SUSTAINABILITY REPORT

2018

DēLonghi Group

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On our journey

Dear readers,
It is with great satisfaction that I introduce to you the second edition of the Sustainability Report of the De'Longhi Group for the year 2018.

This document is the story of a journey that began over a year ago with the publication of the first Sustainability Report, which allowed us to look at our Group from a new perspective; measuring and understanding the sustainability performance of our organization has in fact strengthened the awareness of having to define concrete actions consistent with our strategy to mitigate and improve our impacts and to continue to generate long-term value for our people and our stakeholders.

With this objective in mind, in the first few months of 2019, we have formally brought sustainability to the Board of Directors, appointing the "Control, Risks,Corporate Governance and Sustainability Committee"; at management level, the Sustainability Steering Committee was established, composed of the top management of the Group, responsible for defining Sustainability strategies at Corporate level; at operational level, Sustainability Ambassadors have been appointed with the aim of realizing and communicating the strategic lines shared by the Group at all levels of the organization; finally, we started work on defining a Sustainability Policy and Plan that will represent what we want to be starting from what we are today: our people, our products, our Operations.

The history of our Group is based firmly on **our people** who work with experience, passion, foresight and perseverance in conveying the values that distinguish us and guide us daily to make the best choices. Aware of this, during the year, we increased training hours by more than 15% compared to 2017 and we implemented the new "Learning and Development" web platform; this has allowed us to standardize the training processes at global level by reducing the distances between the countries in which we are present and to manage the entire training process from the gathering of needs with respect to delivery to adding e-learning to the traditional classroom courses. In addition, the "24 hours for De'Longhi" project was launched, which allows our employees to participate in free seminars on issues concerning family, health, sport, and the company thus enriching their own personal and cultural knowledge.

At the base of our success there are our products that stand out for quality and innovation. For us, innovation is not understood only in terms of regulatory compliance, but also in terms of product sustainability research that results in the choice of materials, product durability and energy efficiency, as well as in the development of a technology capable of enabling and encouraging healthy eating styles for our consumers. In fact, **sustainable product innovation** is another fundamental pillar of the Group's activities, such as the search for maximum energy efficiency for coffee machines, which is why all our

fully automatic machines are at least in energy class A, or the initiatives to reduce the use of materials for packaging products and improve their efficiency, such as plastic and cardboard, which during the year allowed us to avoid the emission of approximately 761 tons of CO_2. With regard to the comfort area, during the year, the design of products for mobile air conditioning and dehumidifiers led to the replacement of synthetic refrigerant with propane gas, with a lower impact in terms of global warming potential (GWP). Furthermore, in 2018, with respect to quality, we completed the process for obtaining the new edition of the ISO 9001:2015 certification at all our plants with the implementation of a risk assessment model that introduced an integrated approach, oriented to a higher extent towards sustainability.

As a leading company in the main markets in which we operate, we believe it is essential to guarantee a commitment to society and the environment at all stages of production: an ever-increasing responsible value chain is another pillar of the Group's sustainable development. In this context, during the year, we carried on the social audit program covering all new suppliers and we integrated the assessment system with a specific section in the environmental context that will be operational starting next year. Furthermore, with regard to the Group's logistics system, we continued with the "Assembly to order" project within the hubs, which allows us to optimize the transport system for finished products. But, perhaps the most authentic result of our commitment is the constant optimization of the emissive intensity of our operations which is approximately 7% lower in 2018 than in 2017: every year we emit less and less CO_2 per piece produced, confirming the improvement of the production efficiency of our factories in terms of energy.

Our people, our products, our Group: all focused in the same direction, striving for the future with an eye on the past. Our work is concrete and we execute it with dedication and pride to leave progressive footsteps starting today: we are not only everyday makers, we are also the builders of tomorrow.

Thanks to all of you who encourage us every day to always look farther.

Enjoy reading the report.
Fabio de'Longhi

1_ The De'Longhi Group

Fig. 1 - Our brands

KENWOOD

Havant, UK.

The UK brand was founded in 1947 by Kenneth Wood and became part of the De Longhi Group in 2001. It is a world leader in kitchen appliances.

BRAUN

Frankfurt, Germany.

The German brand, which was created in Frankfurt in 1928 and is recognized worldwide for its electrical household appliances, became part of the Group in 2013 following the purchase of a perpetual license on use of the brand for the development, manufacture and sale of small electrical household appliances.

DeLonghi

Treviso, Italy.

This is the historical Group brand and was created in 1974, with manufacture of the first oil filled radiator bearing the brand name. Starting in the 1980s, the range was diversified to include products associated with coffee, comfort, cooking and ironing.

Ariete

Florence, Italy.

The Tuscan brand, which was created in 1964 and became part of the De'Longhi Group in 2001, offers solutions for the home in the kitchen, ironing and cleaning sectors.

1.1_ Who we are and where we operate

The origins of the Group date to the early twentieth century, when the De'Longhi family opened an industrial component production workshop. Over the years, it became a toll manufacturer of finished products and, in 1974, the first De'Longhi electrical household appliance was launched, marking the creation of the Group.

The company was initially known as a manufacturer of portable electric radiators and air conditioners, but has extended its range of products over the years.

The Group currently offers a range of small electrical household appliances for the preparation of coffee, food cooking, comfort (air conditioning and heating), and home care, marketed under 4 brands.

The Group headquarter is located in Treviso (in the Veneto region of Italy) [GRI 102-3] and it has 34 direct foreign branches throughout the world and a network of distributors. It also possesses four plants and several shops in Italy, China, Japan, Korea and France.

Fig. 2 - The De'Longhi Group worldwide
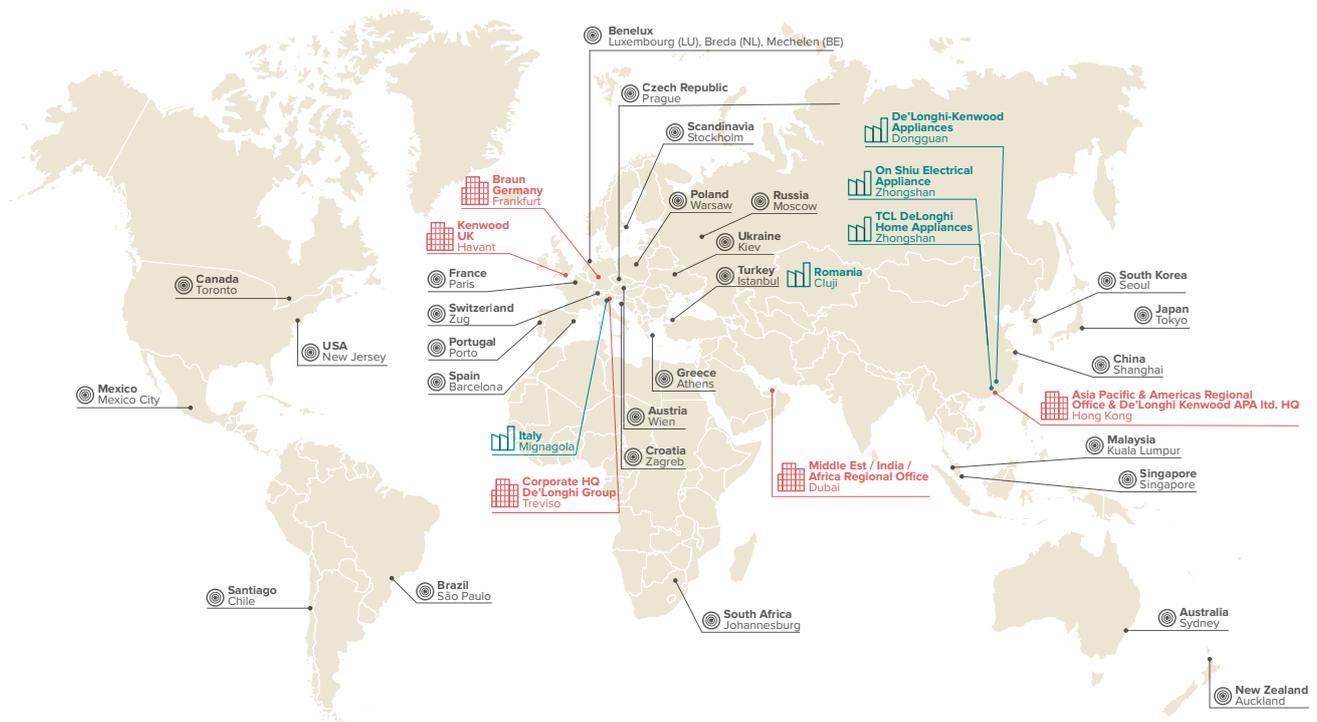
1.2_ Guaranteeing the value of our company

Maintaining a constant and constructive dialogue, based on listening to the needs and requirements of its stakeholders is a fundamental requisite for establishing a lasting relationship of trust, a necessary condition to pursue the company's business objectives and ensure its success. Communication with the stakeholders is monitored and controlled by the competent divisions and is based on principles of transparency and accuracy, and also clear and complete disclosure, to ensure that informed decisions are made. [GRI 103-2, GRI 103-3]

Fig. 3 - The De'Longhi Group stakeholders [GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44]

STAKEHOLDER	LISTENING/COMMUNICATION CHANNEL	PRINCIPAL TOPICS THAT EMERGED
Agents	Periodic meetings	Customer management
Trade associations	Stakeholders' meetings, periodic meetings	Consumers' rights, workers' rights, environmental performance
Shareholders	Company documents/Shareholders' meetings/Events	Economic performance, strategies
Assistance centres	Training courses	Knowledge of product specifications, new products
MMR customers	Sales meetings	Innovation, product safety and quality, efficiency of distribution network
Local communities and beneficiaries of sponsorship	Periodic meetings	Sponsorship, social impact, contribution to the territory
Consumers	Satisfaction questionnaires, panel tests, Skype (technical assistance), advertising campaigns, culinary events, "How to" YouTube channel	Customer assistance, product quality and safety, product availability, feedback on easy use and product satisfaction, privacy
Employees	Employee Engagement Survey, annual performance assessment interviews, periodic meetings to share results, company Intranet for access to Group information, Group house organ, new HRMS	Clear organization, improved management of resources by managers, development of individual contribution for the company, improved internal communication and access to information
Suppliers	Contracts, qualifications and assessment, periodic meetings	Method of management of supplier relations
Future generations/ environment	-	Reduction of emissions and fight against climate change
Investors, financial analysts, media	Interviews, meetings, road shows, press conferences	Economic performance, new products/ services/organizational models, specific social initiatives
Non-profit organizations	Sponsorship of specific initiatives	Raise awareness of specific issues
Business partners	Sales meetings, audits	Product quality and safety, flexibility and ability to adapt to demands
E-commerce portals	Sales meetings	Innovation, product safety and quality, efficiency of distribution network
Universities/Research Centers/Laboratories	Dedicated meetings, collaboration on various research projects	Search for and acquisition of talent, support for research

With specific reference to trade associations, the De'Longhi Group is a member of Confindustria APPLIA Italia, APPLIA Europa and the Association of Home Appliance Manufacturers – USA (AHAM), the associations that group together the leading companies operating in the home and professional appliances sector, respectively in Italy, Europe and the USA. The Group is also a member of Assoclima, the association of air conditioning system manufacturers, the Comitato Termotecnico Italiano (CTI), the European Committee for Electrotechnical Standardization (CENELEC) and the International Electrotechnical Commission (IEC). [GRI 102-13]

The value produced and distributed by the De'Longhi Group

Total value produced by the Group in 2018 was € 2,247,887 thousand, of which around 91% was distributed. The distributed value (more than € 2,044 million) was distributed as follows: in the form of payment of suppliers of goods and services (€ 1,571,682 thousand), payment of employees (€ 265,806 thousand), value distributed to capital providers (€ 111,205 thousand), dividends to shareholders (€ 55,315 thousand), taxes to the public administration (€ 38,907 thousand) and charitable contributions to the community (€ 1,222 thousand).

