



Introduction

Based on Legislative Decree n.254/2016, as amended, in implementation of the Directive 95/2014 or "Barnier Directive", large public interest undertakings are required to publish a Non-Financial Statement (NFS) as of FY 2017. This statement must provide information about a series of topics which help to understand the company's activities, performance, results and impact. More in detail, Legislative Decree 254 calls for non-financial reporting on topics relating to five areas: environmental protection, social responsibility, human resources, protection of human rights, as well as anti-corruption and fraud issues.

A description of the main risks, generated and/or undertaken, the entity's policies, the relative performance indicators, as well as the business and organizational models used must be provided for each of these areas.

Paragraph 1073 of the Budget Law n.145/2018, which took effect as of 31 December 2018, also amended Legislative Decree 254 and in addition to disclosing the main risks, entities are also required to describing how the risks are managed.

In accordance with Decree 254, the Consolidated Non-Financial Statement 2021 provides a description of the non-financial qualitative/quantitative performances of the De' Longhi Group 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 and

objectives, organizational and business models, indicators (for more information on the material topics and how they are defined please refer to 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 the screen based exchange (Mercato Telematico Azionario or MTA) managed by Borsa Italiana, is the holding company of a group of companies active in the manufacture and distribution of coffee making products, food preparation and cooking machines, air conditioners and heaters, as well as home care products.

The Group operates in international markets through 7 brands: De'Longhi, Kenwood, Braun, Ariete, Nutribullet and Magic Bullet (the latter two as a result of the acquisition in 2020 of the American company Capital Brands Holding Inc., active in the personal blenders segment), as well as Eversys, a Swiss brand acquired in 2021, active in the professional coffee machine segment).

The impact of Covid-19 and management by the Group

Similar to the prior year, 2021 was also characterized by very unstable global market conditions due to the health and economic crises that impacted the management of the Group's operations.

In an environment of prolonged uncertainty, the Group's priorities were always twofold: the maximum protection and safety of all its people and the continuity of its business. With regard to first aspect, the Group acted as it did in 2020, when the experience managing the pandemic at the Chinese plants allowed the De' Longhi Group to react quickly to a global scenario without precedent in recent history. In 2021, therefore, the use of PPE inside offices and plants was still mandatory, as were temperature checks before entering. Constant sanitization of the workplace, social distancing, continuous communication and surveillance also continued. Workplace entrances were subject to the local laws of the Countries in which the Group operates; in Italy, for example, automated machines were installed at the entrances of the offices and plants which guaranteed access only to those employees with proof of anti-Covid 19 vaccinations or a negative Covid-19 test result. In 2021 remote working continued where the job allowed and a policy governing the relative terms and methods is in the process of being approved; different measures were adopted for the production facilities which are described in other sections of this Non-Financial Statement.

These measures made it possible to guarantee the

continuity of the Group's operations which, overall, did not experience significant interruptions in its operations due to the health crisis. What did prove to be a challenge, above all in the last few months of the year that just ended, was the lack of materials and parts on a global level. The problems to overcome relative to procurement and logistics were, therefore, numerous and varied, but the Group showed its usual resilience and once again, despite the numerous obstacles, posted strong growth. This ability to adapt and react to the difficulties made it possible for the Group to continue to meet the growing market demand, confirming its leadership in the main markets and product segments. As was the case in 2020, in 2021 the Group's people received a special bonus at the end of the year in recognition of their commitment and dedication. Once again, the Group succeeded in reacting to another challenging year with agility, demonstrating yet another time to possess a resilient business model, capable of protecting the health and safety of its people, as well as guaranteeing business continuity: testimony to all of this is the limited number of cases recorded by the Group's personnel during the year, as well as the manufacturing and sales results achieved worldwide.

De' Longhi's sustainability path

A number of years ago the De' Longhi Group embarked on a path characterized by a growing awareness of the issues relating to sustainability. This path, which started with the publication of the first Consolidated Non-Financial Report in 2017, helped shape a management model for non-financial topics and define its Sustainability goals for the future. Consistent with the company strategy adopted, the Group set the goal of defining concrete and coherent actions with a view to

mitigating and improving its impact and creating long-term value for the company and its stakeholders.

2021 marked a new chapter in the Sustainability path, the pursuit of sustainable success. It is, in fact, in light of this that the De' Longhi Group rethought its sustainable governance which now comprises the following bodies:

- the **Control, Risk, Corporate Governance and Sustainability Committee**, already operational in 2019, is a Board committee with proactive guidance and advisory functions;
- the **Sustainability Steering Committee**, also already operational in 2019, comprised of different department managers, responsible for defining the sustainability strategy, as well as the relative strategic plan;
- three **Focus Groups** - one for each of the Group's sustainability pillars (People, Products and Processes). A Team Leader was selected who is responsible for the supervision/implementation of projects included in the plan relative to her own area of expertise;
- the **Group's Sustainability Director**, appointed in 2021.

In 2021 the Group also analyzed the main ESG best practices worldwide, ESG requisites and the requests from clients and partners in order to define the areas of commitment that the Group intends to focus on in the future. The results of these requests and the work done are embodied in a Manifesto (targeting all Group personnel), which cements the renewed commitment to sustainability and aims to create a transversal commitment for the entire internal community. Lastly, the Group identified, as well as started, the single projects that the Group intends to work on over the next few months while, at the same time, launching a few strategic partnerships with Italy's main universities.

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 (namely by product line) 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 solution to be launched on the market, the work continues with 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 Cina 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, manufacture of products is plant specific.

Once production is completed, the machines manufactured are tested: 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 by the Group. The quality controls are done based on specific audits which also include a specific process for verifying the quality of the OEM products.

Once the quality control check has been passed, the new products are delivered and stored at the Group's logistics hubs, strategically located worldwide. The finished products are, then, distributed through the Group's commercial network by providers of logistics services.

Customer Care provides information and technical assistance to all end consumers during both the purchase and after sale phases.

The Group's stakeholders

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 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, shaped by the Group's Code of Ethics, in order 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 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 sponsorships	Periodic meetings	Sponsorships, social impact, contribution to the community
Consumers	Satisfaction questionnaires, test panels, Contact Centers (voice channels, e-mails, 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 and assessment, periodic meetings	Way in which supplier relationships are managed
Future generations/ environment	-	Reduce emissions and fight climate change
Investors, 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/ laboratories	Dedicated meetings, partnerships on different research projects	Recruiting and retaining talents, 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 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:

- **contributes substantially** to one or more of the environmental objectives set out 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;
- **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 OECD, the United Nations and the International Labor Organization);
- **complies with the technical criteria set by the European Commission** which, based on scientific evidence, specifies the minimum conditions that need to be satisfied in order for the contribution made by an economic activity to one of the environmental targets set, to be considered substantial. The regulation identifies, for each

activity, specific technical criteria for each of the environmental targets.

Based on the Regulation, in the first year of reporting (2021) any undertaking subject to an obligation to publish a Non-Financial Statement shall include in this statement the proportion of turnover, investments (**CapEx**) and operating expenses (**OpEx**) considered eligible and non-eligible activities as defined under the European Taxonomy. 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";² more information relative to any additional elements will be provided as of the next year of reporting and will contribute to determining, once the eligible activities are determined, the ones aligned with the Taxonomy and, therefore, formally classified as "eco-sustainable". To date, a list of the potentially eco-sustainable activities and the technical criteria have been defined for only two of the targets linked to climate change. The list of the activities connected to the remaining targets will be published in 2022.

The De' Longhi Group carried out an in-depth analysis of its activities in order to identify which could be classified as potentially capable of contributing to the mitigation and/or adaptation of climate change (the "**eligible**" activities). Based on this analysis one of the revenue lines could be considered for the purposes of determining the KPI Turnover, namely the one relative to the sale of portable air conditioners, designed to guarantee the cooling of a room while, at the same time, limiting energy consumption. With regard to the Taxonomy specifically, the decision was made to associate this product with activity 3.5, related to the manufacture of energy efficiency equipment for buildings. The classification of the revenues stems from the definition of the activity using one of the technical criteria

provided, namely item f), which establishes that "appliances" may be considered "eligible" activities and, therefore, recognizing the logical connection between the air conditioners and appliances that support the energy efficiency of buildings. More specifically, even if the product is not actually made at one of the Group's production facilities, it is manufactured by an "Original Equipment Manufacturer" (OEM), based on the technical specifications, including relative to energy performance, defined by De' Longhi.

The percentage of Turnover, CapEx and OpEx related to the Group's Taxonomy-eligible activities, along with the percentage deemed Taxonomy-non-eligible are shown below.

	2021 Eligible amount	2021 non-eligible amount
Turnover	4.5%	95.5%
CapEx	1.0%	99.0%
OpEx	1.4%	98.6%

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 activities is provided below. The methods of calculation, the composition in relation to the different activities provided for in the EU Taxonomy and the relative measurement 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.

Administrative structures - Group accounting, 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 financial statements, both consolidated and statutory.

Furthermore, to date no investment plans which satisfy the requirements set out in paragraph 1.1.2.2 which would allow for the plans to be included in CapEx and OpEx have been draw up. For this reason, the two KPI do not include any elements attributable to a plan aimed at the expansion of eligible and potentially Taxonomy-aligned economic activities.

Turnover

Numerator

The numerator was calculated based on the De' Longhi Group's financial reports and separating the portion of revenues generated by the sale of portable air conditioners net of discounts, rebates, VAT and additional taxes.

Denominator

The denominator was determined based on the accounting entries found in the De' Longhi Group's consolidated financial statements for FY 2021. The items of the Group's consolidated financial statements included in the calculation of the denominator refer specifically to the sale of goods and services, net of discounts, VAT or any other direct tax, in order to consider solely the revenues derived from the Group's core business: more specifically, the item included refers to "Net Sales" which already calls for the separation of components attributable to cash discounts and rebates.

² Art. 1, Delegated Act 2178/2021.

CapEx

Numerator

The components of the numerator were determined based on a study of the management reports for each production plant and the parent company in order to identify the 2021 additions relating to capitalized expenses incurred relative to eligible economic activities. More in detail, the tangible assets used in production were mainly taken into account.

The composition of the numerator and the details for each production facility are provided below:

- **China:** the purchase of assets relating to activity 3.3) Manufacture of low carbon technologies for transport, to activity 7.3) Installation, maintenance and repair of energy efficiency equipment and activity 7.5) Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings were taken into account;
- **Romania:** the purchase of assets relating to activity 7.6) Installation, maintenance and repair of renewable energy technologies and the purchase of assets and work in progress in 2021 relating to activity 7.5) Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings were taken into account;
- **Italy:** the increases in IFRS leased assets relating to activity 6.5) Transport by motorbikes, passenger cars and light commercial vehicles and investments related to activity 7.4) Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) were taken into account.

