteria	67
<b>GRI 403: Occupational health and safety 2018</b>	403-9 Work related injuries	59
<b>GRI 404: Training and education 2016</b>	404-1 Average number of training hours per year per employee	58
<b>GRI 405: Diversity and equal opportunity 2016</b>	405-1 Diversity of governance bodies and employees	58
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	53
<b>GRI 414: Supplier social assessment 2016</b>	414-1 New suppliers screened using social criteria	67
<b>GRI 416: Customer health and safety 2016</b>	416-1 Assessment of the health and safety impacts of products and service categories	64
<b>GRI 417: Marketing and labeling 2016</b>	417-2 Incidents of non-compliance involving labeling, as well as product and services disclosures	64
	417-3 Incidents of non-compliance concerning marketing communications	64
<b>GRI 418: Customer Privacy 2016</b>	418-1 Substantiated complaints regarding violations of customer privacy and loss of their data	65

(\*) The Group didn't perform any review in the reporting period.