Fig. 4 - Value generated, thousands of € [GRI 201-1]

2016	1,953,465
2017	2,090,560
2018	2,247,887
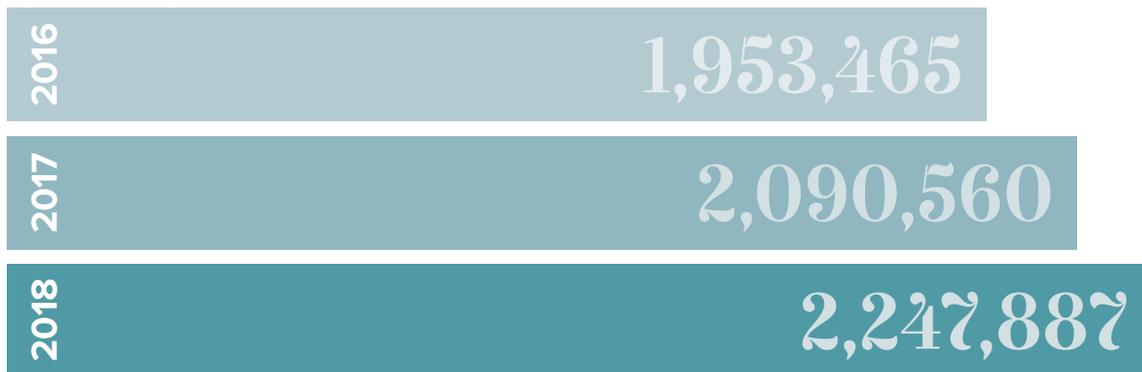
Fig. 5 - Value distributed, thousands of € [GRI 201-1]

Operating costs
1,571,682

Value distributed to employees
111,205

Value distributed to capital providers
38,907

Value distributed to the Public Administration
55,315

Value distributed to shareholders
265,806

Value distributed to the community
**1,222**
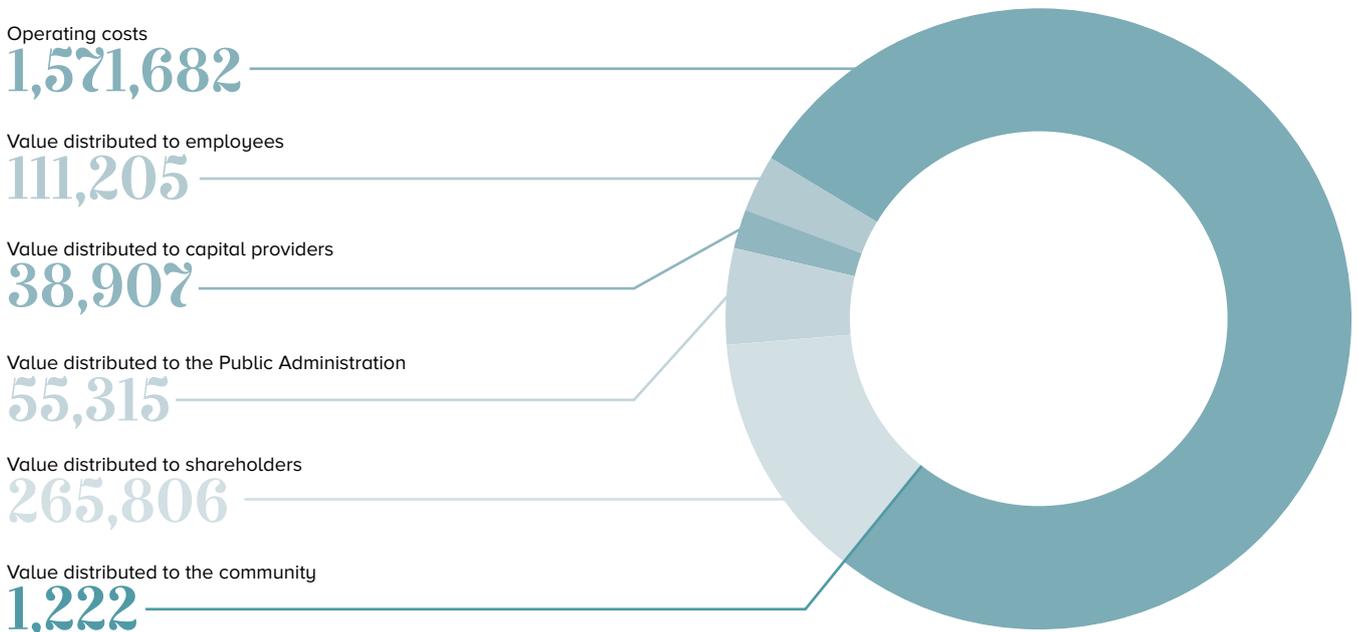
Ethics and the system of governance

[GRI 103-3]

The **system of governance** adopted complies with the Code of Self-regulation of listed companies which the Group upholds. The corporate bodies of the De'Longhi S.p.A. parent company are the Shareholders' Meeting, the Board of Directors and the Board of Auditors. Within the administrative body, there is the Control, Risks and Corporate Governance Committee and the Remuneration and Appointments Committee.

The Board of Directors is assisted in monitoring and implementation of corporate governance regulations both by the aforesaid Monitoring and Risks Committee and by the Legal and Corporate Affairs Office. [GRI 102-18]

Fig. 6 - Composition of the Board of Directors of De'Longhi SpA in 2018 by gender and age [GRI 405-1]

Men **67%**

Women **33%**

30-50 years **25%**

> 50 years **75%**

The De'Longhi Group Board of Directors was formed of 8 men and 4 women in 2018 and 75% are over 50 years of age. The conduct of people at the De'Longhi Group is governed by the Group **Code of Ethics**, which regulates all relations between the company and external parties, such as suppliers, customers and the Public Administration. These relations must be characterized by transparency, propriety, honesty, integrity and loyalty, and the code was updated on 31 July 2018. [GRI 102-16] In this regard, a portion of the training activities during the year pertained to the Code of Ethics using e-leaning and/or traditional classes means. The Italian companies of the De'Longhi Group have also adopted an **"Organization, control and management model"** pursuant to and in accordance with Italian Legislative Decree 231/2001, which calls for the appointment of a Supervisory Board to oversee the correct functioning and compliance with the Model. During 2018, the Model was updated and adapted to standards, and more generally, the entire offences prevention system envisaged by Legislative Decree 231 was implemented; this led to the redefinition of information flows and the liability system in relation to the processes defined by the Model itself.

Furthermore, during the year, with the aim of standardizing governance practices among all the companies of the Group, the **"Corporate Governance Guidelines"** have been prepared and adopted; these guidelines envisage, among other things, the adoption of the Code of Ethics, and define the system of delegation for spending powers. The application of these guidelines was given to local administrative managers through an internal document that can be consulted freely by all employees.

Compliance is managed and monitored by the Legal Office, by the Internal Audit Department and by the Financial Reporting Officer, as well as by the Quality Office for product compliance and supplier qualification and assessment.

The Group intends to ascertain whether, irrespective of regulations, consistent **behavioural models** have been defined and implemented that reduce to a minimum the risk of actions being committed that are punishable according to regulations. Therefore, in 2018, De'Longhi completed the analysis project on the methods adopted by companies in the following areas: administrative liability of the entities, compliance with privacy regulations, antitrust,

protection of consumers in e-commerce, compliance with internal legal, anti-money laundering and anti-corruption policies. The project, started in 2017, envisaged the assessment of a sample of Group companies selected by adopting criteria of economic relevance, regulatory resemblance and allowed to identify the main possible intervention areas with respect to which an implementation priority level was set up in relation to the significant and the weight thereof as regards the level of effectiveness of the Compliance Programme.

The audit program

As part of traditional audit operations on Group company transactions, the Internal Audit Division and the Executive in Charge carry out annual monitoring and assessment, at the Group branches, on the accounting control, audit of accounting processes and procedures, and compliance with Law 262 on the financial information process, in order to ensure that financial disclosure is reliable, complete, correct and prompt in line with what is reported in administrative and accounting operational procedure at Group level. Audits are carried out with the aim of progressively covering all companies and simultaneously focusing on the most important ones, following an audit program agreed with the Director appointed for the Internal Monitoring and Risks System and the Control and Risks and Corporate Governance Committee.

Risk management

Overall, company risks assessment and monitoring activities are carried out as part of a company ERM project, developed in previous years and constantly revised and monitored by the Internal Audit Division.
The main risks identified and associated with the material topics of this report are in the figure below:

Product innovation, quality, and responsibility

- risks related to the Group's ability to continue to offer innovative products
- risks related to the Group's ability to protect its research and development activities by filing patents and trademarks
- risks related to compliance with product quality standards required by the different regulations in force in the various jurisdictions in which the Group operates
- risks related to the evolution of the regulatory framework, concerning the safety and energy consumption of electrical appliances for domestic use, defective products, the minimum warranty period, recyclability and environmental compatibility.

Human Resources Management

- risks related to the ability to attract, develop, motivate, retain and empower people.
- in relation to the Chinese platform, there are some risks associated with the high turnover of Chinese manufacturing personnel.
- risks related to possible cases of discrimination

Environment

- risks related to the evolution of different regulatory contexts
- risks related to possible environmental damages deriving from faults or serious damage to production plants

ERM

Compliance

- risks related to financial reporting
- risks related to the administrative liability of legal persons
- risks related to commercial relations with related parties
- reputational risk

IT Systems

- risks related to information security and data integrity
- risks related to the continuity of services

Supply chain and Logistics system

- risks associated with strategic alliances and supply agreements,
- risks related to relationships with suppliers, their reliability in terms of the quality of the products manufactured, their performance in terms of logistics and the deadlines of the respective deliveries, and in relation to their relationships with employees
- risks related to the trend in raw material costs
- risks related to the size of the warehouse
- risks related to the time frame of shipments

During 2018, the Internal Audit Department, in collaboration with the Financial Reporting Manager, updated the mapping of the main risks for the foreign companies of the Group considered "significant companies" for corporate governance purposes within a "risk project assessment" started in 2017.

Furthermore, during 2018, the audit procedure was integrated with a section aimed at identifying and mapping the risks perceived by the local *management* with respect to the specificities of its area of competence and, more generally, of the country of operation.

In order to ensure that the duties are appropriately distributed to minimize the risk of possible errors and/or fraud, the Group carried out during the years a global analysis and assessment of the risks relating to separation of functions. The anti-fraud program developed during the 2014-2016 three-year period and based on the guidelines laid down by the Association of Certified Fraud Examiners (ACFE) was concluded in 2018 and effected various follow-up activities related to it. In particular, some initiatives have been implemented with a view to continuous improvement, including: sending a questionnaire to employees in order to monitor any cases of conflict of interest and thorough control of the documentation relating to some advances to local suppliers approved during the year.

In order to increase monitoring of compliance with internal regulations and laws of the different countries in which it operates, in 2015 the Group started a program of specific audits on episodes of abuse of office and corruption, even though the Group does not have business relations with the Public Administration. Furthermore, in order to monitor transactions with related parties and the relative risk, in accordance with the regulations established by the Supervisory Authority with CONSOB Regulation no. 17221 of 12 March 2010, the Parent Company has also defined a procedure to identify related party transactions subject to specific rules and approval, based on the degree of materiality.

Fig. 8 - Anti-corruption training [GRI 205-2]

Anti-corruption training hours
1,673   1,959   2,830

Persons who have received anti-corruption training
2,767   3,667   5,249

Persons to whom anti-corruption policies and procedures have been communicated
445   480   1,095

2016   2017   2018

5,749 people were given specific anti-corruption training during 2018, including employees, partners and staff from other organizations.
A total of 2,830 hours of training were provided, up with respect to previous years. 92% of the total hours of training was provided to blue collars, 7% to white collars and 1% to managers.

Fig. 9 - People who received Anti-corruption training, by category [GRI 205-2]

Managers	White collar	Blue collar
29	300	5,420

Fig. 10 - Hours of anti-corruption training provided in 2018, by category [GRI 205-2]

Managers	White collar	Blue collar
28	205	2,597

No violations of anti-corruption laws have been recorded in the last three years. [GRI 205-3]

No legal action relating to anti-competitive, anti-trust and monopolistic practices was taken in the 2017-2018 period. In 2016, the proceedings begun in 2015 by the Austrian anti-trust authorities relative to monopolistic behavior was settled with payment of a fine of € 0.6 million.

In relation to compliance with marketing and communication laws, at the end of 2018, four complaints were registered and settled; in particular, two reports were related to trademark applications and the remaining were attributable to promotional communications. In 2017, two complaints related to promotional communications were registered and these were settled with alteration or removal of the message. No complaints of this nature were received in 2016. [GRI 417-3]

1.3_ Towards a sustainability strategy

The De'Longhi Group's sustainability reporting process, launched last year with the 2017 Non-Financial Consolidated Statement (NFS) and continued with the 2017 Sustainability Report and 2018 NFS, allowed the Company to measure and understand its sustainability performance and made it aware of the need to undertake a structured and more sustainable integration of sustainability in its business model with the aim of defining concrete actions consistent with the Group's strategy to mitigate and improve its impacts and generate value for the company and its stakeholders over the long term.

In this context, in the first few months of 2019 the **Monitoring, Risks and Corporate Governance Committee** included among its responsibilities also the issues of Sustainability, thus becoming the **Monitoring and Risks, Corporate Governance and Sustainability Committee**, within the Board of Directors of the Parent Company; to this committee report the **Sustainability Steering Committee**, the corporate governance body, established by the top management with the aim of defining the strategic line of the Group regarding sustainability issues. Finally, during the year, the **"Sustainability Ambassadors"** were identified, direct reports of the members of the Sustainability Steering Committee, who have the task of translating the strategy and the directions defined by the latter into practice.

Thanks to the collaboration and commitment of the Sustainability Steering Committee and the Sustainability Ambassadors during 2018, the three Sustainability Pillars have been identified, drawn upon in the chapters of this Report and on which the Group wishes to found, in the coming years, its sustainability strategy: **"Valuing our people, the every day makers"**, **"Integrating sustainability in product design and innovation"**, **"Running sustainable supply chain and operation"**.

Fig. 11 - Sustainability pillars and materials issued of De'Longhi Group

CHAPTER 1:

"The De'Longhi Group"

COMPLIANCE AND BUSINESS ASPECTS

HONEST COMMUNICATION, TRUE AND BASED ON FACTS
In a context characterized by the use of communication to reach an ever wider audience, particular attention is paid to the correctness of communication

COMPLIANCE
The Group's actions are based on compliance with the laws and regulations of the markets in which it operates

USE OF CONSUMER DATA
The use of data of its consumers and customers is understood as protection of the rights of the interested parties and the basis for maintaining the relationship of trust with the Group

BRAND REPUTATION
Upholding and strengthening the reputation of its brands towards all major stakeholders, primarily customers, investors and employees, supports the Group's leadership in the reference sector

BUSINESS PARTNERSHIPS
Upholding and consolidating commercial partnerships allow to create value along the entire value chain of the Group and to offer increasingly innovative, competitive products able to respond to consumer needs on the market

AFTERSALES SERVICES
An assistance service able to listen to the needs of consumers and to respond quickly and comprehensively to their requests is a key factor for consolidating relationships with consumers and strengthening the reputation of the Group's brands.