Denominator

The denominator was determined based on the increases in value during 2021 of tangible, intangible and right of use of assets (as per IFRS 16). The amounts taken into consideration were used without considering amortization, depreciation, impairment and changes in fair value, in accordance with the Regulation.

Furthermore, in 2021 a new production facility was purchased in Switzerland which qualified as a business combination for the Group. In accordance with the law, the increase in tangible and intangible assets stemming from the acquisition, excluding goodwill, were also taken into consideration.

OpEx

Numerator

The components of the operating costs associated with the purchase of eligible activities consisted in the thorough analysis of the management reports for each production facility.

More in detail, the costs recognized in the income statement were examined in order to identify the eligible items pursuant to the Regulation.³ The following expenses for each production plant were identified:

- **China:** costs relative to the maintenance related to activity 7.3) Installation, maintenance and repair of energy efficiency equipment;
- **Romania:** costs relative to the maintenance and repair related to activity 7.6) Installation, maintenance and repair of renewable energy technologies.

Denominator

The denominator was calculated based on consolidated operating items: more specifically, the line items in the financial statements relating to "Costs for services":

- Third party maintenance;
- Leasehold improvements;
- Technical costs.

³ See paragraph 1.1.3.2 of Annex 1 - Delegated Act 2178/2021.

Scenario and risks

For information on the ethics and compliance risks, as well as the relative risk management, please refer to the section "Risk factors for the De' Longhi Group", specifically paragraphs 18 (Compliance and corporate reporting risks) and 19 (Related parties).

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

Group compliance with current law and regulations is overseen by the Legal and Internal Audit Divisions, the Group's Officer Responsible for preparing the Company's Financial Reports, together with Quality, (S)Product quality and innovation).

More in detail, every year Internal Audit and the Financial Reporting Officer check and assess the control system, and **audit the accounting processes and procedures**, as well as compliance with Law 262 relating to financial reporting processes with a view to ensuring reliable, complete, accurate and timely Group accounting and administrative procedures consistent with Group administrative and accounting policies. The audits are carried out with a view to gradually covering all the companies and, at the same time, focusing on the most relevant ones (identified using economical criteria) based on an audit plan coordinated with the Group's Financial Reporting Officer and the Control, Risk, Corporate Governance and Sustainability Committee.

Internal Audit and the Group's Officer Responsible for preparing the Company's Financial Reports also supervise the Enterprise Risk Management (ERM) system, implemented and updated over the years by the Group, which focuses on the assessment and monitoring of company risks. As part of this project, already in 2020 a number of activities were carried out in order to integrate the ERM matrix with the risks perceived in each area by local and international management, and, more generally, the country of operation. In 2020 work was also done on the creation of a dynamic Risk Management platform which will be used by the Group's legal entities. As planned, the roll-out phase of the platform began at the beginning of 2021 and involved the Group's most relevant companies, as well as headquarters; the roll-out phase is expected to last for two years and, therefore, all the remaining Group companies will be involved. It also allowed to include in the ERM a larger number of risks connected to sustainability such as the one related to climate change. This platform is dynamic and allows the personnel involved to identify the risks in a timely and independent manner, under the strict supervision of Internal Audit and the Group's Officer Responsible for preparing the Company's Financial Reports, 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 also 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 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 abuse of authority and corruption.

The Group also ensures that, in addition to total transparency and compliance, **models of conduct** have been defined and implemented with a view to minimizing the risk of acts which are subject to sanctions under the law. In order to standardize the Governance policies across all the Group companies, in 2018 De' Longhi also adopted the **"Corporate Governance Guidelines"** which call for adherence to the Group's Code of Ethics and define a system for the delegation of spending authority, the implementation of these guidelines was entrusted to the local heads of administration.

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 which was last updated in 2021.⁴ The Group had already adopted an internal management system which automatically monitors the flow of information and the processes controlled by the system used to prevent the crimes indicated in Legislative Decree 231 in 2019.

In order to monitor Group transactions with related parties and the relative risk, in accordance with CONSOB Regulation n. 17221 of 12 March 2010, the Parent Company has also defined a procedure for the related party transactions subject to specific rules and approval based on the degree of materiality.

Policies and objectives

The De' Longhi Group's **Code of Ethics**, updated on 31 July 2018, 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. These standards must aspire to standards and values like legality, transparency, fairness,

integrity and professionalism, as well as protection of privacy. Similar to 2020, in 2021 brief induction sessions were held during the year with all new hires who were introduced to the Code of Ethics and the 231 Model. The biggest novelty, already considered in 2020, relates to the launch of an information campaign targeting the Code of Ethics which was sent to all Group employees worldwide during the year who were to provide signed confirmation of having received and read the Code.

As part of the **Anti-Fraud Program** defined based on the guidelines of the Association of Certified Fraud Examiners (ACFE), in 2021 the Group is focusing on the areas in need of improvement that emerged in past years, with regard particularly to Group merchandising promoters, and further controls were set up on customers bonus and discounts management, on changes in data on ERP and on authorisation to payments to suppliers.

In 2021 use continued of the dedicated whistleblowing platform, completed in the previous year and thanks to which each employee, supplier and customer may file a report. In order to protect the identity of the whistleblower, the source of all the information provided remains anonymous; in order to do this, a domain outside the company systems was created which sends the encrypted information directly to the Whistleblowing Committee, a body comprising four Group members charged with analyzing and carrying out any further investigations of the reports received.

With regard to the implementation of this whistleblowing system, a notice was already sent in 2020 to all employees by the Chief Executive Officer when the platform went live on the Group's corporate website.⁵ All of the reports received during the year were carefully reviewed and evaluated by the Committee: no significant reports have, however, been received to date.

Lastly, the Legal Division continued the work begun

⁴ In 2021 the 231 Model of both De' Longhi S.p.A. and De' Longhi Appliances were updated.

in 2020 on the definition of a master policy for the protection of data: the activities related to this cyber security plan continued regularly in 2021, as planned.

Key figures

No violations of the anti-corruption laws were recorded in the three-year reporting period (2019-21).

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 2019-2021, is shown below.

In 2021 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 2019-21.

Likewise, during the three-year reporting period, no economic or in-kind contributions were made to political parties, their elected representatives or persons seeking to hold political positions.

As in the two-year period 2019-20 in 2021, no complaints relating to discrimination were filed.

No instances of human rights violations within the Group were recorded during the three-year period (2019-21).

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

Category	Europe*			Americas & Asia-Pacific**			MEIA ⁶			De' Longhi Group		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Number of people with whom the company's anti-corruption procedure and policies were shared												
Managers	56	187	177	31	75	67	4	8	4	91	270	248
White collars	229	1,805	1,745	259	821	511	26	51	25	514	2,677	2,281
Blue collars	-	4,034	4,481	1,768	3,819	3,820	-	-	-	1,768	7,853	8,301
Total employees	285	6,026	6,646	2,058	4,715	4,398	30	59	29	2,373	10,800	11,073
Commercial partners	1	-	-	8	-	-	-	-	-	8	-	-
Employees who received anti-corruption training												
Managers	51	35	22	6	8	9	-	-	-	57	43	31
White collars	209	282	326	76	26	114	-	-	-	285	308	440
Blue collars	-	-	-	5,280	7,560	9,355	-	-	-	5,280	7,560	9,355
Total employees	260	317	348	5,362	7,594	9,478	-	-	-	5,622	7,911	9,826

5 Use the following link to view De' Longhi's Whistleblowing page on the website: <https://www.delonghigroup.com/it/governance/whistleblowing>

6 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 APA. The statistics for the two-year period 2018-2019 are not available for offices located in Canada.

Scenario and risks

In an international context, with highly diverse cultures and traditions, the De'Longhi Groups uses different methods to increase the sense of belonging and **personal satisfaction**, as well as protect health and the **safety of the workplace**.

The core values guiding the Group's people include ambition, courage, passion, expertise, heritage, teamwork and mutual respect: all of these principles contribute daily to encouraging employees to be loyal, to act fairly, with mutual trust, leveraging on the importance of diversity, eliminating any form of discrimination. The promotion and professional growth of its people are also shaped by these values, as is the need for a safe, healthy workplace, which is key to retaining and attracting resources and talent, as well as business continuity. All of this was seen clearly in De' Longhi's exceptional response to the COVID crisis that has characterized the last two years when the measures implemented to protect the health of workers contributed to ensuring the continuity of the Group's business and made it possible to avoid significant company shutdowns due to the spread of the pandemic.

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 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 Group management of human resources and related activities is assigned to a corporate Human Resources Management and Organization Division, which is coordinated by the Chief Corporate Services Officer; 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. Local HR departments are also responsible for 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 operational roles into three macro-clusters which in addition to having specific expertise, focus on the supervision of functional areas:

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

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

The global **Talent Acquisition and Employer Branding** division became fully operational in 2020 which allowed the Group to structure a more integrated recruiting process. A number of initiatives have been developed in association with the employer branding strategy focused on increasing

the recognition of the Group globally, including: updating the People and Careers section of the corporate website and the introduction of a new global, corporate LinkedIn page which substituted the previous pages dedicated to single countries and which in 2021 saw a significant increase in both followers and visitors. In addition, in order to booster the popularity of the LinkedIn page, employees will be engaged as brand ambassador. Toward this end, projects were developed in partnership with Italy's best universities, like **Milano's Politecnico** and **Bocconi University**: as part of a strategic decision to strengthen the tie with the academic world, structured partnerships were developed aiming not only to attract and recruit the best talents, but also to increase the research and training carried out in partnership with the two universities.

As part of the partnership with Politecnico, the Group participated in a number of events and training courses connected to topics like innovation, research and development. With some universities an international **Graduate Program** was instituted which calls for the recruiting of new graduates from universities across Italy in order to offer them a 12-month working experience, half of which will be spent at the headquarters in Treviso and the other half in one of the Group's international branches. The goal at the end of this process is to offer a position to a young talent within the company, who may remain at headquarters, the international branch where she already spent six months or she could be assigned to one of the other Countries in which the Group is present. The program has already been a big success in terms of talent attraction, confirmed by the large number of curricula received from within Italy, as well as foreign Countries.

The fourth edition of the engagement survey "**Your voice: to make a difference**" survey, which

gauges the level of satisfaction and engagement of the Group's employees, was carried out in 2021. The survey, which once again recorded a very high level of participation, showed that there has been a slight increase in the level of engagement with respect to the prior edition. This is clearly a positive result, particularly when you consider the survey was conducted during what were two very intense years for everyone, both in terms of work and psychologically. At the same time, the pandemic resulted in and accelerated a change in the way we work which is shifting towards a hybrid model that has positive repercussions for employee satisfaction: toward this end, De' Longhi is committed to drawing up a remote working policy for all the Group's organizations which clearly defines how work will be done in the near future.