CHAPTER 2:

"The people of De'Longhi Group"

VALUING OUR PEOPLE, THE EVERYDAY MAKERS

RECRUITMENT AND RETENTION OF TALENT
Attracting and retaining talents within the Group and maintaining high customer satisfaction are key elements to achieve business objectives

HEALTH AND SAFETY OF WORKERS
The health and safety of workers represent the foundation of the Group's responsibility towards its employees

"Our products: quality, innovation and sustainability"

INTEGRATING SUSTAINABILITY IN PRODUCT DESIGN AND INNOVATION

PRODUCT SAFETY
Product safety, including food safety, is the essential to guarantee consumers' trust in products and brands

INVESTMENTS IN NEW TECHNOLOGIES (product-related)
Investments in new technologies are the basis for continuous product innovation

DIGITAL TRANSFORMATION
In an increasingly digital world, product innovation is becoming ever more linked to the ability to propose new technological and digital solutions (Internet of Things, Applications, Home Automation)

ECO-FRIENDLY DESIGN
Attention to environmental issues in product development is expressed in the design of products, for specific categories, with a reduced environmental impact in their use by the consumer

PRODUCT INNOVATION
In an unrestrained evolving technological context, the ability to offer innovative products capable to address new customer needs is the basis of company competitiveness and represents a way of implementing the De'Longhi Group's mission

PRODUCT LABELING
Correct and clear product information is essential not only to meet regulatory requirements, but also to maintain a lasting and trusting relationship with consumers

CAPACITY TO INSPIRE
As an international leader in many of its markets, the Group intends to position itself as a company capable to inspire new behaviors and habits along its value chain, primarily with respect to end consumers and suppliers

"Sustainability during all production phases"

RUNNING SUSTAINABLE SUPPLY CHAIN AND OPERATIONS

HUMAN RIGHTS
Safeguarding working conditions that respect fundamental human rights is part of the Group's responsibility towards its employees and suppliers

MANAGEMENT OF EMISSIONS AND FIGHT AGAINST CLIMATE CHANGE
Climate change and its consequences call upon companies to pay careful attention to responsible management of climate-changing emissions

INVESTMENTS IN NEW TECHNOLOGIES (process-related)
Investing in new technologies is the basis for innovation and for increasing the sustainability and efficiency of production processes

RISK MANAGEMENT ALONG THE SUPPLY CHAIN
Prevention and management of risks linked to the supply chain are a necessary conditions to ensure the continuity of the Group's business

NETWORK DISTRIBUTION EFFICIENCY
The ability to make the Group's distribution system ever more efficient and effective is fundamental to offering a quality service to its customers and to being able to react promptly to market demands.

For more information on material issues and the individual thereof, refer to the Note on Methodology.

2_ The people of the De'Longhi Group

Valuing our People, the Everyday Makers

We are committed to creating a stimulating workplace to attract, motivate, and foster the growth of our people; a safe and healthy place whose underlying values are ambition, courage, passion, competence, tradition, teamwork and respect, open to diversity and based on trust, where every individual can feel valued and develop his or her potential

Highlights 2018

EMPLOYEES
8,409
(+3% compared to 2017)

TRAINING HOURS
153,100
(+15% compared to 2017)

ACCIDENT FREQUENCY INDEX
4.16
(-10% compared to 2017)

FEMALE EMPLOYEES
49%

2.1_ Who we are

A key factor for the growth and development of the De'Longhi Group are our people who work hard and put their energy and passion to work every day for a common objective: the success of the company. The Group aims daily to attract, motivate and retain people in accordance with the Group's changing needs, in terms of both numbers and key professional skills and attitudes in line with the Group's values and philosophy.

From this perspective, the De'Longhi Group is committed to furthering professional growth of its people guaranteeing a challenging environment. Our commitment to provide a workplace based on values such as ambition, courage, passion, competence, heritage, teamwork and respect, encouraging employees to act in a loyal, correct and mutually respectful manner, based on the value of diversity and avoiding any type of discrimination, is vital.

At Group level, the management of human resources and any related aspects falls under the responsibility of the Human Resources and Organization Office, coordinated by the Chief Corporate Services Officer. There are also Human Resources offices providing qualified support in the main geographical areas, with particular focus on management and development of skills. At local level, there are Human Resources offices in the main countries, in order to guarantee monitoring and continual support of business and all employees. In order to ensure harmonious growth and uniform management of its human resources at international level, the De'Longhi Group introduced in 2018 additional management system modules, SuccessFactors of SAP, implemented at global level during the previous year only for the Core HR module (recruitment, salary reviews, promotions, MBO, and development of skills). The management modules integrate this the existing system and serving for information mapping and management of "compensation", "performance management" and "learning and development" processes. In particular, the new PULSE module allows employees to define their own learning path according to their needs, independently accessing an online training catalogue and conducting e-learning courses. The new module allows the corporate function to automatically track participations in the proposed courses, thus making it possible to carry out analyses and to identify the training priorities of the people of the Group.

During 2018, the Human Resources and Organization Department launched the presentation of the results of the second edition of the Employee Engagement Survey - "Your Voice: to Make the Difference" used to outline action plans defined for employee involvement both at corporate and local level. Launched at the end of the previous year, the survey involved for the first time all Group personnel, including operatives at production plants, through a specific questionnaire dedicated to them. The involvement activity led to the spontaneous creation of working groups that involved various Group people and initiatives were proposed on some thematic areas to be implemented starting in 2019 at Italian sites. Among these:
• For the **services area**: installation of lockers dedicated to online purchases of employees;
• For the **policy area**: pricing policy for the sale of Group products to employees, regardless of country and currency;
• For the **work-life balance area**: the "Welcome back, mum!" Project will be implemented; this aims to support parenting, for example through psychological counselling and the provision of information kits for new parents.
[GRI 102-16, GRI 103-2, 103-3]

"We bake the difference!"

During the Christmas period, Kenwood Swiss employees dedicated three half-days of volunteer work to prepare Christmas cookies to be distributed to local humanitarian associations. The initiative represented not only time dedicated to the local community, but also a real team building activity, as it allowed employees of different offices to socialize in an unusual environment.

"World cleanup day" in Romania

The World Cleanup day was celebrated on 15 September 2018; this initiative was created in favour of ecology, launched by the Let's Do It! Foundation, which involved around 15 million volunteers in over 158 countries around the world. De'Longhi Romania wanted to participate actively, contributing as a partner and involving over 100 volunteers, including employees and their families, who cleaned up part of the Hoia forest near the Cluj-Napoca plant. During a single day, approximately two tons of waste were collected. De'Longhi Romania's adherence to the initiative by was therefore an occasion for employees and their families to be involved and, at the same time, it was an opportunity to make the participants aware of the issue of waste and its correct disposal.

In 2018, the "World Cleanup Day" initiative won the "Education for Sustainable Development" award awarded annually by UNESCO-Japan.

"INCLUSIVO! Lavorare insieme"

The De'Longhi Group has witnessed many positive stories in terms of inclusion. The DLS repair center in Marktheidenfeld Germany, of the Braun brand, has been operational since 2001 in collaboration with Werkstätten GmbH, a local Non Profit company, which allows for the inclusion of some disabled employees involved in the assembly of some flat iron parts. In October 2017, the repair centre has decided to hire one of the collaborators directly, allowing a genuine path of independence and inclusion thanks also to a working career. The commitment of De'Longhi Braun Household GmbH, among several companies active in the "INCLUSIVO! Lavorare insieme" project, was awarded symbolically by the CEO of the Non Profit company with a track," because multiple pieces of track make up a long stretch ".

Our vision

Worldwide, Every day,
By your side
A desirable object,
An emotion,
An authentic experience,
To be lived,
To be shared

Our mission

To be a global leader in the industry of Small Domestic Appliances by developing categories, segments and geographies through a clear competitive edge generated by:

Listening to consumer diversities, a source of inspiration for superior solutions that can anticipate and influence new market trends

Building up our brands' value potential, with a clear strategy to support all markets

Accelerating the offer of distinctive products with a strong focus on design, innovation and technology, that enables us to win the trust of today's and tomorrow's consumers

Strong growth in markets with the greatest potential, to balance our presence globally Strong commitment to draw on the diversity and talents of our people to accomplish challenging goals through determination and passion of each and every one
Moreover
To explore expansion opportunities in related categories, with the ambition to be a leader, leveraging the De'Longhi Group's strengths.

Our values
Everyday Makers

We build things that make life better
And we got really good at it
We believe in shaping the world with our hands
We are makers
"Making" to us isn't just about producing
and selling products
It's about the endless dedication and drive to
create It's about people working together to
make the difference
We're part of a global community that shares
the same passion
We improve every day to offer unique
experiences, brick by brick, stitch by stitch,
code by code
We are quality craftsmen and innovators
Feeding our knowledge with
Ambition, Courage, Team Work, Passion, Competence, Heritage, Respect.
We are Everyday Makers
We are the ones that make it happen.

As at 31 December 2018, the Group had a workforce of 8,409 people, up 3% on the 2017 workforce.
Women account for 49% of the total De'Longhi workforce. 90% of employees are on permanent contracts, a figure basically in line with the previous year (91%). Approximately half of them are women. 10% are on fixed-term contracts, i.e. 814, and 46% of this figure are women.

In addition, during the year the Group collaborated with approximately 550 contractors working at the production plants. Several of the detailed figures are contained in the annexes to this document.

The De'Longhi Group people as at 31/12/18:

Fig. 12 - Number of employees by geographic area [GRI 102-8]

TOTAL
7,032
74 MEIA
3,156 APA
2,302 EUROPE
1,500 ITALY
2016

TOTAL
8,197
67 MEIA
3,266 APA
3,255 EUROPE
1,609 ITALY
2017

TOTAL
8,409
62 MEIA
3,409 APA
3,303 EUROPE
1,635 ITALY
2018
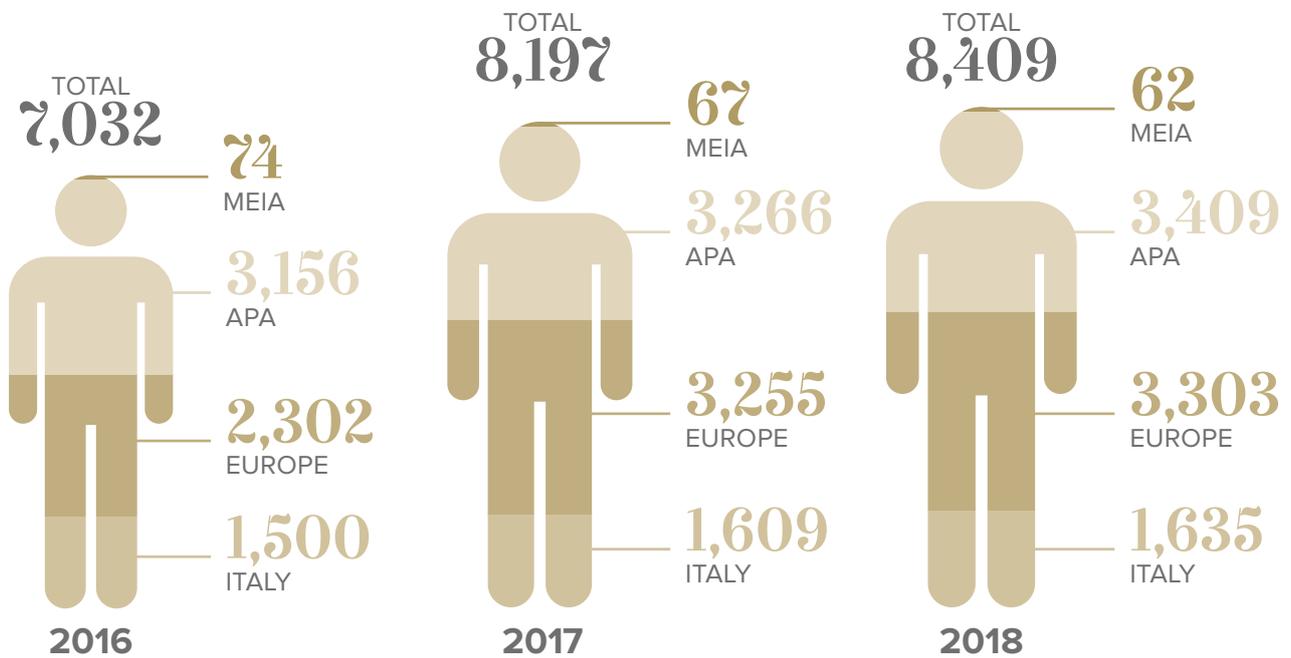
Fig. 13 – Percentage of employee by category [GRI 102-8]   **Men** / **Women**

	Men	Women
ITALY	60%	40%
EUROPE	43%	57%
APA	54%	46%
MEIA	63%	37%
DE'LONGHI GROUP	51%	49%
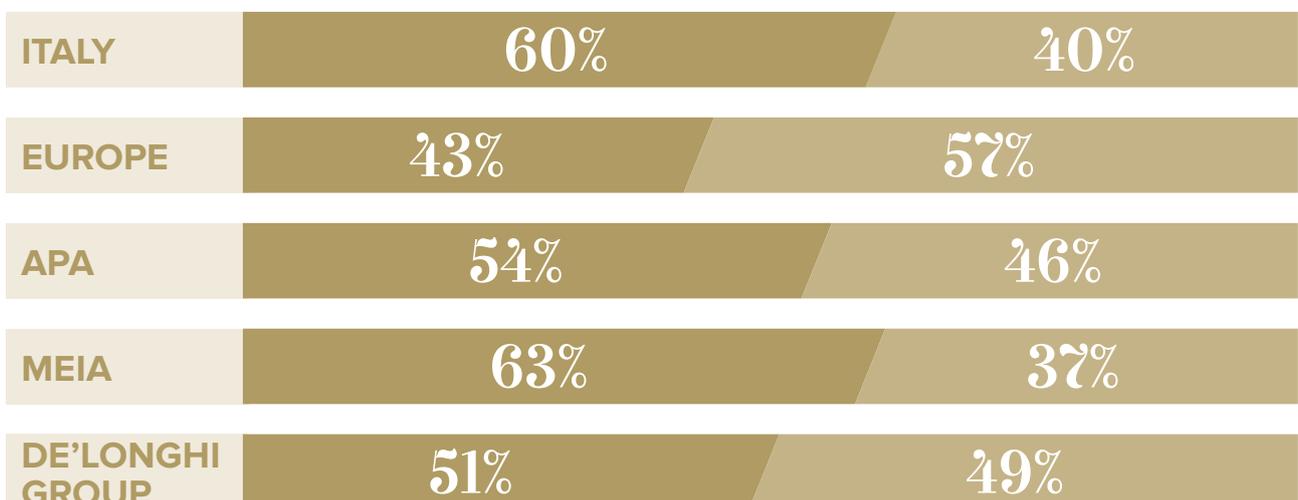
Fig. 14 - Percentage of employees by contract type [GRI 102-8]

8%
Open-ended

9%
Open-ended

10%
Open-ended

92%
Permanent

91%
Permanent

90%
Permanent

2016

2017

2018

Fig. 15 - Number of employees by contract type and category [GRI 102-8]

Permanent 7,595

Open-ended 814

3,840   3,755

443   371
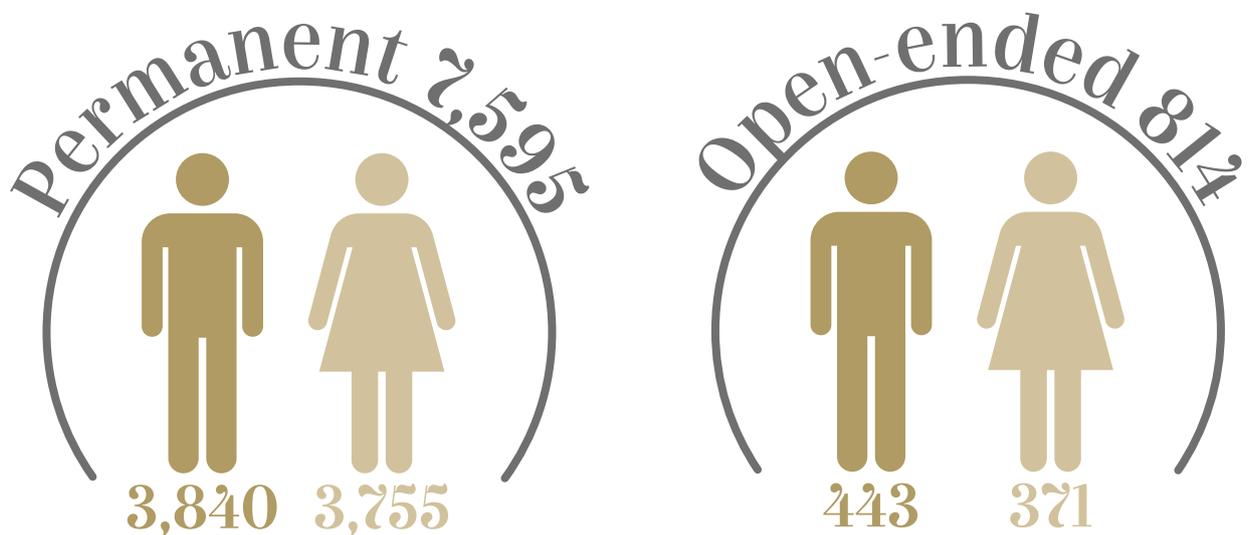
New recruits of the De'Longhi Group "Welcome on Board"

During 2018, there were two editions of "Welcome on Board", the international event organized by the Human Resources Office for all new recruits in Italy during 2018 and the new recruits of the sales and marketing office of our foreign branches, around 112 people in total. The new recruits experimented immediately Corporate Values, Mission and Vision, through activities, divided into 7 teams, each combined with one of the De'Longhi corporate values: Ambition, Courage, Team Work, Passion, Competence, Respect and Heritage. During the two days, participants were given the opportunity to attend presentations by the Group Management Team and to visit the Mignagola production plant, to interact and to get acquainted with each other, through team building activities. The event helped to improve and consolidate the sense of belonging to an international group, by increasing the involvement of each participant.

University talent

The Group is constantly on the lookout for new talent and specialized profiles to join its workforce and strengthened its relations with the academic world in 2018 by confirming and collaborating with Ca' Foscari University in Venice, Padua University, Strate Ecole University in Paris, HfG University in Offenbach and Musashino University in Tokyo. The partnerships with Milan Polytechnic, Turin Polytechnic, Bocconi University and Donghua University in Shanghai also continued. In addition to improving awareness of De'Longhi brands in the territory and creating new recruitment channels, these partnerships allow creation of a knowledge sharing network that boosts the spread and internalization of specialist know-how.

In 2018, the Group's workforce comprised 63.1% of workers, 32.9% of employees and the remaining 4% of managers. Most of the company population is aged between 30 and 50 (64.7%); the share of people under the age of 30 is significant, amounting to approximately 21.5% of the Group's total employees. Additional detailed figures are included in the annexes to this document.

Fig. 16 – The De'Longhi Group people, breakdown by qualification and category, percentage [GRI 405-1]

Managers
3.1%   0.9%

White collar
18.4%   14.5%

Blue collar
29.5%   33.6%

Fig. 17 – The De'Longhi Group people, breakdown by qualification and age percentage [GRI 405-1]

	< 30 years	30 < x < 50	> 50 years
MANAGERS	1.1%	2.9%	
WHITE COLLAR	4.7%	22.9%	5.3%
BLUE COLLAR	8.0%	38.9%	16.2%

■ < 30 years   ■ 30 < x < 50   ■ > 50 years
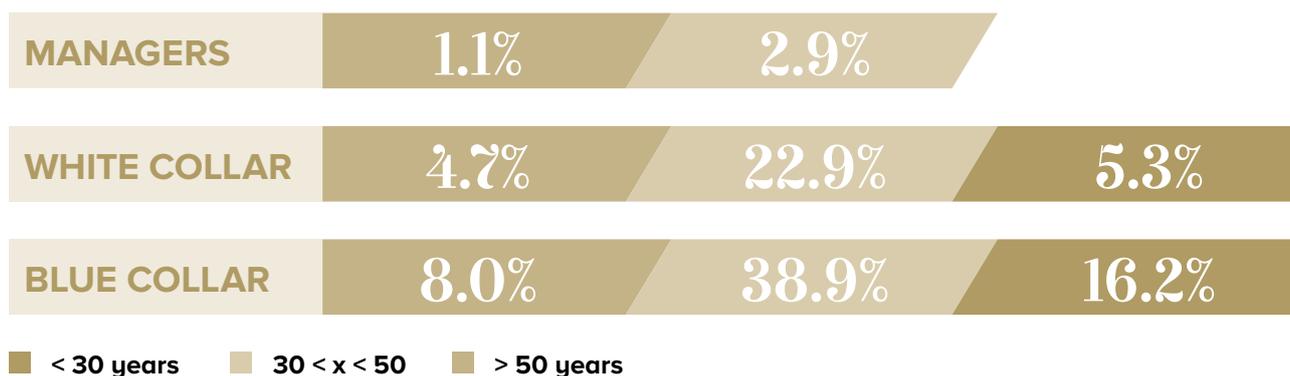
All employees in Italy, Romania, France, Portugal, Spain, Austria, Ukraine, Brazil are covered by **collective bargaining agreements**. These agreements cover employees to a differing extent in Benelux (99%), Germany, for De'Longhi Braun Household (80%), Croatia (2%), Brazil (24%), Australia and New Zealand (12%), South Africa (7%). There is no mandatory collective bargaining for the remaining countries, with the result that no employee is covered. [GRI 102-41]

The De'Longhi is also committed to safeguarding its employees' human rights in management of human resources. These aspects are also checked during audits conducted by customers, during which checks are carried out on working practices, such as use of child labour and overtime. [GRI 103-2, 103-3]

In 2018, no reports were received regarding cases of discrimination. In 2017, a complaint was received at the UK branch alleging discrimination based on the sexual orientation of an employee, while in 2016 a complaint was received alleging discrimination tied to a handicap. These complaints were managed based on internal rules, which call for an investigation to be carried out by heads of other divisions and for a report on the results to be issued. If the employee is not satisfied with the result, another investigation is carried out.

In 2018, at the OnShiu plant in China, a case of child labour was identified following audits conducted by a customer. In particular, the case was linked to the presence of a worker, the son of employees, who, during the recruitment phase, had presented forged documents with respect to his age. Following this report, the Group proceeded to terminate the employment relationship with the minor in question and with both parents and, with the aim of ascertaining the absence of other cases attributable to child labour, appointed a third-party company to conduct a specific audit at the plant, which did not identify any further case studies.

Towards a shared approach to social commitment

The social commitment of the De'Longhi Group with the communities and in the territories where it operates involves the development and promotion of a series of precise initiatives that satisfy local needs and can be grouped into three categories: the territory, health and research, and well-being and sport. The Group examined the various methods used by each branch to promote and manage its own personnel's interest in social commitment independently through the Employee Engagement Survey. Based on the responses received, the Group decided to define and implement common guidelines to promote and consolidate charitable and voluntary work initiatives over the next few years, increasing knowledge within the Group and sharing best practices.

In 2018, the De'Longhi Group distributed approximately € 1.2 million to the community. Of these, more than € 650 thousand relate to sport, approximately € 280 thousand to territorial development activities, while around € 250 thousand to initiatives to support health, research and wellness.

Fig. 18 – The value distributed to the community, percentage*

23% territory

3% other

53% sport

21% Health, Research, Well-being
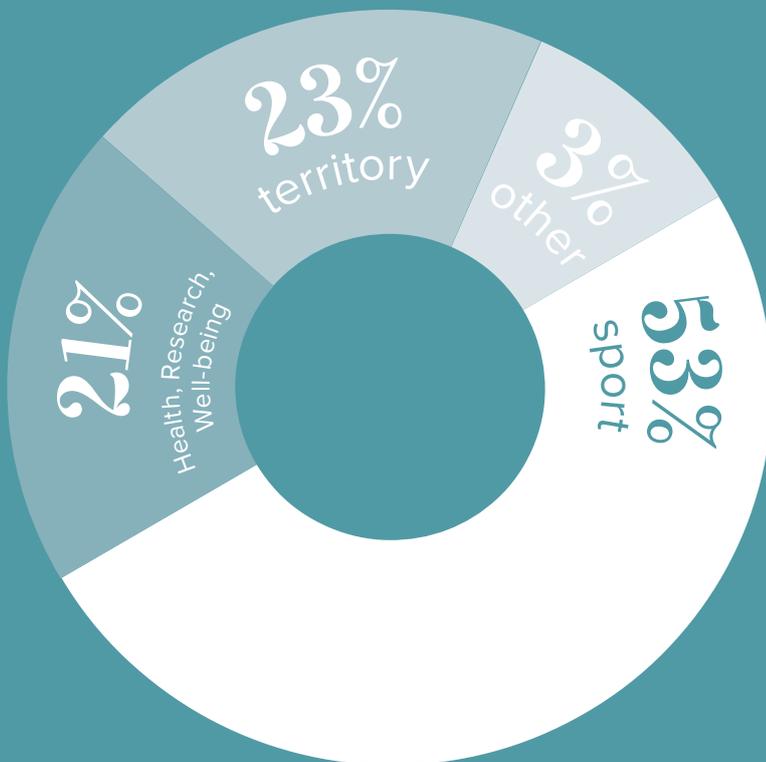
* The value distributed to the community was calculated using the items donations and sponsorship of the income statement
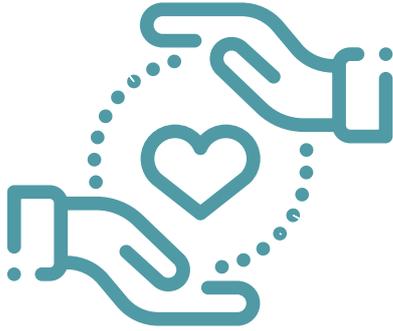
24 per De'Longhi

In the Group's Italian offices, "24 per De'Longhi" was launched in 2018, a training and customizable project focused on people's well-being. The National Collective Bargaining Agreement for Metalworkers introduces the "subjective right to training", giving employees in metalworking companies the opportunity to take advantage of 24 hours of training in 3 years. De'Longhi has decided to go beyond mere legislation, offering a series of activities and meetings, scheduled over time and organized with respect to 4 different themes: Health, Family, Sport, and Company. Employees have the opportunity to choose which events to attend, according to their needs, for a total of 24 hours. An example of an initiative that has been remarkably successful was the meeting on the subject of Health, in collaboration with the Umberto Veronesi Foundation, focused on healthy and correct nutrition as a form of disease prevention. All the initiatives are organized in multiple editions, so as to give all employees the opportunity to participate.

2.2_ Cultivating our skills and safety protection

As demonstrated by the +15% increase in average hours of training per capita, equal to approximately 18.2 average hours per employee, the Group is committed to pursuing the goal of supporting its employees in their professional development, guaranteeing courses at hoc to increase the necessary skills.

In this context of continuous growth and market demand, De'Longhi continued in 2018 the "U-Connect" development program, which was the result of the 2015 survey, which involved one hundred managers over the years, with over forty editions worldwide, at Headquarters, branches and plants.

The program was organized into two days of workshops and another workshop day six months later, as well as two follow-ups lasting two hours each that helped to maintain the pace and keep attention focused on the issues examined. The purpose of the program was to support development of management with respect to new business challenges, concentrating on our managers' ability to connect with their people in a deep, authentic and efficient manner and thus allow creation of a more "engaged" and better performing organization together.

In 2018, leadership training courses were also continued, at basic and advanced levels, through structured workshops lasting 1 or 2 days. Employee development is essential, which is why the Group also invests in specialist/technical training, as in the case of regulatory updates regarding management systems. The training offer also includes online language courses (through the "Go-Fluent" platform) and thematic workshops in English, alongside traditional classroom courses at our Italian branches and training on our new Siemens NX design software at the headquarters and our plants, involving numerous resources from our R&D and Industrial Design technical offices and providing basic and advanced know-how.