The last few years have been characterized by an acceleration in the digitalization of the activities related to human resources, which already in 2019, had resulted in the implementation of a variable pay module within the SAP management system SuccessFactors. The PULSE platform, active already for several years, also allows Group employees to create personalized learning plans based on specific needs and access a catalogue of on-line courses available through e-learning. This mode of learning proved particularly vital during the two years when in-person training was impacted by numerous limitations: in 2021, in fact, remote learning methods were once again preferred. A number of channels and digital tools (like Google Meet and Zoom platforms, as well as digital whiteboards and instant surveys) were used. A digital version of the program weMake, which was supposed to be rolled out in 2020, was also designed in order to move forward despite the prolonged closure of office spaces.

Digital Lab 2021 represents another digital employee training initiative carried out in 2021:

consistent with company goals and challenges, the scope of this project was to develop employees' digital expertise and accompany the growth of the Group's e-commerce channel. The program involved hundreds of people worldwide, which were divided into two groups with customized training paths built based on the roles and expertise of the participants. Begun in June, the program is still underway. The first phase called for a series of webinars, at the end of which the participants were asked to fill out a survey which revealed a high degree of satisfaction.

The goal of **Diversity and Inclusion**, another initiative promoted by the Group in 2021 is to promote a systemic approach to guaranteeing compliance with the principles of equal opportunity and the elimination of discrimination. The project focuses on two areas: one which aims to understand the breakdown of the female presence within the organization, paying particular attention to any critical areas relating to gender pay gaps; the other, more qualitative, which focuses on the main stages of the women's work experience in the company, in order to identify the priorities and needs of each phase.

The Human Resources Division also guides the global **performance appraisal** process used to promote personal and professional growth (up to the middle management level), through the use of a dedicated system aimed at facilitating an open and constructive dialogue between the supervisor and the subordinate. This process was redesigned toward the end of 2020 tested during 2021 and will become fully operative in 2022. The innovation of the performance appraisal system involved many parties, from the Human Resources team through the Group's managers and employees, in order to gather feedback from a large group of stakeholders.

With regard to the ongoing improvement of the

work-life balance, as well as the protection of the health and safety of employees, the Human Resources Division is assisted by people who have specific roles and are charged with monitoring compliance with health and safety regulations like, for example, the head and staff of the Prevention, Protection and Environment Department in Italy, Switzerland, China and Romania. These individuals are responsible mainly for assessing 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.

The responsibilities and procedures relating to health and safety are defined for the entire Group based on an organizational model which is in line with the international OHSAS 18001 "Occupational Health and Safety Assessment Series" standards.

Looking at comfort in the workplace, consistent with past years, further work was done on comfort of the workstations, focused on ergonomics, and further investments were made in automating processes along the production lines which reduce the employees' use of force.

The security system was also audited in 2020. Any incidents are managed locally by human resources and the legal division which, in certain instances, will also involve the Supervisory Board.

Focus Covid-19: the measures taken to protect the Group's personnel

The protection of health and safety in the workplace was crucial in 2021, too, and was more complex given the need to also guarantee business continuity.

With regard to the white collar workers, similar to 2020, the Group had to adapt to remote working

based on the infection rates in the different geographies, with a larger in-person presence in the offices as the government restrictions were eased. In accordance with the most recent government measures, in order to ensure faster and more accurate entrance checks, devices were installed which allow for a systematic control of the authorizations needed to enter, in accordance with domestic regulations.

Already in 2020 all the Group's production facilities underwent a profound reorganization, with the installation of plexiglass dividers to separate workstations, the mandatory use of PPE (masks and, where mandatory, gloves), the installation of hand sanitizer dispensers, the institution (in agreement with the labor unions) of double shifts which ensured a greater staggering of presences during the day and the reorganization of the cafeteria, all of which was coupled with the need to guarantee operational continuity. In 2021 the Group, once again, equipped itself with rapid swab Covid tests in order to be ready to act quickly in the event of any internal outbreaks. Testimony to the effectiveness of the preventive measures implemented by the Group, once again in 2021 there were no significant cases of contagion between colleagues in the workplace.

The spread of the pandemic also resulted in increased cleaning and sanitization activities (including the installation of hydrogen peroxide nebulizers in the main offices in Italy).

Policies and objectives

The Group's Code of Ethics dedicates an entire section to the management of human resources which testifies to the increased focus on people, appreciated for both the professional and personal contribution they make every day to the achievement of the company's goals. Particular attention

is paid to the recruitment of personnel which should be done with a view to equal opportunities for all through the professional and personal contribution of its people as part of a relationship based on integrity, fairness and mutual trust. The Code of Ethics also condemns undocumented working relationships, the use of child labor and any and all forms of forced labor. The Group avoids any and all forms of discrimination with respect to its employees and staff members, offering equal opportunities and professional advancement.

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, OHSAS 18001. At the plant in Sierre (Switzerland) a ISO 450001:2018 compliant policy is in place.

With a view to integrated management for all the companies of topics relating to human resources like for example, the compensation of the Board of Directors and the Executives with Strategic Responsibilities, the Group defined a formalized policy.

Furthermore, consistent with the process of standardizing processes across the Group, in 2019 a new Group MBO policy was adopted, which aims to further consolidate Group identity.

Key figures

The Group had 10,352 employees at 31 December 2021, an increase of 10% compared to the prior year. This change is explained by several factors, including the acquisitions of Capital Brands and Eversys. Women represent 52% of the De'Longhi Group's workforce. 88% of the employees have permanent contracts, slightly lower than in the prior year (92%).

Employees, by type of contract	Italy			Europe			Americas & Asia-Pacific			MEIA			De' Longhi Group		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Number of employees by contract type															
Permanent positions	1,577	1,651	1,708	3,084	4,284	4,624	2,551	2,621	2,710	61	51	58	7,273	8,607	9,100
<i>women</i>	611	646	676	1,765	2,617	2,776	1,209	1,250	1,273	25	22	23	3,612	4,535	4,748
<i>men</i>	966	1,005	1,032	1,319	1,667	1,848	1,342	1,371	1,437	36	29	35	3,661	4,072	4,352
Temporary positions	14	34	31	26	131	417	536	605	803	1	1	1	577	771	1,252
<i>women</i>	11	17	17	16	76	211	241	273	358	1	1	-	269	367	586
<i>men</i>	3	17	14	10	55	206	295	332	445	-	-	1	308	404	666
Total	1,591	1,685	1,739	3,110	4,415	5,041	3,087	3,226	3,513	62	52	59	7,850	9,378	10,352
Number of employees by contract type															
Full-time	1,472	1,567	1,637	3,028	4,302	4,784	3,074	3,214	3,484	61	51	58	7,635	9,134	9,963
<i>women</i>	506	549	594	1,715	2,601	2,789	1,438	1,512	1,613	25	22	23	3,686	4,684	5,019
<i>men</i>	966	1,018	1,043	1,313	1,701	1,995	1,636	1,702	1,871	36	29	35	3,949	4,450	4,944
Part-time	119	118	102	82	113	257	13	12	29	1	1	1	215	244	389
<i>women</i>	116	114	99	66	92	197	12	11	18	1	1	-	195	218	314
<i>men</i>	3	4	3	16	21	60	1	1	11	-	-	1	20	26	75
Total	1,591	1,685	1,739	3,110	4,415	5,041	3,087	3,226	3,513	62	52	59	7,850	9,378	10,352
Number of employees by gender															
Total women	622	663	693	1,781	2,693	2,987	1,450	1,523	1,631	26	23	23	3,879	4,902	5,334
Total men	969	1,022	1,046	1,329	1,722	2,054	1,637	1,703	1,882	36	29	36	3,971	4,476	5,018

During the year the Group availed itself of approximately 1,986 contract workers at the production plants.

Breakdown of the workforce		Unit of measure	De' Longhi Group 2019	De' Longhi Group 2020	De' Longhi Group 2021
Managers					
Men	< 30 years	%	-	-	-
	>30 < 50 years	%	1.4%	1.7%	2%
	> 50 years	%	1.1%	1.3%	1.2%
Total men		%	3.1%	2.5%	3.2%
Women	< 30 years	%	-	0.1%	-
	>30 < 50 years	%	0.5%	0.7%	0.7%
	> 50 years	%	0.1%	0.2%	0.1%
Total women		%	0.9%	0.7%	0.9%
Total		%	4.2%	3.2%	4.1%
White collars					
Men	< 30 years	%	2.1%	1.5%	2.3%
	>30 < 50 years	%	13.3%	10.8%	10.2%
	> 50 years	%	3.8%	3.4%	3.4%
Total men		%	18.4%	19.2%	15.9%
Women	< 30 years	%	2.6%	2.1%	2.4%
	>30 < 50 years	%	10.8%	9.1%	9.1%
	> 50 years	%	2.3%	2.1%	2.1%
Total women		%	14.5%	15.6%	13.5%
Total		%	32.9%	34.9%	29.4%
Blue collars					
Men	< 30 years	%	6.4%	7.4%	7.7%
	>30 < 50 years	%	15.8%	15.5%	15.5%
	> 50 years	%	6.0%	6.5%	6.2%
Total men		%	29.5%	28.3%	29.4%
Women	< 30 years	%	5.7%	7.3%	6.7%
	>30 < 50 years	%	21.9%	23.7%	22.5%
	> 50 years	%	5.3%	7.4%	7.9%
Total women		%	33.6%	32.9%	37.1%
Total		%	63.1%	61.2%	66.5%

In 2021, the De'Longhi Group's BoD comprised 8 men and 4 women, of which around 92% over the age of 50.

Composition of the Parent Company's BoD	Unit of measure	Italy			
		2019	2020	2021	
Men	< 30 years	n	-	-	-
	>30 < 50 years	n	1	1	-
	> 50 years	n	5	7	8
Total men	n	6	8	8	
Women	< 30 years	n	-	-	-
	>30 < 50 years	n	1	1	1
	> 50 years	n	3	3	3
Total women	n	4	4	4	
Total	n	10	12	12	

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 2021 the De'Longhi Group provided an average of 21.7 hours of training to each employee (- 8.5% compared to 2020) for a total of approximately 224,309 hours, about 1% higher than in the prior year.