Fig. 19 - Training for people, hours [GRI 404-1]

116,839
2016

133,288
2017

153,100
2018
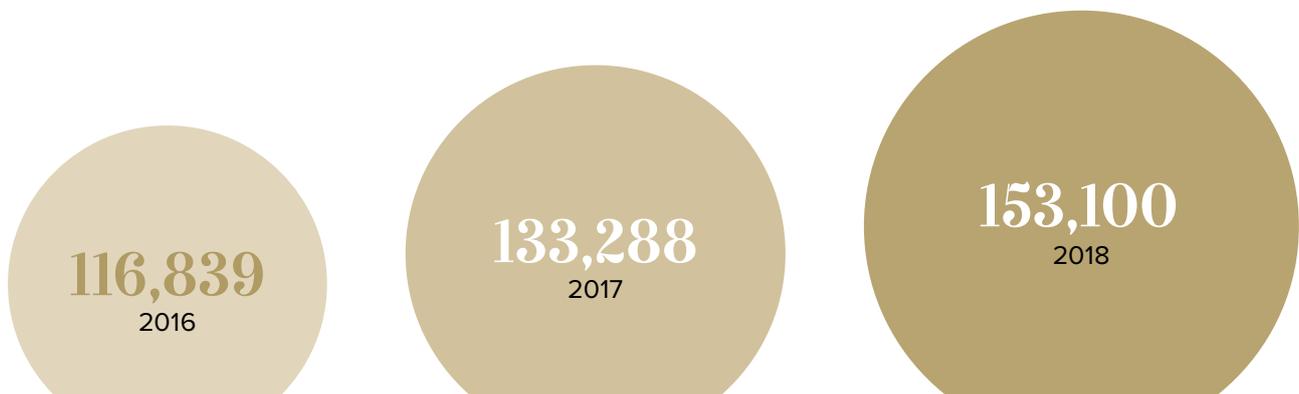
The development of our people, an integrated system

The human resources department carries out coaching activities for the key figures of the Italian offices and branches worldwide, mapping the profiles through continuous improvement. The development of people in the group continued in 2018 through the implementation of the salary review practice that led to the definition of increasingly formalized and homogeneous methodologies at Group level and the adoption of a dedicated policy. In line with the process started, starting from 2019, the adoption of a renewed MBO management system is also envisaged to monitor the variable compensation applied to employees of Group companies.

Fig. 20 – 2018 Personnel training average hours per employee [GRI 404-1]

13.3

23

Fig. 21 – 2018 Personnel training average hours per employee [GRI 404-1]

Managers 14.8

White collar 17.7
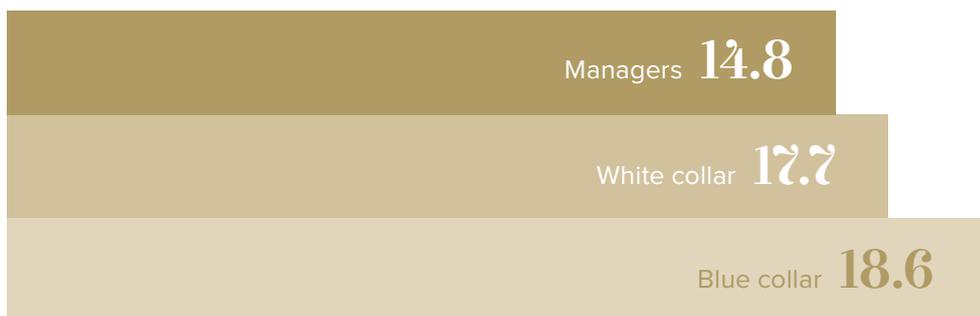
Blue collar 18.6

In 2018 the average hours of training provided to male employees amounted to 23 and those to female employees amounted to 13.3. The breakdown of average training hours by qualification is 18.6 hours for blue collar, 17.7 hours for white collar and 14.8 hours for managers.

To ensure the global growth and professional development of its people, the Group uses a **performance assessment** system which, in 2018, involved 1,952 employees, of which 40% were women; moreover, during the year, of the persons undergoing performance evaluation, around 88% are white collar, 9% managers, while the remaining 3% are blue collar. Applied annually, the system makes it possible to identify the strengths and weaknesses of each employee and define, starting from an interview between the employee and their boss, the training areas for which to outline an improvement plan. The evaluation model, applied mandatory to all managers and those with managerial roles in Italy and abroad, has been aligned with the new corporate values defined by the Group. [GRI 404-3]

Fig. 22 – Persons who underwent a performance assessment, by gender, number [GRI 404-3]

Men **1170**

Women **782**
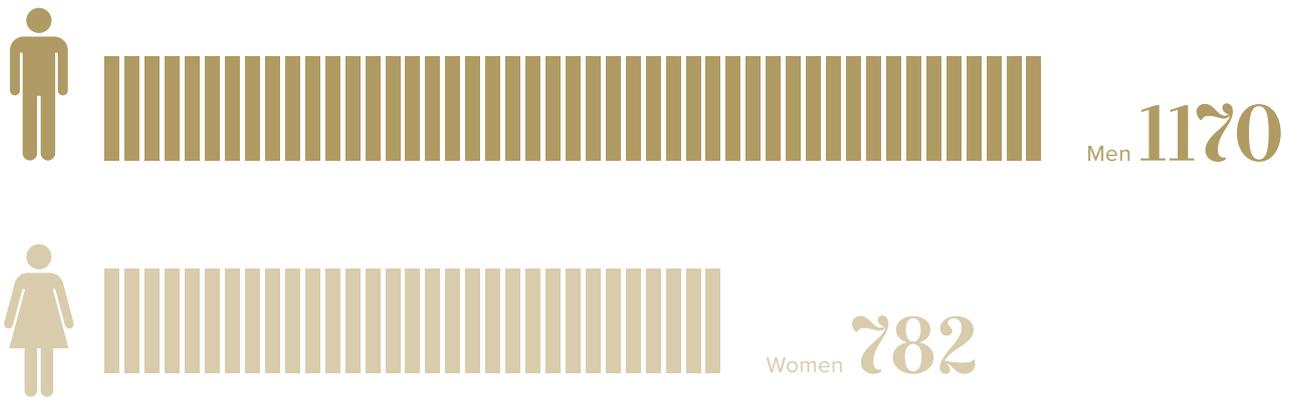
Fig. 23 – Persons who underwent a performance assessment, by qualification, number [GRI 404-3]

1728

174

50

■ **White collar**　　■ **Blue collar**　　■ **Managers**
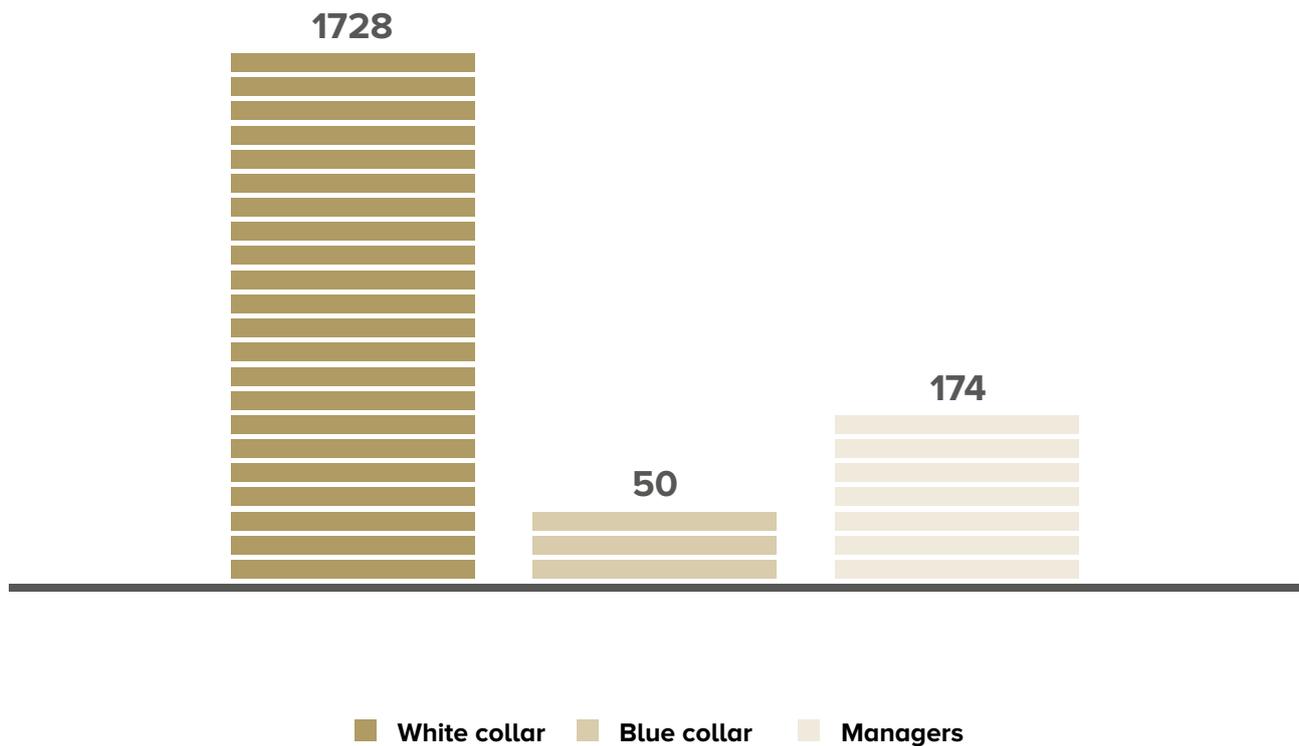
Health and safety of our people

Promoting the safety and healthiness of our work environment is a key element to the De'Longhi Group, not only in response to legal requirements, but rather through ongoing prevention and improvement actions aimed at the well-being of the employees. This is overseen by the Human Resources Office and by the people responsible for compliance with health and safety obligations, such as the Prevention and Protection Service Officer for Italy and the factory managers for China and Romania.

In addition to applicable standards in the countries where it operates, the De'Longhi Group has developed an organizational model certified OHSAS 18001, aimed at monitoring health and safety of people at the Group's plants. In detail, the Group obtained the UNI-INAL validation, through specific audits, for the production plant in Italy. This model will also be extended to the Romanian plant over the next few years.

Last year, the De'Longhi Group carried out major investments focused on the health and safety at all production plans. [GRI 103-2, 103-3]

Employee well-being

The De'Longhi Group works constantly to develop and implement actions that improve the well-being of its employees, with particular reference to employees at the four production plants. For this reason, many improvement actions have been implemented over the years, such as the optimization of the ergonomics of the workstations, the reduction of the main risks to health associated with manual handling of loads, repetitive movements and prolonged exertion. The "Benessere" (Well-being) project was launched, in collaboration with Padua University, which provides information and training initiatives, such as pre-work gymnastics courses, targeted interviews with employees to devise a personal exercise plan and informational videos on the correct posture to hold during specific activities, thus spreading a culture of health and prevention of the associated risks.

In 2018 the Group continued to invest in this area by replacing some obsolete equipment in Italian production facilities, aimed at improving its ergonomics during use. Furthermore, from 2018, for all workers in Italian production plants, De'Longhi's supplementary contract provided for an increase in the average duration of the breaks, i.e. a minimum increase of 4 minutes distributed within the scheduled breaks along the working day. The result, effected by the collaboration between trade unions and the human resources function, is proof of a commitment by the De'Longhi Group that goes beyond the conditions set by the National Collective Bargaining Agreements.

In the Cluj Napoca plant, during the year, the implementation of a traffic light system aimed at improving traffic conditions within the transit areas was completed and devices were installed to prevent accidental pallet drops during departing and arrival at goods loading/unloading areas. Furthermore, attention was focused on the study of innovative solutions to increase production capacity, such as robotics and industry 4.0, for which possible initiatives are being analysed that will be implemented in the coming years.

At Chinese production sites, the 2018 investments involved works to improve the canteen infrastructures within the plants and the installation of condensation-effect air coolers useful to reduce the temperature inside. Furthermore, within both plants, the installation of new air conditioning systems in the goods loading/unloading areas and smoke treatment systems in plant areas that produce polluting emissions was completed. In Zhongshan, a paint used in some products was also replaced, in order to reduce bothersome fumes for the factory operator. The commitment in favour of Chinese factory employees continues also by promoting, on a voluntary basis, an annual medical check-up for all workers who carry out tasks considered "at risk". A third party has been appointed, again on a voluntary basis, to perform audits on health and safety issues.

During 2018, there was an 8% decrease in the number of accidents, with 80 accidents recorded compared to 87 in 2017. The global frequency index for accidents is down by approximately 10% with a value of 4.16 in 2018 compared to 4.64 in 2017, indicating that, for the same number of hours worked, the risk of incurring an accident has decreased. With respect to the male population, the accident frequency rate is down by about 16% compared to 2017, while for female employees, the same indicator is slightly up by about 5%. For more information on the methodology for calculating the accident frequency index, refer to the Methodological Note.

The occupational disease rate, although the number of cases is extremely limited (four cases recorded during the 2016-17 two-year period and 3 in 2018), shows a slight decrease in 2018 with a total value of 0.16. This is zero for men employees, while for women employees it shows a decrease of about 3%. For more information on the methodology for calculating the occupational disease rate, refer to the Methodological Note.

The index of gravity in 2018 stands at 0.13 compared to 0.11 in 2017. For more information on the methodology for calculating the index of gravity, see the Methodological Note.

As regards the absentee rate, a slight increase can be noted for the male and female population with a total value of 2.28 in 2018 compared to 1.99 registered in 2017.