Training	Unit of measure	De' Longhi Group		
		2019	2020	2021
Average hours per employee	H	20,6	23,7	21,7

Training	Unit of measure	De' Longhi Group		
		2019	2020	2021
Training by job level				
Average hours for managers	H	19.9	15.2	14.3
Average hours for blue collars	H	23.2	10.3	17.6
Average hours for white collars	H	19.2	29.8	23.9
Training by gender				
Average hours for women	H	18.1	25.9	20.3
Average hours for men	H	23.1	21.2	23.1

With regard to health and safety, the Group recorded a total of 82 injuries, of which 4 in transit occurring during transports organised by the company, over a total of more than 21 million hours worked in 2021. These include 12 injuries sustained in transit, while commuting using the employee's own means.

The Group's rate of injuries increased with a value of 3.9 in 2021 compared to 2.5 in 2020. The 2021 figure is largely in line with 2019, while the difference with respect to 2020 is explained mainly by factors specific to the year.

Injuries and rate of injury by geographic area		Italy			Europe			Americas & Asia-Pacific			MEIA		
		2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Total hours worked	h.000	2,657	2,527	2,887	5,218	6,256	8,285	10,255	11,125	9,935	116	109	119
Injuries	n.	12	10	13	28	6	20	23	34	49	-	-	-
<i>In transit using means organized by the Group</i>	<i>n.</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>15</i>	<i>4</i>	<i>4</i>	<i>2</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Serious injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Fatal injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Occupational disease	n.	2	4	1	1	-	-	-	-	1	-	-	-
Accident rate	-	4.5	4.0	4.5	5.4	1.0	2.4	2.2	3.1	4.9	-	-	-
Rate of serious accidents	-	-	-	-	-	-	-	-	-	-	-	-	-
Rate of mortality	-	-	-	-	-	-	-	-	-	-	-	-	-
Rate of occupational disease	-	0.8	1.6	0.3	0.2	-	-	-	-	0.1	-	-	-

Group injuries and accident rates		De' Longhi Group		
		2019	2020	2021
Total hours worked	h.000	18,246	20,017	21,227
Accidents	n.	63	50	82
<i>In transit using means organized by the Group</i>	<i>n.</i>	<i>17</i>	<i>4</i>	<i>4</i>
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
Occupational disease	n.	3	4	2
Accident rate	-	3.5	2.5	3.9
Rate of serious accidents	-	-	-	-
Rate of mortality	-	-	-	-
Rate of occupational disease	-	0.2	0.2	0.1

Accidents and accident rates for contract workers at the production facilities		De' Longhi Group		
		2019	2020	2021
Total hours worked	h.000	1,377	2,644	5,343
Accidents	n.	2	4	12
<i>In transit using means organized by the Group</i>	<i>n.</i>	<i>-</i>	<i>-</i>	<i>7</i>
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
Accident rate	-	1.5	1.5	2.2
Rate of serious accidents	-	-	-	-
Rate of mortality	-	-	-	-

Scenario and risks

In order to maintain consumer confidence and its reputation in all of its markets, the De' Longhi Group works constantly to guarantee the highest product quality. This is key to ensuring long-term profitability and business continuity. As the Group works in different areas worldwide, it must continuously address a complex and varied regulatory environment, subject to constant change, 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 De'Longhi Group, the products are to be developed in accordance with the most stringent standards applicable in the numerous countries where they are distributed. Examples 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, UK and Australia. A Product Safety & Liability team is in charge of dealing with these aspects at Group level, interacting with the technical functions and the Group's subsidiaries, operating both at product risk prevention level and managing any signals coming from the market or internal entities. For example, in these countries, energy regulations have recently been adapted: the introduction of new energy efficiency standards that the portable air conditioners segment must comply with has resulted in the adaptation of the entire range

sold by the Group in the markets to a minimum standard of energy efficiency.

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

The Quality Division, comprised of more than 500 people Groupwide, supervises compliance with all the current laws and regulations relating to **product safety**, as well as **food contact safety**. A specific Regulatory Affairs team monitors the regulatory and legislative scenario relative to product and, in close collaboration with the technical areas, works to guarantee compliance on an international level. One of the other duties of this team is to define specific guidelines and product control criteria that can be applied to all the Group companies. Compliance with the



corporate provisions defined by Quality is assured locally by dedicated teams which work on two levels: the first is focused on the product quality control, relative to those manufactured by the Group as well as those received from suppliers of finished goods; the second level focuses on the brands and is responsible for monitoring quality during the development phase and when any notifications are received from the market. In both cases, in order to prevent any product anomalies or malfunctions, as well as ensure the best qualitative standards, supervision begins already in the planning phase.

Product quality is also monitored as part of the **ISO 9001** certified organizational model in place at the European plants and the Group's Chinese production facilities.

With regard to food safety, in the Mignagola and Cluj plants an **ISO22000** certified management system for food safety was implemented which meets specific requirements for hygienic and sanitary conditions for food and the products

which it is in contact with. The 22000 standard is based on the HACCP principles and the Codex Alimentarius which makes it possible to identify and manage the possible risks, prevent incidents along the entire production chain and assess the compliance of products with laws and regulations. In the other Group plants, the organizational model is informed by, in addition to ISO22000, the **Good Hygienic Practices (GHP)** and the ISO 1672-2 standard for food safety. The organizational 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.

All the Group's products are also evaluated, in a pre-production phase, by third parties, to guarantee compliance with the applicable regulations, verifying that the current standards relative to security are aligned. A further task of the Quality function, carried out through specific audits (see

paragraph "Supply chain management"), is to oversee the quality of the productions of its suppliers.

With regard to product information, an important aspect consists of the cooperation between the technical function and the Marketing Department for the creation and continuous monitoring of user manuals and labels: it is to all the extent essential to ensure their consistency with the regulatory frameworks of the countries where the finished product is distributed. The topic of product information and labeling is, in fact, very important for the Group which, in order to fulfill legal obligations, must comply with specific provisions such as, for example, providing the country of origin and the presence of any refrigerants in the appliances distributed by the Group. Instructions relating as 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 highly multifunctional.

The designs should combine several elements in order to provide ergonomic, silent, reliable, energy efficient products, made out of durable materials and based on technologies that encourage healthy eating habits. Moreover, the Group has always invested in the research and development of long-lasting products, made out of parts that are easy to disassemble and clean.

Toward this end, in 2020 the Kenwood brand launched a two-year project aimed at drastically reducing the number and complexity of the parts of its kitchen machines which will improve product maintenance and facilitate repair.

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").

More in general, the guidelines for new product development are shared by the entire De'Longhi Group based on specific NPD (New Project Development) procedures monitored by Marketing and Design, as well as part of the technical offices, comprised of around 450 people located in offices in Italy, Germany, the UK and at 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 development of innovative products is also promoted and supported by the commercial partnerships developed by the Operations and Technology Division and some commercial partners based on which the De'Longhi Group designs and manufactures a collection of coffee products, as well as with a few Italian and foreign universities which focus on product design and improving the user experience. Toward this end in 2020 the Group held an innovation management conference at LIUC - Cattaneo University and was awarded a prize by the University of Padua in recognition of its open innovation based partnerships.

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 Group's founding values is, most certainly, the constant attention paid to making excellent products, conceived and continually innovated through research and development focused, among other things, on the safety and wellbeing of the consumer. In the Code of Ethics, approved by the BoD in 2018, the Group commits to guaranteeing that consumers and clients will be provided with high quality. More in detail, product design and production must take into account product efficiency and durability, as well as the maximum environmental compatibility. The Group wants to be a reliable and safe partner for its clients and intends to develop its markets based on this principle, providing top-tier quality products and services.

The Group adopted a group-wide **Quality Policy** which reinforces the commitment to the development and distribution of safe products which comply with all laws and regulations and meet the needs of end consumers.

Key figures

The First Time Quality (FTQ) indicator helps to monitor qualitative process efficiency. It was conceived to verify the type of defects, functional or esthetic, linked to the single products and expresses the number of perfect products as a percentage of total production.

In the three-year period 2019-2021, 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 two years under warranty monitoring the percentage of products repaired during the first warranty year. The overall SCR in 2021 and the

constant improvement over the three-year period confirm the De'Longhi Group's commitment to designing and producing high quality products.

In the three-year reporting period, there were two instances of non-compliance linked to product safety. In 2021, some 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 based on an agreement with the local authorities. In 2019 there was an instance of noncompliance with the European Directive 2014/35/EU, the "Low Tension Directive" that resulted in an administrative sanction that was, however, not significant.

There were no instances of non-compliance relative to product information and labeling while in 2020 there was one instance in Italy relating to the label of an Ariete brand product that did not have the name and address of the manufacturer. There were two instances of noncompliance in 2019, both related to the European Directive referred to above.

Finally, as in prior years, the Group continued with its investments plans and research and development in order 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 2021 the Group continued to invest in the development of solutions which guarantee connectivity and ease-of-use through digital technologies like Wi-Fi, Bluetooth and touch screens. These technologies make it increasingly possible to personalize the products offered to the user, as well as monitor and prevent malfunctions and, consequently, increase the efficiency and speed of customer care. In 2021, for example a project to develop a series of air conditioners for the European market which, in addition to being connected to specific apps, incorporate innovative technologies capable of locating the user (a geofencing system) and optimize consumption. These will be added to the line of portable air conditioners which can be controlled remotely thanks to the Bluetooth technology "*Cooling Surround Technology*" launched in 2020 and expanded to include other models of air conditioners in 2021. Looking at the coffee segment, in 2020 distribution of "Primadonna Soul" began. This is 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.

Lastly, beginning already in 2018, several food preparation and comfort product lines featuring

innovative user interfaces and connectivity were offered: these included 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. There are a few models like, for example, la Maestosa and La Specialista, for which different initiatives have been underway focused on further increasing durability which, already today, is optimal. 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; generally, the ability to repair all of the Nespresso brand machines is already monitored during the design phase. Similar projects have been ongoing for some time for the Kenwood brand kitchen machines with a number of assessment activities also in 2021: with a view to standardizing internal parts and reducing the number of parts, the goal is to guarantee simpler and more effective repairs, as well as more sustainable and functional solutions. In the wake of the projects begun in 2020, in 2021 work was done to simplify a few mechanical elements and increase the interchangeability of parts across different models.

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, by rendering them not only simple to take apart, but

also by increasing the ability to interchange parts across products from the same family.

As already noted in previous years, 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 products with low GHG emissions

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 changing constantly and widely discussed by regulators.

With regard to coffee, in 2021, as was the case in 2020, almost all fully automatic De'Longhi coffee machines are at least class A,⁷ as are all the Lattissima and manual machines with electronic controls like the Dedicca machine. The biggest novelty in 2021 is the fact that Lattissima One Evo, launched in 2020 on the main markets and expanded to include other geographies in 2021, received an A+ rating. Most of the Nespresso platform machines were also rated A+ 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. The reduced weight of the thermoblock made it possible to improve energy consumption noticeably.

Also, as of 2018 all the fully automatic machines are also 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.

Moreover, 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: in 2021 more work was done on these functions, which today allow the machine to turn off automatically after only a few minutes of not being used.

Lastly, with regard to comfort, already in 2020, the migration of the whole range of European portable air conditioners to refrigerant propane gas was completed and stabilized. 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. This activity was the continuation of what was done already beginning in 2018 to substitute the refrigerant gas, which has high global warming potential, 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.

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+++.

Healthy lifestyle products

The De' Longhi Group uses its products to promote healthy lifestyles, consistent with recent health trends and increasingly healthy eating habits. This has resulted in products capable 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. For many years, the Group has also started a partnership with the University of Padua which resulted in the development of different innovations. Among these, two projects have assumed particular relevance over time: a coffee machine that can make drinks using vegetable 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 desire to respond to the consumers' increasing demand for healthy foods 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. Looking at healthy eating, a number of initiatives were already in place at the beginning of the three-year reporting period: these include the Multifry range of fryers which, thanks to the use of hot air to cook food, guarantees a reduction in the use of vegetable oils (and, therefore, fat) and the environmental impact related to the disposal of the cooking oils used.

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 De' Longhi Group's brand reputation is based on the loyalty of end consumers and the essential need to distribute quality products. Both of these aspects are managed and addressed in different ways which go from 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 information.

There are numerous aspects related to the end consumers' needs that fall within the provisions of the law on consumer protection: among these there are, among other things, the minimum warranty period of the products, the management of the same in case of defects and their environmental compatibility in terms of the recyclability of the materials that compose them. The protection of data and consumer privacy remains an aspect of primary importance for the Group: the greatest risks in this regard are represented by elements such as the obsolescence of telecommunications technologies and information 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 and the local marketing offices of each brand. There is also a *Customer Care* division which is responsible for supporting the end consumer in the pre and post-sale

phases. With a view to ensuring continuous and integrated customer support throughout the customer journey, valid standards have been defined for the whole group, contact centers and technical support centers which represent an essential tool for consumer relations.

The contact center network, managed in outsourcing and in place at almost all of the Group's branches, manages the requests for assistance received from the end consumers, provides product information and continuous support for an optimal customer journey. As Covid-19 spread, the contact centers were subject to growing pressure which, in 2020, was tied mainly to the closing of offices and reorganization and which, in 2021, was attributable mainly to the higher volume of direct contacts with the clients, both via phone calls and requests for support sent via web. The higher volumes are, in part, attributable to a gradual shift in the sale of products: in 2021, in fact, there was an acceleration in online sales which implies a direct relationship with the consumer that is no longer filtered by the traditional retail experience. The increase in the requests and, consequently, the need to recruit new operators did not, however, compromise the high quality service provided and resulted in work being done on the development of quick replies. The ability to react to the brusque increase in requests allowed for greater improvement in the service provided compared to 2020.

In 2021 use of the CRM management system (an extension of SAP and renewed in 2020) which allows for integrated and efficient management of consumer information was used again. This system covers consumers representing around 80% of the Group's sales, generates feedback and analyzes the information gathered. This system was recently renewed; in 2020 an important project was completed based on which

today the CRM can provide an integrated pre- and post-sales service and a new cloud customer communication system.

During the year, VoC management (Voice of Customer) tools were also used through Wonderflow, a software which collects structured feedback from the websites of the main retailers selling the Group's products. Implemented in 2020 and fine-tuned in 2021, thanks to this software it is possible to combine the reviews coming from more than 60 retail channels and 14 countries worldwide, covering three continents (Europe, Asia Pacific and America). This technology makes it possible to combine these reviews with the customers' direct feedback collected using the internal 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 available.

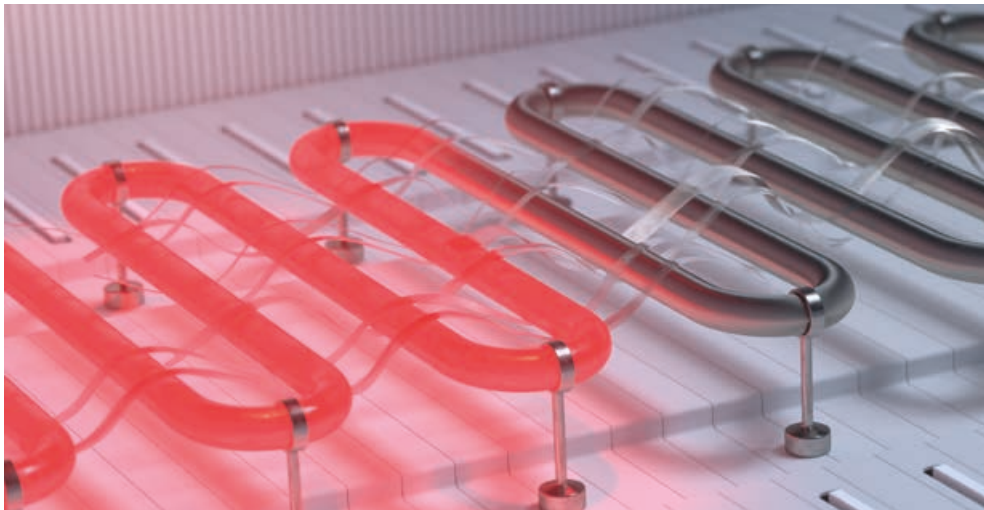
An important new development in 2021 relating to customer care was the pilot project launched with a UK software provider: the goal of this program was to adopt an AI service (AI - Artificial Intelligence powered web service system) which makes it possible to improve the relationship with the consumer and the quality of the support provided. A significant number of the requests was transferred to directly to AI.

2021 was a year of significant pressure also for technical assistance services, comprised of approximately 1,800 service centers worldwide (of which 300 in Italy), the majority of which in outsourcing. If, in 2020, it was the pandemic to cause a slowdown in operations due to the temporary closing of a few centers, in 2021 the main challenge was finding materials. The system, however, showed great resilience: even though the reduced access to spare parts caused a

slight increase in the average repair times, it was possible to maintain high quality service and contained costs thanks also to the investments the Group makes every year in repair facilities. In 2021, for example, an investment in expanding the repair center in Germany, already the Group's biggest market which never closed despite the global scenario of the last two years, was approved. Lastly, to further ensure the effectiveness and quality of repair services, a new control platform for the reporting of technical assistance centers was launched both in Italy and abroad.

In addition to sharing joint guidelines and standards, Customer Care constantly monitors the quality of the support service teams and contact centers through inspections, as well as the use of specific indicators, and periodically provides training. If in 2020 these inspections were interrupted during the months of the lockdown in Italy, in 2021 the inspections resumed regularly where allowed by local laws and company policies. The training of employees and external partners specialized in technical assistance is still being carried out using a hybrid method thanks to the synergies between e-learning and online training; in order to render training more effective and user friendly, the platform used was recently updated and modified.

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 given itself a series of targets which aim to improve its analysis and understanding of the consumers' most common requests, paying particular attention to product information, as well as after sales assistance. In addition to big data analysis and the business intelligence already carried out in prior years, in 2021 analysis of the customer feedback continued: the use of the internal data driven platform makes it possible to carry out intuitive text analytics, text mining, sentiment analysis and rating breakdown, analyzing the online review channels of the main European and global retailers,

gathering information on both the Group's and the competitors' products. In this way, the Group can investigate different competitive aspects, analyzing the online channels of the main European retailers and gather information about Group products and the competition.

The Code of Ethics has an important role in internal and external communications, as it is particularly focused on consumers and clients, for listening to their needs is considered to be a driving force behind the ability to provide better solutions which both anticipate or even influence new market trends. The Group, therefore, strives to guarantee that relationships with consumers and clients are handled professionally, in a timely manner, carefully, openly, respectfully, collaboratively and with a passion that ensures the highest quality, as well as the best level of service possible.

As for external communications, based on the Code of Ethics the disclosures made both inside and outside the Group must comply with the law,

regulations, and professional best practices and be clear, transparent, timely and accurate. Lastly, consistent with the principle of confidentiality found in its Code of Ethics, the Group is committed to protecting the confidentiality of the information and data in its possession, 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

With regard to the processing and protection of data, 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 was a similar instance, while in 2019, there was one instance of noncompliance involving a Group company in Germany due to a potential data breach. The authorities were informed of the issue immediately, in accordance with the law, and the issue was resolved.

Looking at the service provided to end consumers, as mentioned above the average service time in 2021 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 support services was monitored based on the First Time Fix (FTF) which measures 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. In 2021 the FTF was largely unchanged with respect to previous years, keeping a constant

value in the three-year reporting period coming in at around 95%; these results certify that almost all the products have received an adequate repair. This indicator is not linked to the speed of repairs and, therefore, was not impacted by COVID nor by the difficulties in finding materials.

Looking at the instances of noncompliance in marketing and communications, in 2021 there were two instances of non-compliance. In the first case the Italian Minister of Health filed a complaint relative to the Ariete product as the chemical substance used by the product was registered as a detergent and not a disinfectant. The Ministry asked that all the informational and marketing material relative to this product be changed, eliminating any and all references to the product's disinfecting actions. In the second instance, a case of non compliance of Capital Brands was recorded and resolved with a minor financial settlement agreed between the parties. In 2019 there were two, resolved, incidents which did not result in fines, only a warning, while in 2020 there were no incidents.

Scenario and risks

Preventing and managing the risks associated with the supply chain is essential to ensuring the continuity of the Group's business. The Group moves in this direction, encouraging 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 a group of qualified partners or "Original Equipment Manufacturers"

The Covid-19 crisis inevitably impacted the assessment and management of supply chain risks as the Group had to address logistic emergencies stemming from local restrictions and border closings which were managed in accordance with the law, while striving to guarantee operational continuity.

For more information about management of the risks linked to supply chain management, please refer to the section "Risk factors for the De'Longhi Group", specifically paragraph 8 (Risks relating to manufacturing, commodity prices and supplier relationships).

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 certain environmental, as well as social, requirements.

Three offices are involved in assessing, 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. This structure makes it possible to respond to the specific needs of the different markets in which the Group operates effectively and quickly.

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 at 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 with the values and principles included in the Code of Ethics relating to labor practices and, beginning in 2019, the main environmental regulations. 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. In addition to the social accountability audits already carried out, as of 2020 environmental audits are also performed. Environmental criteria were, therefore, added to the checklist of the Social Accountability audits which include: verification that the supplier has a system in line with the ISO 14001 standard, that identifies the supplier's best practices with regard, in particular, to issues like emissions, and waste management. In this way, every time a supplier is subject to a social accountability audit, an environmental audit will also be carried out.