Fig. 24 – Injury rate [GRI 403-2]

Year		
2016	MEN	6.41
2016	WOMEN	3.19
2017	MEN	6.28
2017	WOMEN	2.76
2018	MEN	5.25
2018	WOMEN	2.91
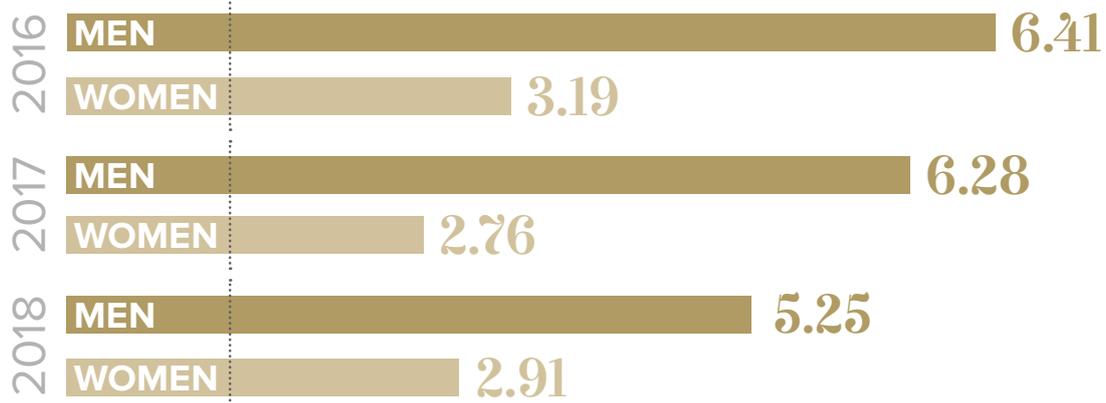
Fig. 25 – Occupational disease rate GRI 403-2]

Year		
2016	MEN	0.22
2016	WOMEN	0.27
2017	MEN	0.10
2017	WOMEN	0.35
2018	MEN	0
2018	WOMEN	0.34

Fig. 26 – Index of gravity [GRI 403-2]

Year		
2016	MEN	0.10
2016	WOMEN	0.04
2017	MEN	0.17
2017	WOMEN	0.05
2018	MEN	0.18
2018	WOMEN	0.08

Fig. 27 – Absentee rate [GRI 403-2]

Year		
2016	MEN	1.66
2016	WOMEN	2.35
2017	MEN	1.57
2017	WOMEN	2.48
2018	MEN	2.28
2018	WOMEN	3.89
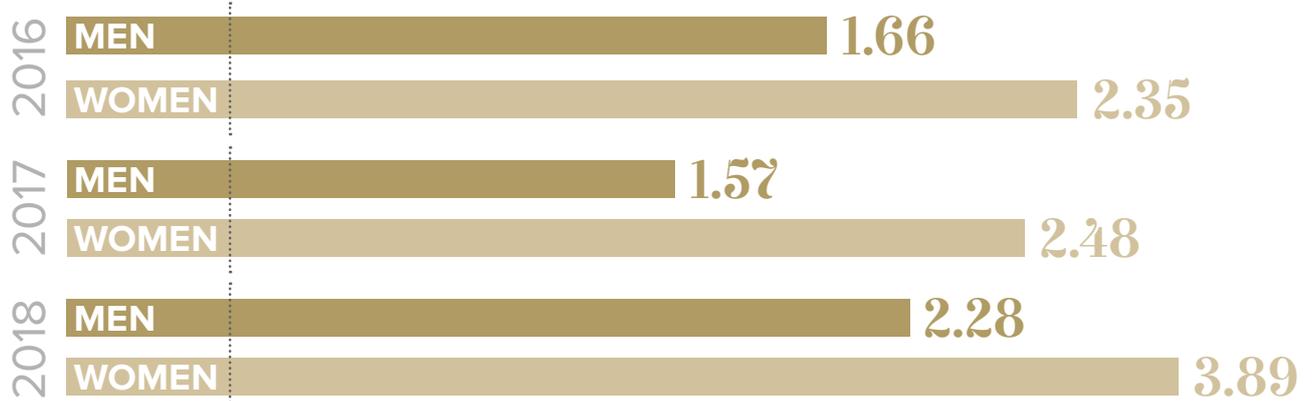
3_ Our products: quality, innovation and sustainability

Integrating sustainability in product design and innovation

The success of our Group is intrinsically linked to our products and these have always stood out for quality and innovation. Innovation for us goes beyond regulatory compliance to cover the refinement of materials, product durability and energy efficiency, as well as the development of a technology capable of enabling and promoting healthy eating lifestyles for our consumers.

Highlights 2018

tons of CO_2

761

prevented thanks to packaging optimization

mln of €

51

invested in research and development

All fully automatic coffee machines are at least in Energy Class A

100%

of products evaluated with respect to electrical safety and *food contact*

3.1_ The highest design standards

As a leader on most markets where it operates, the De'Longhi Group uses its ambition, courage, skills and passion to anticipate and meet the needs of its final consumers and customers.

Innovation, a distinctive feature and an integral part of the Group's strategy, is protected through specific patents managed centrally. The process of designing new products is guided by specific procedures of NPD (New Project Development) at an integrated level, and involves various business functions, starting from the technical offices, through the functions of Marketing and Design. The technical offices are present in the offices of Treviso (Italy), Frankfurt (Germany), and Havant (United Kingdom), and in total they employ over 350 people. Their function is to design solutions and identify materials that comply with the laws in force in each country, in close contact with the Regulatory team of the Quality Management. In this regard, the local for global approach adopted by the Group requires the development of products that comply with the most stringent standards present among the over one hundred countries in which the Group markets its solutions. In addition, in the Hong Kong branch, there is a technical office responsible for research projects developed in partnership with local providers. [GRI 103-2, GRI 103-3]

Per De'Longhi, innovation is not understood only in terms of compliance with the regulations and the most stringent standards on energy efficiency, food safety and noise pollution, but also in the search for **maximum multi-functionality, design, ergonomics, silent, reliable and long-lasting products, carefully chosen materials** and energy efficiency, with particular focus on comfort, and is also committed to development of technologies capable of facilitating and supporting **healthy lifestyles**. In a sector where planned obsolescence is one of the main obstacles to creating a virtuous model of a circular economy, the De'Longhi Group continues to invest in product research and development with long-term performance and with components that are easy to remove and clean (see paragraph *"Integrating sustainability in design and product innovation"*).

Significant is the continuing drive to digitize markets and consumers, which is why the Group invests in the development of innovative solutions linked, for example, to the so-called Internet of Things and connectivity, for remote control of products. In a context in which the concepts of smart city and smart home seem increasingly present, these technologies can be an integral part of people's everyday life and will allow, among other things, the control of consumption and the activation of the devices remotely with consequent benefit in terms of reducing energy consumption (see *The main De'Longhi Groups products*).

The satisfaction of the product by the consumer is evaluated through dedicated panel tests, both before and after the market launch. These analyses render it possible to verify De'Longhi's brand reputation.

The development of innovative products is also promoted and supported by profitable collaboration with several business partners, such as Nestlé Nespresso and Nescafé Dolcegusto, for which the De'Longhi Group designs and manufactures a range of coffee products. [GRI 103-2, GRI 103-3]

The daily mission of ensuring quality, unique design, ergonomics and reliability cannot forgo the commitment to foster sustainability along the entire production chain - from design to the use of our products - which goes hand in hand with innovation, true trademark of the De'Longhi Group. It is in this responsible perspective that, during 2018, numerous initiatives in favour of the environment, integrating sustainability in product design and in the research and development of innovative products, were launched.

During 2018, the Group continued to enhance its ability to innovate with the **investment plant** started in 2015, on human resources and equipment in Italy, in China and in Romania, with the dual purpose of supporting the corporate structures in product research and development and supporting local production more efficiently. Overall, investments in research and development activities totalled **€ 51 million** (2.5% of revenues) during 2018, in line with the previous year (2.6%). € 12.2 million of R&D investment expenditure in 2018 was capitalized in intangible assets. [GRI 103-2, GRI 103-3]

Young designers in research

The "Progetto Simbiosi" and partnerships with universities

Partnerships with the best Italian universities are constant and bring about fruitful results. Research and development activities are underway with a class at the University of Padua for the portable heating range, in order to identify a material that allows naturally thermal storage, which is therefore able to release heat without a further use of electricity: an example of sustainable innovation, towards which the Group is increasingly leans.
In addition, the winners of the 2017 edition of the Simbiosi Project were offered a three-month company internship: the students, coming from Politecnico di Milano and from the Sapienza University of Rome (Department of Planning, Design, Technology of Architecture), have thus an outlet to put their knowledge and ideas into practice. Internship projects will continue throughout 2019.

Collaboration with POLI.Design

In 2018, a collaboration began with the Design Department of the Politecnico di Milano (POLI. Design), with which a project to revisit the design of the range of electric radiators, assisted by De'Longhi Academy, is still in progress. The aim of the project was to develop new product concepts to be applied to radiators with clear reference to sustainability, consumer well-being and the consumer experience, to reinforce De'Longhi's role as a category leader and support a premium positioning. The methodology proposed by POLI.design was to create a "Design Competition Workshop" involving groups of students guided by tutors of the Institute with the aim of proposing to De'Longhi innovative solutions through creative sessions. Specifically, the activity took place in 3 phases:
1. Desk research and trend analysis: research aimed at domestic comfort, environmental well-being and international living styles in order to identify project scenarios;
2. Generation of Ideas: the designers worked on creating 15 "concept" projects based on the activity of phase 1;
3. Concept development: De'Longhi selected 3 projects on which to focus the development phase detailing the architecture and layout of the selected projects and introducing possible materials and innovative ideas.
The results of this last phase have enabled the development of potential new products that are currently underway.
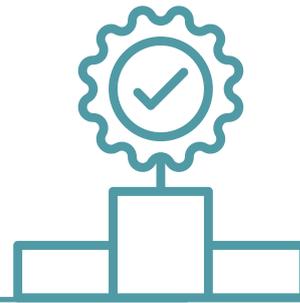
The "BraunPrize 2018"

For the past 20 years, every 3 years, the BraunPrize has been collecting innovative and creative design ideas, and students and young talents from all over the world participate in the competition: for the 2018 edition, 3,087 candidates from 107 countries competed to win $ 75,000 in prize money or at least a mention on the site. The challenge? "Design for what matters": designing and creating solutions that improve people's quality of life. The 10 winning projects are recognized for their significance, substantiality and usefulness. Among the winners of the 2018 edition, there are four prizes dedicated to sustainability (2 for the "students" category and two for "young talents"), including projects such as: a water purifier composed of simple and common materials (such as ceramics), a vase composed of compressed fertilizer which, through watering, decomposes releasing nutrients for the plants, and an "artisanal" and economic windmill capable of generating energy.

New Designers Kenwood Appliances Award

In 2018, in line with past years, the Kenwood brand took part in the now well-known "New Designers" event, which gathers every year the ideas of over 3,000 graduates from the best design universities in the United Kingdom. The event allows young talents to exhibit their works, making themselves known to the public and stepping closer to the world of work.

3.2_ Integrating sustainability in design and product innovation

The De'Longhi Group's commitment to the environment and society starts from the first phase of the value chain, or rather from the procurement of raw materials and the creation of products that have the least possible impact on the environment and on the people with whom the Group comes into contact. Among the different objectives that the Group sets itself as priorities: the use of packaging materials alternative to plastic, or, in any case, with a lower environmental impact; the use of alternative materials, recyclable or recoverable within the production chain once the end-of-life has been reached; the energy efficiency of the products being used; the promotion of sustainable lifestyles by consumers.

These goals and objectives have generated a series of punctual and integrated initiatives, which represent the direct commitment of the Group, in line with the sustainable development objectives that have been set.

An ever-greener innovation

Among the various initiatives implemented by the Group to promote an increasingly sustainable product design, the research and development activity has been particularly active in 2018. Assisted by a specialized external company and Politecnico di Milano, Braun's R&D team conducted a Life Cycle Assessment (LCA) on its own hand blender, to understand its impacts throughout the product life cycle and identify solutions useful to mitigate them. The result of the LCA can contribute to the possible design of a hand blender with a lower environmental impact in the future.
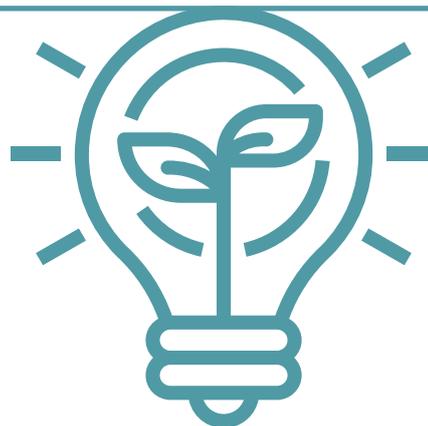
A more sustainable every day packaging

For several years, the De'Longhi Group has been implementing numerous analysis and efficiency initiatives and reducing the materials used for the packaging of products, which have allowed us to obtain very satisfactory results both in environmental and economic terms, with the reduction of costs for the supply of these materials.

With regard to cardboard boxes used for food processors and global mixers, for example, in 2017 a downsizing activity was started which allowed, for some product categories, to obtain improvements up to 8% in terms of volume reduction.

In the plant in Romania, where the Packaging Engineering function has been operating for several years, in 2017, new designs were developed that made it possible to optimize the packaging of finished products for Dolcegusto coffee machines, reduced by about 20%, as well as the related logistics costs: the number of boxes per pallet has increased from 24 to 36 with consequent benefit in terms of reduction of transport costs per product, both economic and environmental. This latest initiative, already implemented in 2017, continued successfully also through 2018. During the year, the Packaging Engineering function focused on a new project to standardize the cardboard packaging used at the production site with the aim of reducing material consumption. The initiatives implemented have already led to a saving of approximately 630 tons of wood thanks to the reduction in the number of pallets used for transport and to a decrease in the number of trucks used, which made it possible to avoid the emission of approximately 693 tons of CO_2.

At the Chinese factories, in 2018, for the internal handling of the goods, packaging products using waste material deriving from production were used and a software was implemented that allows to optimize the loading of the containers thus reducing the environmental costs associated with the transport of individuals products. Furthermore, a project to reduce the cardboard used for the packaging of finished products is currently being tested on two product categories; the results showed significant reductions both in terms of unused containers (76 containers per year) consequently avoiding ship travel, and in terms of saved cardboard, i.e. around 265 tons.