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).

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

- 1. Technical Factory Audit (TFA):** measures the effectiveness of the quality system and the management of the suppliers. This type of audit is conducted every year and focuses on both initial quality, as well as subsequent periodic monitoring of suppliers. As explained above, the checklist for this type of audit included 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

While there is no formal Group policy, the Code of Ethics governs the relationships with suppliers which 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 are requested to 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 all of its sub-contractors with a copy of the updated Code of Ethics.

In order to further strengthen the Group's commitment to responsible supply chain management, as of 2019 the Chinese suppliers of finished products are required to also sign the Group Code of Conduct which is presented to them in English and Chinese.

Supply Chain and Quality are committed to developing enduring relationships with suppliers in order to ensure quick responses to market and production needs. As for logistics, the Group intends to build a direct and simplified network favoring direct deliveries, consistent with the Group's expectations.

Lastly, the Group is working on "Responsible sourcing guidelines" to be applied to its own supply chain.

Actions taken to ensure continuity

In 2021 there was an acceleration in e-commerce activities, focused on delivery to the client, while skipping the transfer to the retailer's warehouse. In this way, the Group aims to further improve the efficiency of its deliveries by reducing the number of steps, which will also be beneficial in terms of environmental impact. If in 2020 the closings caused by the pandemic resulted in a less straight forward management of the supply chain, in 2021 the main obstacle was the lack of components. The Group, however, worked to guarantee continuity in supply chain management, to the extent that there were only a few slowdowns in distribution and it was almost never interrupted, thanks to the search for alternative solutions for the procurement of materials and spare parts.

In light of what was, at times, still a critical situation, the supplier audits were sometimes conducted remotely.

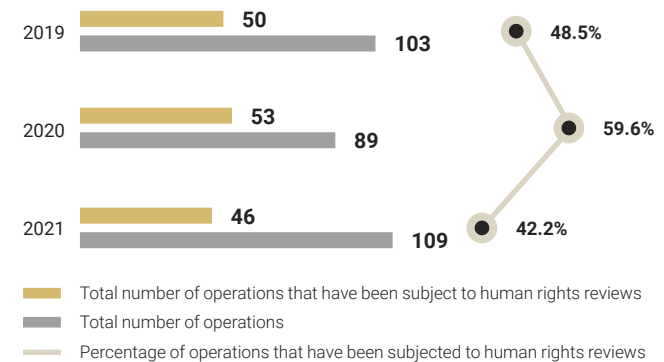
Key figures

In 2021, 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.

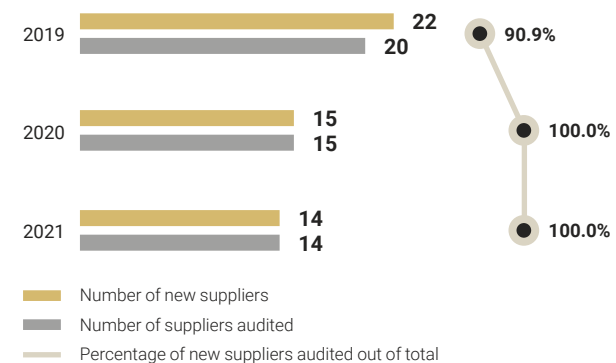
With regard to environmental aspects, in 2021 environmental audits of 14 or 100% of the new suppliers of finished products were carried out, consistent with the figure recorded in 2020 (100%)

Lastly, in 2021 a total of 46 audits were carried out in order to verify that no human rights violations had occurred at 42 supplier plants and 4 Group plants, which covered almost 42% of the Group's operations, lower than in the prior year (60%).

Number and percentage of transaction subject to human rights assessments



New suppliers of finished products subject to social accountability audit



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 this constant change, the Group's environmental regulations are updated continuously, forming a crucial part of correct business management and the impact they could have on the latter.

For more information about environmental risks, as well as 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 harm) in the section", 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, the ISO14001 certified environmental management system in place at the production facilities in Mignagola and Cluj, and at the Salonta plant in Romania as of 2021, make it possible to carry out environmental assessments of these plants and define the steps needed to reduce the environmental impact of the entire value chain.

The production facilities in OnShiu and Dongguan (China) strive to comply with the best practices for environmental management consistent with

internal procedures and applicable regulations. Work is also being done on obtaining ISO 14001 certification for the two facilities.

As of a few years ago solar panels had already been installed at the Mignagola plant. These allow for the self-production of 950.972 kWh, in 2021, corresponding to approximately 6% of the electricity consumed which lowers the environmental impact linked to the production of electricity considerably. In the coming months monitoring systems will be installed at both the Mignagola plant and the recently expanded Treviso headquarters which make it possible to carry out thorough evaluations of energy efficiency and consumption. In 2021 work also continued on renewing the lighting systems at the Italian, Chinese and Cluji plants: the installation of LED lighting in the production areas at Mignagola was completed and the lighting in the warehouse of finished products, where currently there are movement sensors in the aisles, was redesigned. At the Cluj plant substitution of the traditional lighting with LED lighting continued. This change will make it possible to reduce the consumption of electricity like-for-like by almost 90,000 MJ. Another important change in the energy saving plan pursued by the Group is the installation of a co-generator at the Mignagola plant, which will be completed in 2022. In the same plant, where already in 2020 new, higher performing and energy efficient compressors were installed, in 2021 the summer air conditioning system was upgraded; the installation of machinery which sucks air in rather than recycling it, which now allows for a consistent exchange of air which also helps to contain the spread of Covid-19. At the Treviso headquarters a few charging stations for electric cars were installed which became necessary as the company cars now comprise hybrid or 100% electric models.

In 2019 a heating system for the warehouses

was installed at the Cluj plant that uses the heat generated in the plant's drying facilities which reduces the use of natural gas for traditional heating.

In China, where over the past few years part of the plastic stamp machinery was renewed, similar to 2020, in 2021 further work was done on improving the energy efficiency of productive assets, resulting in specific improvements being made to machinery in order to increase energy efficiency and productivity. The partnership with the local government relating to energy savings also continued: as part of the energy saving plan, in 2020 meters were, in fact, installed which make it possible to monitor the consumption of electricity and find the areas and functions which consume the most energy. Thanks to these meters, the Group has been able to periodically map the consumption in the different areas and, based on the results, find ways to reduce energy consumption and improve energy efficiency at both of the Chinese facilities

As in past years, a number of timely initiatives were implemented, promoted both centrally and locally by the R&D Divisions, which aim to reduce the environmental impact of the Group's products when used by consumers. These initiatives, which target mainly energy efficiency, durability and product reparability, are consistent with the Group's approach to sustainability. Please refer to the section "Product innovation and quality" for more information.

Consistent with the idea of a circular economy and responsible waste management, the Group continued with the existing projects involving the **recovery of the by-products of production**. For several years now, at the Mignagola and Dongguan plants, plastic scraps have been reused in the manufacturing cycle which reduces initial raw material costs and the amount of waste to

dispose of. The results of this activity were excellent and the initiative in 2019 was also launched at the plant in Cluj. The metal scrapes, rather, are resold as raw materials. Paper, cardboard and nylon scraps are sent to be regenerated.

The Group continued to analyze efficiencies and **ways to reduce product packaging materials** which produced excellent results in both environmental (lower environmental impact as a result of the reduction in the raw materials and waste to be disposed of) and economic (thanks to lower raw materials costs) terms. For the Braun brand, in addition to the work done over the years on finding ways to reduce the amount of plastic used in the packaging of Braun brand handblenders, in 2020 a LCA (Life Cycle Assessment) was carried out relative to the different types of packaging used currently in order to find alternative solutions with a lower CO₂ footprint. Toward this end, in 2021 studies and evaluations were carried out in order to find a software to be used for the LCA activities that works for the entire Group. In the wake of what was done in 2020, the Braun and Kenwood brands further developed studies and partnerships (with both universities and external partners) relative to alternative materials made from renewable energy sources to substitute the plastic used in the packaging, the big bags (made out of plastic) and the EPS packaging. 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, instead of buying new ones, repaired pallets are used which in 2019 made it possible to reuse 5,500 pallets or approximately 1,300 trees.⁸

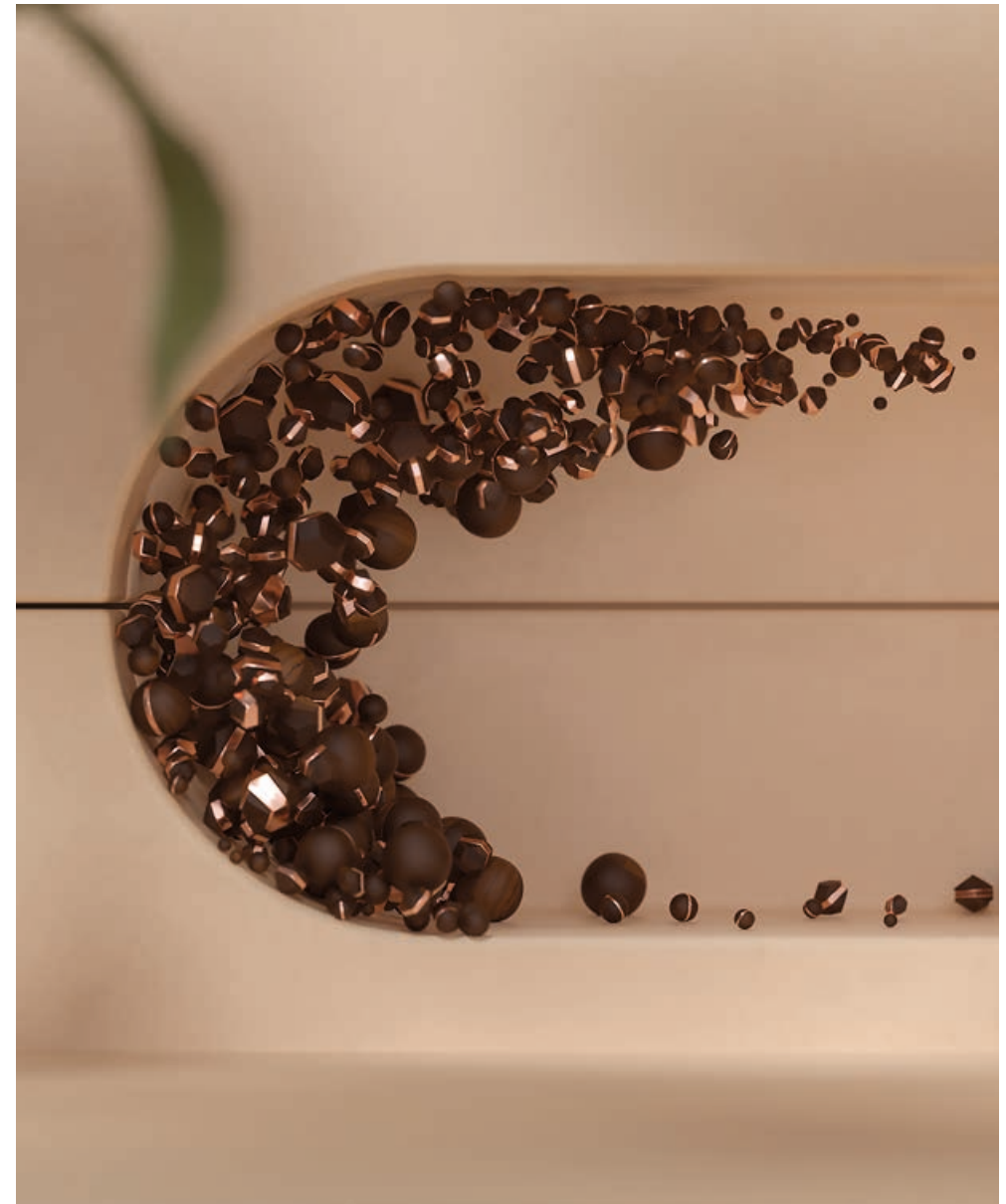
At the Italian plant in Mignagola wooden pallets have substituted with pallets made out of recycled plastic.

Responsible waste management is also expressed through the special attention given to informed waste management, incentivizing 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 and the Kenwood headquarters, have adopted an Environmental Policy which has a number of objectives: these include, compliance with all current legislation in each Country where the Group operates, 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.



8 The calculation used can be found at www.palletconsultants.com/blog/pallet-recycling-saves-trees.

Key figures

In 2021, consumption increased 12,4% with respect to the prior year (422.263 GJ in 2021 compared to 376,062 GJ in 2020). This increase is attributable to both the higher number of units produced compared to 2020 and the acquisition by the De' Longhi Group of the Swiss Eversys plant and the first year in which the Romanian plant Salonta was working at full capacity for the De' Longhi Group. The amount of direct consumption for heating and transport, as well as indirect (electricity through district heating and cooling) was basically unchanged in the three-year reporting period.

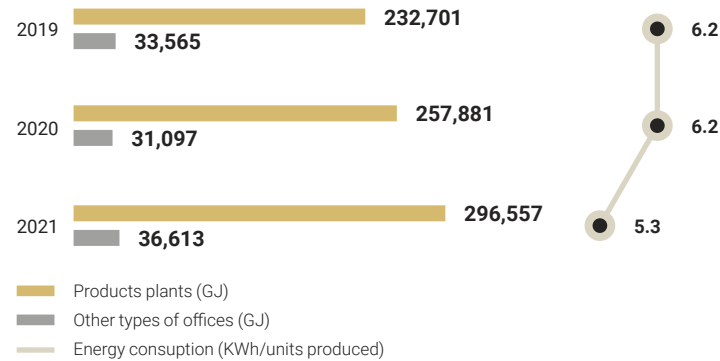
Fuel consumption	u.m.	Production facilities			Other types of offices ⁹			De' Longhi Group		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
Direct energy consumption from non-renewable sources										
Gas	GJ	3,017	2,824	3,948	9,605	6,646	7,181	12,623	9,470	11,129
Diesel	GJ	6,170	5,180	6,991	22,847	16,010	18,274	29,112	21,189	25,265
Natural gas	GJ	36,298	46,388	42,869	5,145	5,034	5,115	41,443	51,422	47,984
LPG	GJ	568	587	518	-	667	712	568	1,254 ¹⁰	1,231
Fuel oil	GJ	-	-	-	203	142	61	203	142	61
Total	GJ	46,053	54,979	54,327	37,801	28,498	31,343	83,949	83,477	85,670
Direct energy consumption from renewable sources										
Energy produced from renewable sources and consumed	GJ	3,548	3,567	3,423	39	40	-	3,587	3,607	3,423
Total direct energy consumption	GJ	49,601	58,546	57,750	37,840	28,538	31,343	87,536	87,084	89,093
Indirect energy consumption										
Electricity purchased	GJ	232,701	257,881	296,557	31,206	28,984	34,291	263,887	286,865	330,848
District heating	GJ	-	-	-	2,359	2,113	2,322	2,359	2,113	2,322
Cooling	GJ	-	-	-	-	-	-	-	-	-
Total indirect consumption	GJ	232,701	257,881	296,557	33,565	31,097	36,613	266,246	288,978	333,170
Total consumption	GJ	282,301	316,427	354,307	71,405	59,635	67,956	353,782	376,062	422,263

In the three-year period 2018- 2020, 5.5, 6.5 and 57.6 GJ of electricity produced from renewable sources were produced at sites, which were then transferred to the national grid. In 2018 the method used to measure the electricity consumed at the Campi Bisenzio offices was changed.

⁹ "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.

¹⁰ The 2021 figure relative to GPL consumption includes the consumption of a De' Longhi Group asset for which this information was not available in 2020.

The indirect electricity consumption per unit of production was lower, 5.3 kWh in 2021 vs. 6.2 in the two-year period 2019-2020.

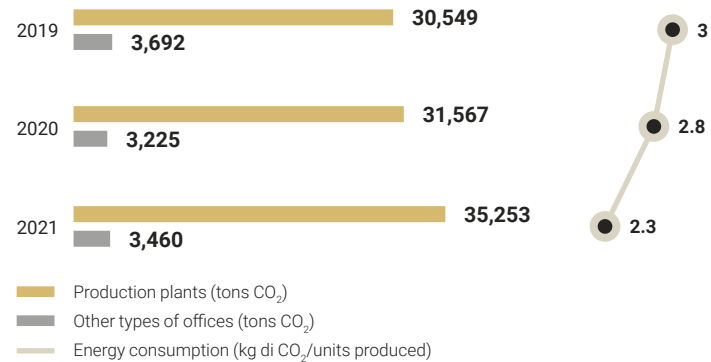


In 2021 CO₂ emissions amounted to 44,477 tons, slightly higher (11%) compared to the 40,030 tons recorded in 2020 (including the indirect CO₂ emissions calculated using the "Location Based" method). Consistent with energy consumption, the CO₂ emissions are attributable mainly to the consumption of electricity, which accounts for around 88% of the Group's total CO₂ emissions. Furthermore, as the important reduction in market-based emissions (-28%) shows, during the reporting period the Group acquired guarantees of origin for energy consumption for all the Italian headquarters and the plant in Cluj (Romania).

Emissions [ton CO ₂]	Production facilities			Other types of offices ¹¹			De' Longhi Group		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Direct	2,743	3,235	3,249	2,689	2,003	2,215	5,439	5,238	5,464
Indirect - Location Based	30,549	31,567	35,523	3,692	3,225	3,460	34,240	34,792	38,983
Indirect - Market Based	33,852	33,854	23,452	4,616	3,980	1,974	38,465	37,833	25,426
TOT (Direct + Indirect - Location Based)	33,293	34,802	38,772	6,381	5,228	5,675	39,679	40,030	44,477
TOT (Direct + Indirect - Market Based)	36,596	37,089	26,701	7,305	5,983	4,189	43,905	43,072	30,890

¹¹ "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 CO₂ emission per unit manufactured shows a largely stable trend in the three-year period, characterized by a slight decrease of around -18% against the prior year, falling from 2.8 kg of CO₂ per unit produced in 2020 to 2.3 kg of CO₂ per unit produced in 2021.

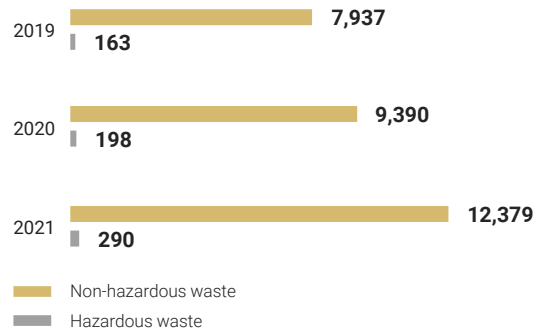


In 2021 12,670 tons of waste was produced, an increase of 32% compared to 2020; 98% of this was non-hazardous, while the remaining 2% was hazardous. The increase in the total waste produced is attributable mainly to increased production volumes, the acquisition of the Swiss plant of Eversys and the first year in which the Salonta plant was working at capacity for the De' Longhi Group. Approximately 88% of the waste produced (90% of the non-hazardous and 11% of the hazardous) was sent to be recovered through reuse, recovery, recycling and composting.

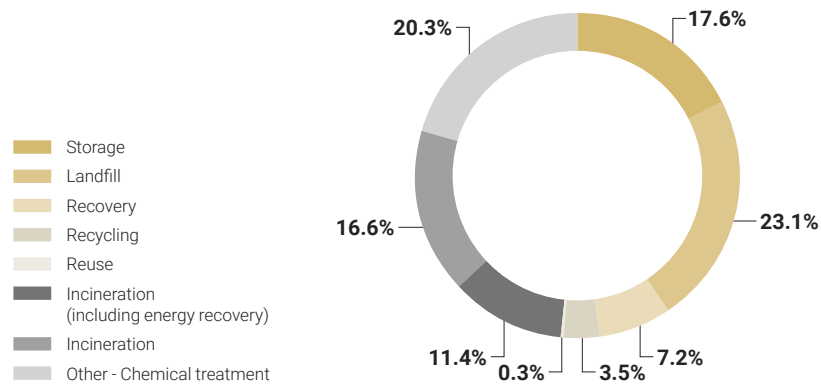
All of the waste produced by the De' Longhi Group in 2021 was treated offsite.