Overall, the optimization and reduction activities of the material used for packaging initiated during the year at the Group's facilities have made it possible to obtain very satisfactory results both in environmental and economic terms, with a benefit in terms of CO_2 emissions avoided estimated at 761 tons for which absorption would have required 3.3 km2 of forests in a year.

Finally, some "smart solutions" are currently being studied which will allow to further reduce the plastic or non-recyclable material used not only for finished product packaging, but also for the components used along the production process at the plants.

Among these, in 2017 a project was launched to reduce the costs and consumption of plastic film used to wrap the boxes on the pallets used for transport that led to the replacement of the traditional rotary table, the tool used to pack the products, with a more modern and efficient one able to reduce the consumption of used films by about 50%. Furthermore, the choice of a new type of film, capable of guaranteeing excellent performance in terms of clamping force and material savings, has made it possible to obtain a further reduction of up to 47% of the film used.

Connected products

The De'Longhi super-automatic machines connected with Bluetooth technology - whose first products have been on the market since 2015 - can be controlled remotely via a mobile device and, therefore, allow the maximum degree of beverage customization. The Group intends to continue investing in the development of connected machines, through different networks and systems such as Wi-Fi, according to the prospective potential. The evolution of connected machines will allow, in fact, to pursue the continuous improvement of the ability to choose recipes remotely, as well as to anticipate any operating anomalies, ensuring effective and timely assistance. In this regard, a line of coffee machines is currently being developed that allows connection via Wi-Fi, as well as using Bluetooth technology already available on the market with De'Longhi super-automatic machines.

In the sector of food cooking and comfort products, the search for new user interfaces and products enabled for network connection has guided the Group's development activity. In addition to the offer available for the Japanese market of Apple Homekit products for heating in 2018, an integrated solution was also launched that offers better sleep quality. The solution, integrated with Apple Watch, allows, in fact, to set the appliance temperature according to the different phases of sleep measured with biometric parameters.

In 2019, a dehumidifier capable of connecting via Wi-Fi technology was introduced on the European market. Furthermore, the first products connected to the Kenwood brand have recently been launched, developed thanks to the collaboration with the International Design & Research Centre of Cardiff Metropolitan University with which the Group has been collaborating continuously for six years in connection to the study of the influence of connectivity on kitchen products.

Energy efficient products for maximum performance and minimum impact

Research into increasingly energy efficient products, on which regulations focus heavily, is one of the drivers of Group design activities, in all areas of development.

In the coffee sector, starting from 2009, the FEA (Swiss household appliance industry association), in accordance with the Swiss authorities, introduced the energy mark for espresso coffee makers, which became obligatory in 2014 for all machines sold on the Swiss market. The De'Longhi Group therefore decided to extend certification in compliance with standard EN 60661/2014 "Methods for measuring the performance of electric household coffee makers" to all coffee makers, irrespective of the market on which they are sold. The energy mark proposed in the Swiss agreement classifies espresso coffee makers on the basis of their energy performance, on a scale from class D to class A+++.

All De'Longhi fully automatic coffee machines are in at least class A, as are all the Lattissima machines and the manual machines with electronic controls, such as Dedica.

Furthermore, all the manual coffee makers, which consume more energy than the fully automatic ones, as the latter optimize consumption during use and therefore minimize energy costs, have a patented system that allows them to be disconnected from the mains network or to switch off automatically after a period of inactivity, thus saving electricity. The "Eco-mode" mode saves energy during the heating of super-automatic machines and the stand-by function for all product ranges has been further implemented, with lower energy consumption levels compared to regulatory requirements.

In recent years, European legislation has set forth various regulations on energy efficiency. Specifically, EU Regulation No. 666 of 2013 regulates the conformity of vacuum cleaners in terms of energy consumption, product information and durability. With respect to comfort products, as regards electric heating, the new EU regulation No. 1188 of 2015 establishes the level of energy efficiency for all products of this type. De'Longhi products have been adapted to the legislation and meet all the requirements, demonstrating superior performance compared to the market average. In the United States, De'Longhi has adapted the portable air conditioners segment to the guidelines on energy efficiency prepared by the national "Appliance & Equipment Standards" of the Department of Energy (DOE). In 2018, moreover, for products with refrigerant circuits for the European market, an initiative to replace the refrigerant gas with high global warming potential with lower impact propane gas in terms of persistence and heating potential has been launched under EU regulation no. 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases.

Finally, as proof of its commitment to guarantee the best energy performance of its products, in 2016, the Group launched the Pinguino PAC EX100 SILENT in 2016, which, with an A++ energy efficiency rating, is the most efficient portable air conditioner on the European market. Thanks to the DC technology used for the fan motors, utilized for the first time with this type of product, and the dedicated remote software which allows for a greater and more precise range of controls, the product obtains a significant reduction in energy consumption.

For Kenwood-brand kitchen machines, new features are currently being implemented that will allow to rationalize cooking times and temperatures in the food heating phase, thus helping to optimize energy consumption during use.

Tested, durable and removable products for maximum functionality and for the environment

Multiple life tests are carried out during the development of coffee machines on the components, on the sub-assemblies and on the finished product. In particular, several thousand drinks are dispensed in standard conditions of use to verify the reliability of the product.

In addition to the ability to ensure a significant number of cycles, the Group's design activity is guided by the development of removable products, in order to ensure the maximum degree of reparability. The easy disassembly of super-automatic coffee machines and Braun brand hand blenders, together with the "Dish washer safe" feature that ensures the option of using the product in the dishwasher, also reduce water consumption and the use of chemical pollutants connected to the cleaning activities.

Furthermore, the super-automatic coffee machines are equipped with some patented systems that make it possible to reduce the maintenance and use of detergents and water for washing; in particular, the coffee unit can be dismantled and washed with running water, without the need for detergents and lubricants, while the milk system is cleaned by steam and hot water, at the end of each delivery, so that the remaining milk can be stored in the refrigerator and used later. Finally, the milk carafe is completely removable and dishwasher safe.

With particular reference to the Lattissima machine, a system with innovative features has been patented that makes the product easily removable in five dishwasher-safe pieces, including the carafe. The new system allows to use only the quantity of milk present in the carafe, thus reducing waste. Finally, the machine is able to work with different types of milk, including plant milk, adapting to the multiple dietary requirements.

De'Longhi coffee machines do not require any particular maintenance, apart from the normal descaling cycle for limestone removal for which the Group has developed a specific product based on lactic acid, "Ecodecalc", which is a natural product, safe and environmentally friendly.

The quality and durability of De'Longhi products, constantly improving, persists above all through sustainable innovation, aimed specifically at increasing the reparability of products, avoiding the production of waste caused by scrap at the end of its life. For example, for Kenwood-brand kitchen machines, engine gear reducer groups were standardized during the year, thus making the process of replacing broken parts and, therefore, reparability more efficient. In order to monitor performance with a view to continuous improvement, a "reparability index" is being studied, which will be implemented soon. For the home care area, a new design of the ironing board plates has been studied, which allows to reduce the formation of limestone thus improving its durability.

At the Zhongshan plant, the paint for the production of oil-filled electric radiators was also replaced, obtaining important benefits for both factory operators and end users; specifically, the new paint has reduced the exhalations and odours released by the product during the first stages of operation, improving the experience of use of our end customers.

Promoting a healthy lifestyle

The recent trend for healthy living and diet has shifted the attention of a growing number of consumers to kitchen products that maintain the nutritional properties of foods, for example. In this light, the De'Longhi Group has been active in research and development collaborating with universities to ensure the safety of consumers with respect to food contact.

The De'Longhi fully automatic and manual coffee makers satisfy these needs perfectly. Due to the boiler with electronically controlled temperature, these machines can keep the extraction temperature within the limits recommended by international sector standards, leaving the organoleptic properties of the coffee unaltered and enhancing its taste and aroma. Over recent years, the Group has also started collaborating with Padua University, resulting in development of a coffee maker that uses vegetable milk for preparation of beverages, satisfying new consumer food needs.

Research into products that satisfy consumers' desire for healthy foods has also guided the development of Kenwood products. The Pure Juice juicers range (see: **The main De'Longhi Group products**), thanks to the Scrolling Technology that allows the juicer to function with slow rotation (48 rotations per minute), reduces the risk of overheating and oxidation of the ingredients, allowing fruit and vegetables to be squeezed without affecting the nutritional properties. The beverages thus retain the flavour and natural colour of the ingredients for longer. Developments in this sector have been possible thanks to profitable collaboration with Reading University, which led the Group to fund research into nutritional aspects. This work has allowed better knowledge and understanding of the effects of heat, oxygen, blade speed and the mixing action of blenders on the nutritional properties of foodstuffs.

This includes the new Multifry range of fryers, which cook the foods with hot air and considerably reduce the fat content. According to the laboratory tests performed, the De'Longhi Multifry can be used to cook a kilo of fresh potatoes with a spoonful of vegetable oil and still keep the crunchiness and flavor of chips.
This cooking technique also eliminates the problem of disposal of vegetable oils, thus reducing the environmental impact of frying oil and limiting its domestic management.

The results of consumer approval are shown in the box *"Satisfaction of our consumers".*

In the comfort area, an "Asthma & Allergy FriendlyTM" certified dehumidifier was launched during the year according to the "Certification Mark of Allergy Standard Ltd" certification, which guarantees its users a healthy and comfortable environment.
The fruitful collaboration between the R&D department and the Polytechnic of Turin, in search of unique solutions for the comfort of people, has led to the development of a 3-in-1 device: a fan heater and air purifier - capable of purifying, heating and refresh the air - whose patented aerodynamic design and innovative "3D ComfortAir" technology allow uniform ventilation and constantly clean environment. The characteristics of the controlled air flow, thanks to the so-called "Coanda effect" - principle of fluid physics used in the aerodynamic studies of the design of the wings of an airplane - create a real three-dimensional area of enveloping and uniform comfort, a comfort hot-fresh areas that can guarantee a pleasant feeling of well-being in a holistic way based on their needs.

The main De'Longhi Group products

Coffee

Fully automatic coffee makers

Maestosa is the new "class" of the De'Longhi brand range, equipped with the new Adaptive Grinding Technology, which guarantees an optimal coffee grinding process, thanks to electronic control. Equipped with an innovative touch screen and Bluetooth connection thanks to an APP, it offers the possibility of customizing the drinks. Maestosa, "a masterpiece of quality and innovation", has already become a success.

DeLonghi

PRODUCT
2018

Primadonna Elite is the De' Longhi top of the range: together with other solutions that offer better results and easier use, it adds the multibeverage function to make previously unavailable beverages such as hot chocolate, cold coffee and foamy cold milk. During 2018, the PrimaDonna Elite Experience machine models ECAM 550.75S and ECAM550.55.SB was awarded by the English magazine Which? as the best purchase for the results obtained during the test phase.

DeLonghi

BEST BUY

Dinamica, with its touch display and an integrated and automatic cleaning function, in 2018 received the prize for Best Buy in its category from Altroconsumo. The PrimaDonna Elite ECAM 650.55 MS machine received the same recognition.

All De'Longhi fully automatic coffee makers are also equipped with electronically controlled thermoblock technology, which allows only the quantity of water needed for the beverage to be heated, and automatic switch-off after a period of inactivity, to minimize energy consumption.

Lattissima Touch

The new Lattissima Touch completes the range of Lattissima capsule coffee machines and offers the possibility of preparing milk-based drinks coupled with Nespresso coffee. Lattissima Touch is equipped with a patented system called "Automatic Cappuccino", which makes it unique. Furthermore, the auto-shut-off function reduces energy consumption. Equipped with an elegant touch interface, it was awarded by the English magazine Which? in 2018 as the best buy in its category.

Manual coffee makers

La Specialista is the new manual machine of the De'Longhi brand, on the market since the beginning of 2019. With a unique and elegant style, it is positioned in the new premium segment of the manual espresso machines category, offering consumers the chance to live a experience in preparing sophisticated coffee equivalent to that of barmen. It is also energy efficient thanks to an electronic temperature control that not only guarantees excellent coffee extraction, but also reduces energy consumption significantly.

PRODUCT
2019

Dedica is a worldwide successful product in the manual espresso coffee machines category of which De'Longhi is the world leader; they are simple, compact, easy to use and modern design machines. The thermoblock technology and the electronic control allow to improve the performance and to maintain the ideal temperature stability for extraction, enhancing the quality of the drinks and facilitating, at the same time, the use. During the year, the Dedica Style EC 685 received several awards, including: the Best Purchase award in its category from Altroconsumo, the award for best buy in its category from the English magazine Which? and the prize for best purchase from the Test-Aankoop & Test-Achat consumer associations and from Consumentenbond.

Coffee Filter Machines

Of note is the American coffee machine, the ICM17210 Hourglass, winner of the prestigious Red Dot Design Award of 2018 and approved by the European Coffee Brewing Centre, thanks to a perfect infusion in line with the rules concerning temperature and duration, for a perfect and tasty coffee, cup by cup.

PurAroma 7

The new PurAroma 7 range like every Braun filter coffee machine is equipped with OptiBrewSystem technology to maximize the coffee aroma, thanks to the perfect combination of temperature and delivery time. Moreover, thanks to its intuitive interface it allows to customize the coffee easily. During the year, the KF7125 coffee machine in the PurAroma 7 range was awarded by the consumer associations Test-Aankoop & Test-Achat and by Consumentenbond as the best purchase.

BRAUN

TESTSIEGER
Haus & Garten Test

Comfort

Pinguino EX Silent A++

With a new and innovative design, the latest Pinguino, EX100 Silent portable air conditioner, unique in its category, has an A++ efficiency rating, guaranteeing up to 38% energy saving with a silent function. In 2018, it was awarded the best category product by Stiftung Warentest.

DeLonghi

Stiftung Warentest test

HFX fan heater and air purifier

The new 3-in-1 system, available in Italy from September 2019, guarantees maximum cleanliness of the air (eliminating 99.9% of bacteria) and comfort for all seasons, thanks to the innovative patented "3D Comfort Air" technology and its unique design that allows uniform ventilation of the environment. Optimize energy consumption through the ECO function, for the well-being of people and the environment.