Waste produces	u.m.	2019		2020		2021	
		Hazardous	Non-hazardous	Hazardous	Non-hazardous	Hazardous	Non-hazardous
Reuse	ton	2	0	2	0	1	0
Recovery	ton	52	1,765	58	1,907	21	2,396
Recycling	ton	4	5,790	34	6,658	10	8,572
Composting	ton	0	68	0	98	0	198
Incineration (including energy recovery)	ton	9	147	16	550	33	904
Incineration	ton	1	0	38	0	48	0
Landfill	ton	60	69	16	91	67	215
Storage	ton	34	6	34	21	51	23
Other	ton	0.2	91	0,2	64	59	71
Total	ton	163	7,937	198	9,390	290	12,379

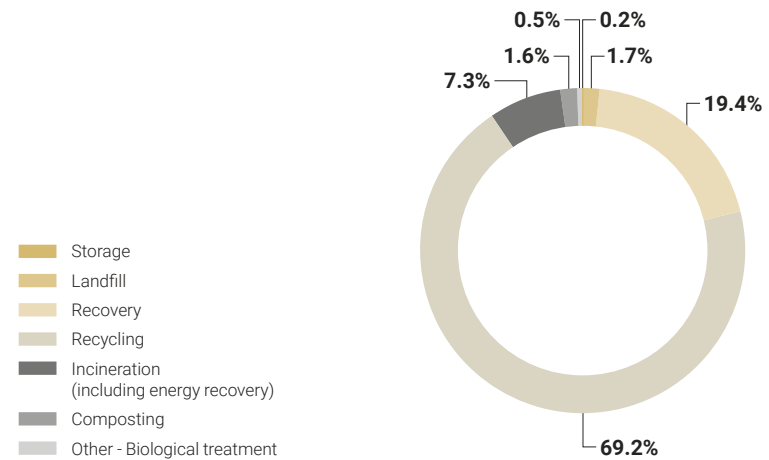
Waste produced at the production plants in 2021 (tons)



Hazardous waste produced in 2021 broken down by disposal method



Non-hazardous waste produced in 2021 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 2021, 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 and have no employees registered at 31.12;

The figures relative to 2021 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 2021 figures for the above-mentioned acquisitions many not be entirely consistent with the prior three-year reporting period.

The information and figures used in this section refer to 2021.

The De'Longhi Group used the GRI Sustainability Reporting Standards (hereinafter the GRI Standards), published by GRI - Global Reporting Initiative, to prepare its NFS. More in detail, as called for in paragraph 3, Standard GRI 101: Foundation, the "Reconciliation of De'Longhi's material topics and the GRI Standards", shown below ("GRI-referenced" claim), shows the reporting standards used. In addition to what is shown in this table, the following standards were also used in this NFS: **GRI 102 - General Disclosures 2016** (102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-8, 102-9, 102-10, 102-11, 102-13, 102-18, 102-40, 102-42, 102-43, 102-44, 102-45, 102-46, 102-47, 102-48, 102-49, 102-50, 102-52, 102-53, 102-56) and **GRI 103 - Management Approach 2016** (103-1,103-2).

Definition of the material topics

In accordance with Legislative Decree 254/2016, as amended, this statement provides a description of the De'Longhi Group qualitative/quantitative performances with respect to the topics deemed material for the Group and its stakeholders.

In 2017 the De'Longhi Group carried out a materiality analysis in accordance with GRI 101 - Foundation and the disclosure standards GRI 102-46 and 102-47 in order to determine the material topics based on the economic, environmental and social impact of its businesses and their influence on the assessments and decisions of the Group's stakeholders that are focused on in the NFS 2021. This process was updated in 2021.

The Group's material topics were defined after having completed the following analyses:

- analysis of sector sustainability trends: mapping of the main non-financial topics reported on by the Group's peers;
- analysis of the sector trends: mapping of the main non-financial topics deemed material for the home appliances sector based on the publications of a few international organizations such as, for example, GRI, RobecoSam, SASB, S&P Global Ratings;
- analysis of pressures from customers and consumers;
- analysis of pressures from financial analysts;
- analysis of company priorities: through interviews of management and analysis of the main corporate documents such as, for example, Sustainability Policy, the Code of Ethics, the Code of Conduct, the 231 Model.

The results of these analyses led to the definition of the non-financial aspects that are the most material and key to understanding the company's

business, performance, results, as well as impact, and, therefore, reported on in the De'Longhi Group's non-financial report. More in detail, more weight was given to the topics that better express the expectations of the stakeholders that are the most dependent on the Group and that can have the greatest impact on corporate strategies. The topics identified were then, subsequently, assessed and integrated by company management based on priorities and strategic objectives.

The material topics reported on in this consolidated Non-Financial Report for each area of Legislative Decree 254 are shown below. For the sake of greater clarity and to facilitate the comparison of the GRI Standards, the material topics and the areas covered under the Decree are shown in the chart below which also includes the topic perimeter and any boundaries.

Reconciliation of De' Longhi's material topics with the GRI Standards¹²

Decree 254	Macro Areas	Material Topics	GRI standards	Topic-Specific GRI disclosure	Topic perimeter		Boundaries of the reporting perimeter	
					Internal	External	Internal	External
Fight against corruption	Compliance	Business ethics and integrity	GRI 205 - Anti-corruption (2016)	GRI 205-2 (points b,c,e); GRI 205-3	Group	Commercial partners	-	-
			GRI 206 - Anti-competitive behavior (2016)	GRI 206-1	Group	-	-	-
		Use of consumer data	GRI 418 - Customer privacy	GRI 418-1	Group	-	-	-
		Product safety and labelling	GRI 416 - Customer health and safety	GRI 416-1	Group	-	-	-
			GRI 417 - Marketing and labeling	GRI 417-2; GRI 417-3	Group	-	-	-
Human resources management Human rights	Personnel	Attraction and development of talents	GRI 404 - Training and education (2016)	GRI 404-1	Group	-	-	-
		Inclusion and equal opportunities	GRI 405 - Diversity and equal opportunity (2016)	GRI 405-1	Group	-	-	-
		Health and safety of employees	GRI 403 - Occupational health and safety (2018)	GRI 403-9	Group	Suppliers Contact Centers	-	Reporting does not involve the Contact Centers
		Respect of human rights	GRI 412 - Human rights assessment	GRI 412-1	Group	Suppliers	-	Reporting does not involve suppliers
Social aspects	Clients and products	Innovation and eco-design	Non GRI topic	-	Group	OEM suppliers	-	-
		Consumer satisfaction	Non GRI topic	-	Group	-	-	-
		Promotion of sustainable lifestyles	Non GRI topic	-	Group	-	-	-
Social aspects Environmental aspects	Supply chain and community	Responsible management of the supply chain	GRI 308 - Supplier environmental assessment	GRI 308-1	Group	-	-	-
			GRI 414 - Supplier social assessment (2016)	GRI 414-1	Group	Suppliers	-	-
Environmental aspects	Environment	Management of GHG emissions and fight against climate change	GRI 302 - Energy (2016)	GRI 302-1; GRI 302-3	Group	-	-	-
			GRI 305 - Emissions (2016)	GRI 305-1; GRI 305-2; GRI 305-4	Group	Suppliers Contact Centers	-	Reporting does not involve suppliers or Contact Centers
		Waste management and circular economy	GRI 306 - Waste (2020)	GRI 306-3; GRI 306-4; GRI 306-5	Group	-	Reporting does not involve offices	-

12 In addition to the 13 topics reported in the matrix, the following non-material issues were also analyzed: community relations, management of water resources, polluting emissions, protection of bio-diversity.

With regard to the topics referred to explicitly in Legislative Decree 254/2016, please note that water consumption, the dialogue with social entities and the agreements of international and supra-national organizations did not result material in the materiality analysis. These topics, therefore, are not reported on in this report.

The main risks associated with non-financial issues and management method

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

Legislative Decree 254	Main risks	Risk management tools
Fight against corruption	<ul style="list-style-type: none"> • 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 • Risks tied to the Group's current or past commercial relationships with related parties • Reputational risk 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • Corporate Governance Guidelines • Procedure for Related Party Transactions
Human resources management Human rights	<ul style="list-style-type: none"> • 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. • With regard to the Chinese platform, there are also a few risks related to high turnover of Chinese blue-collar workers • Risks tied to possible instances of discrimination 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • OHSAS 18001 compliant organizational model • Worker safety and health policy in place at European plants • Compensation policy for the BoD and executives with strategic responsibilities • Performance review process • MBO procedure • Employee surveys • 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

Legislative Decree 254	Main risks	Risk management tools
Social aspects Environmental aspects	Product quality and innovation <ul style="list-style-type: none"> • Risks connected to the De' Longhi Group's to continue with product innovation • Risks associated with patents and trademarks • Risks connected to product quality and liability for violations of the quality standards applied in the different jurisdictions where the Group • 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 	<ul style="list-style-type: none"> • Group Code of Ethics • UNI EN ISO 9001:2015 certified Quality System • Food safety management model • Quality policy • NPD procedures • Quality audits • Constant monitoring of regulatory changes • Registration of product patents and trademarks
Social aspects	Consumer relations <ul style="list-style-type: none"> • 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 • Risks relating to IT systems: in relation to events which could compromise service continuity and integrity of the data 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • GDPR policy (includes policy for the storage of data and procedure for the management of data breaches) • Training of employees in IT safety and privacy • Presence of structures dedicated to monitoring the level of customer satisfaction
Social aspects Human rights	Supply chain management <ul style="list-style-type: none"> • Risks connected to supplier relationships with regard, in particular, to reliable product quality, logistics and timely deliveries, as well as relationships with company employees • Risk of being dependent on a single supplier for certain types of components for strategic products 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Procedure for Related Party Transactions • Social accountability audits
Environmental aspects	<ul style="list-style-type: none"> • 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 breakdown or malfunctions were to occur • Risks connected to climate change: extreme weather conditions (like floods, high levels of precipitation, hurricanes) could undermine the Group's ability to operate • Risks connected to inappropriate energy management practices: poor sustainability practices in energy management could make it more difficult to reduce the energy footprint and/o accelerate climate change 	<ul style="list-style-type: none"> • Group Code of Ethics • UNI EN ISO 14001:2015 certified environmental management system for the European plants • Group's internal control and compliance system • Environmental policy applicable also the production facilities in Mignagola and Cluj • With regard to the risks connected to climate change, the Group adheres to the standards and management methods shaped by the UNI EN ISO 14001:2015 environmental management system. In 2021 the risk perceived by the Group's main companies relative to the possible impact that climate change could have on the business was mapped; this mapping will be expanded to include all the Group's branches in 2022

The reporting process and the methods of calculation used

The content used in the NFS 2021 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:

- Similar to what happened in the prior year (2020), the Group adopted the most recent version of the Disclosure GRI 403 (Occupational Health and Safety) issued in 2018 by the GRI. The historical data relative to 2019, therefore, was been restated.

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;
- **Severity rate** is the total number of serious accidents expressed (which resulted in absences of more than 6 months) 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; the **greenhouse gas emissions** are calculated based on the international standard ISO 14064-1. The only greenhouse gas considered was carbon monoxide (CO₂). The self-produced energy from renewable sources was excluded from the calculation of greenhouse gas emissions.

Emission factors used to calculate CO₂ 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 2019, 2020 and 2021.
- **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 2021, 2018 version for 2020, 2017 version for 2019. 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 2018-2020, were used. 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, were used for the United States for the year 2019, while for the years 2020-2021 an average residual mix per eGrid Subregion calculated based on the residual mixes shown in the document 2020 Green-e Energy Residual Mix Emissions Rates was used. 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.

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 2019-2020-2021.