PRODUCT
2018

Homecare

CareStyle

The new generation of CareStyle 7 ironing systems from Braun allows to achieve high performance thanks to the continuous steam levels and the ease of sliding of the Eloxal plate with 3D BackGlide technology. Furthermore, ICare technology allows you to iron all types of garments without risk of ring stains or damage.

The IS 7155 CareStyle Pro model was awarded by the consumer associations Test-Aankoop & Test-Achat and by Consumentenbond as best buy during 2018.

Kitchen

Multigrill

MultiGrill is an innovative De'Longhi digital grill, with separate temperature regulation of the two plates, both removable, and has a dedicated mobile App and a fat drip tray. Multigrill also has five different functions, ideal for the various ways of cooking different foods. In 2018, the CGh1020D model won the tests conducted by Haus und Garten, receiving recognition among the best products in its category.

Kenwood kitchen machines

The kneaders of the Kenwood Chef and Cooking Chef line are equipped with planetary movement that allows to easily knead, beat and whisk any ingredient. In addition, the induction cooking Chef Gourmet Kitchen cooking machine is the only mixer that allows cooking up to 180°C. In 2017, the Kenwood Chef KVL7325S was awarded by the German magazine Haus und Garten Test Magazin as the best product in its category for the results obtained in the test phase. The Chef cooking models have been awarded with prestigious design awards such as the Red Dot Product Design and the Good Design Awards in Australia in 2017. The Titanium XL KVL 8300S model was awarded best product by the Norwegian consumer association TEK.NO in 2018.

Kmix

The Kmix multifunction machines feature a planetary movement that ensures high performance. Thanks to the electronic regulation of the working speed, they allow to work without jolts, guaranteeing professional results. Powerful, versatile and robust, Kenwood kMix kitchen machines have been awarded by Red Dot Product Design in 2017 and have been recognized as among the best in their category by the English magazine Which? in 2018.

KENWOOD

reddot award

BEST BUY

Multipro Compact

The Multipro Compact food processor, thanks to its powerful motor and wide range of accessories allows to cut, grate, grind and blend quickly and easily. To make its use even easier and more practical, both the bowl and the blender connect to the same base, saving space on the work surface. Its compact size makes it ideal for small quantities.

KENWOOD

Mesmerine Breakfast collection: Toaster & Kettle Mesmerine

The Mesmerine breakfast collection is an iconic and functional duo of kitchen accessories for breakfast. Featuring an original and attractive style, the kettle and toaster of the collection were awarded the Red Dot Product Design Award in 2017 and, today, represent two of the main Kenwood brand products sold.

KENWOOD

PRODUCT
2018

reddot
award

PRODUCT
2018

reddot
award

Turbo collection: Toaster & Kettle Turbo

The Kenwood Turbo line guarantees breakfast preparation in just 60 seconds. The TCM300RD was awarded best purchase and most energy-efficient product in its category from the British magazine Which? thanks to tests carried out in 2018. The ZJM300RD kettle was also awarded best purchase.

KENWOOD

MultiQuick 9

The new MultiQuick 9 is based on the ACTIVEBlade technology, developed internally by the Group, which allows to blend easily even the most difficult foods with 40% less effort than a Braun handblender without ACTIVEBlade, thanks to the vertical movement of the blades. During 2018, the MultiQuick 9 was awarded by the German magazine ETM Test Magazine best product in its category for the results obtained during testing.

MultiMix 5

The Multimix 5, with SmartMix technology, allows an optimal weight distribution through the vertical alignment of the motor, which, thanks to the 750 watts of power, permits the preparation of numerous recipes. Furthermore, the VarioControl system makes speed adjustment easy and convenient. The HM 5137 model, in 2018 was awarded best product in its category by the German magazine ETM Test Magazine for the results obtained during testing.

PurEase Toaster

Equipped with 7 levels of toasting, PurEase is a light and handy toaster, recognized among the best in its class by the English magazine Which? where it was awarded Best Buy in 2018. With 1000 watts of power, its quality is German guarantee.

Water Kettle

With 2200 watts of power, the WK3000 guarantees maximum performance quickly. Equipped with a removable filter, it guarantees safety and energy efficiency thanks to the automatic contextual switch-off upon boiling. Water Kettle is among the best products voted by consumers in Germany in 2018.

RoboMix

RoboMix is a compact and multifunctional food processor. The set of blades supplied allows to chop, shred and knead any ingredient. The RoboMix Metal model was voted best product by Altroconsumo research in 2018.

Satisfaction of our consumers

The De'Longhi Group considers it essential to maintain a high-quality offer of its products and related services, able to meet the increasingly growing needs of consumers and complying with the highest standards on the market. These practices are an integral part of their fair action on the market and contribute to protecting the image and good reputation of the company, as defined in the Group's Code of Ethics.

In order to constantly monitor overall consumer satisfaction, the Group adopts various KPIs, including the **Net Promoter Score (NPS)** which is defined according to the response - based on a scale from 0 to 10 - of consumers to the following question "How much would you recommend buying the product to a family member or friend?".

In 2017, the Group started monitoring the satisfaction of the after-sales service, through a new metric entitled the **Customer Effort Score (CES)**. Constructed in a similar way to the NPS, the **CES** is defined by aggregating the answers, based on a scale from 0 to 10, in relation to the question: "Did the service provided allow you to manage and solve the problem encountered easily?". The new European legislation concerning the protection of personal data (the so-called GDPR), in force since last May 2018, has imposed a re-adaptation of the information collection methods of the After Sales function, in order to guarantee compliance according to the current legislation: in this regard, CES monitoring was suspended throughout the year, pending the gradual adaptation to the new regulatory requirements.

The marketing function, at central and brand level, conducts timely investigations with the aim of expounding upon some specific aspects of consumer satisfaction with reference to products on the market or to test the potential appreciation of a product being launched. It is clear that these market surveys are particularly useful for the constant monitoring of brand reputation in the eyes of end consumers. [GRI 103-2, GRI 103-3]. Among the various initiatives, below are some surveys conducted during the 2016-2019 three-year period.

Kenwood Cooking CHEF Gourmet

Survey sample	1,500 customers who use the Cooking CHEF Gourmet
Markets	France
Survey start and end date	March 2017 – May 2017
Main results	97% of the sample would recommend the product to a relative or to an acquaintance, due to the performance benefits during cooking. The most popular feature is versatility of the machine, which can be used to prepare a large number of recipes without needing other dedicated products, with a consequent saving of preparation space and time.

kCook Multi Smart food processor

Survey sample	569 customers who purchased a kCook Multi Smart
Markets	France
Survey start and end date	2018-19
Main results	96% of the participants in the survey declared that they would recommend the product to friends and relatives, on a scale of 1 to 5, with an average grade of 4.3. 81% of the sample also said that the kCook Multi allows a significant time saving and 66% declared that they use it several times a week.

Braun Jug blender

Survey sample	100 customers who use the Jug blender
Markets	USA
Survey start and end date	December 2018
Main results	the survey allowed us to understand the key elements of the design of a high-end product that guide consumer choice and to identify future features that would add value to new products.

Braun Steam station

Phase	1
Survey sample	16 customers of the Steam station for each market
Markets	Germany, France, Great Britain, Italy, Russia
Start and end of the survey	July 2018
Phase	2
Survey sample	50 customers who used the Steam station but with an updated offer of design and functionality
Markets	Germany, France, Great Britain, Italy, Russia
Start and end of the survey	December 2018
Main results	the survey allowed us to understand the key elements of the design of a high-end product that guide consumer choice and to identify future features that would add value to new products.

Esge/Bamix hand blender

Phase	1
Survey sample	30 customers using Esge / Bamix hand blender
Markets	Germany
Start and end of the survey	December 2018
Phase	2
Survey sample	30 customers using Esge / Bamix products after a month of using Braun MQ9
Markets	Germany
Start and end of the survey	February 2019
Main results	the survey allowed us to understand that the versatility of the product is a key feature. 68% of the sample population would buy the Braun MQ9 instead of their hand blender and 83% would recommend it.

Coffee-sector

Objective of the survey	a qualitative (phase 1) and a quantitative (phase 2) research was conducted to verify the opportunities and barriers in the world of espresso, with particular focus on fully automatic machines
Survey sample	focus group (qualitative phase) and online questionnaire (quantitative phase)
Markets	Germany, France, Poland, China, Japan
Start and end of the survey	2018
Main results	the survey confirmed the strong interest in the world of espresso and the presence of different interpretations of the concept of "espresso" in different geographical regions. The product promise of fully automatic machines is significant, even in different markets: excellent result in the cup thanks to the genuineness of the coffee beans and smart technology, fast and easy to use. De 'Longhi is considered a credible brand for coffee and the survey has allowed us to identify a high potential for increasing customer awareness of fully automatic machines, a still relatively young product category.

Product quality

For the De'Longhi Group, product quality is fundamental, and for this reason it is handled by different teams structured on 2 levels: at plant level, quality control is carried out on products manufactured internally and on those originating from suppliers of finished products; at brand level, on the other hand, quality is monitored during the development phase and on the occasion of any reports from the market. In any case, monitoring is already guaranteed during the design phase, to prevent any causes of product breakdown or malfunction. For this purpose, there is a dedicated team within the Group, which makes quality management more efficient both during the design phases and in the event of market reports.

In this context, nel 2018 the process for obtaining the new edition of the ISO 9001: 2015 certification was completed in all the Group's plants, with the implementation of a risk-assessment model which introduced an integrated, more sustainability-oriented approach. Furthermore, as part of the project started in previous years, the Group has begun to use the SAP PLM platform for standardization and document sharing for aspects relating to quality management.

For many years, the quality function has been equipped with various monitoring indicators, including the **First Time Quality Indicator (FTQ)**, which verifies the types of defects, functional or aesthetic, related to individual products. This indicator, in particular, expresses the percentage of products in perfect quality with respect to the total production. The 2016-2018 three-year period highlighted a stable trend, confirming excellent performance at Group level.

The FTQ represents the main indicator among the various quality control tools, which are accompanied by external audits performed by some customers and business partners, for which the Group manufactures products related to the coffee and air conditioning industries. External audits are not aimed solely at quality assessment, but have the objective of monitoring aspects related to the ethics and working conditions of employees, mainly regarding overtime, training and hygienic conditions of production lines.

The quality of the products produced by the "Original Equipment Manufacturer" is evaluated according to a set of other specific indicators.

• **Technical Factory Audit (TFA)**: measures the effectiveness of processes and evaluates the results of life tests on products.
• **Quality Evaluation (QE)**: measures the quality of the product, through a sampling on a statistical basis of each single lot before the shipment of OEM suppliers of finished product based in China (Pre-Shipment Inspection).
• **On Time Delivery (OTD)**: measures the shipping time used by the supplier and, in particular, the difference between the established delivery date and the actual delivery date.
• **Order Fill Rate (OFR)**: measures the supplier's ability to supply the entire quantity of goods requested by the Group.

Starting from March 2019, as part of the audits of **social compliance** of suppliers, a specific checklist was integrated to assess environmental aspects. The questionnaire focuses on issues related to environmental compliance, the management systems adopted and any environmental requirements interconnected with the business activity and the impacts generated by it.

An additional quality indicator used is the **Service Call Rate (SCR)**, useful to measure the defects of the products that have presented malfunctions or breakages within two years from the purchase. The indicator monitors the percentage of machines repaired during their first year of warranty. As evidence of the De'Longhi Group's constant commitment and success in producing products of unquestionable quality, the overall value of the SCR recorded in 2018 is constantly improving, with a positive trend in the three-year reporting period. [GRI 103-3]

Scenario BOX: HACCP and Codex Alimentarius

The HACCP (Hazard-Analysis and Control of Critical Points) is a protocol aimed at preventing the possible contamination of food with which all companies operating in the primary production of food and in the processing, preparation, processing, packaging, transport, distribution, sale or supply thereof, must abide by. The system is divided into 7 fundamental principles:

1. Hazard identification and analysis.
2. Identification of critical control points (CCPs), i.e. procedures or phases in which it is essential to carry out a control in order to eliminate, prevent or minimize a food safety hazard.
3. Definition of critical limits, i.e. the reference values within which food safety is guaranteed.
4. Definition of monitoring procedures.
5. Definition and planning of corrective actions.
6. Definition of verification procedures.
7. Definition of registration procedures.

The Codex Alimentarius is a set of rules and regulations developed by the Codex Alimentarius Commission established by FAO and the WHO with the aim of protecting the health of consumers, ensuring the correctness of international food exchanges and preserving the correct production and preservation of food.

Partnership for the future

During the year, the Group participated in defining the standard of the International Electrotechnical Commission (IEC) 60335-2: 30: 2009 / AMD: 2016, which concerns the safety of electrical appliances for the home. Specifically, the Group participated together with other companies in the sector in a study, with the aim of increasing the heat and fire resistance of the plastic materials used for the casings of products used to heat homes.

Product safety

Throughout the product development phase, there is a proactive approach aimed at excluding the use of substances affected by the regulatory evolution in terms of safety, which is constantly monitored by a part of the Quality function: the Regulatory Affair team supervises all the aspects relating to the current legislation on product safety, including food safety, defining guidelines and product control criteria valid for all the Companies. [GRI 102-11]

For years, as voluntary commitment, the Group has continued to equip itself with an organizational model for food safety management designed in accordance with Good Hygienic Practices (GHP) and food safety standards ISO 22000 and ISO 1672-2 which specify the requirements for safety sanitation of food and products with which they come into contact. In particular, the 22000 standard is based on the HACCP and Codex Alimentarius principles, and allows the company to assess and monitor possible risks to which it may be subject, but also to prevent the occurrence of accidents throughout the production chain and assess the conformity of its products with the constantly updated legislation. The organizational model has been developed in line with the principles and requirements of product traceability expressed by ISO 22005 in order to obtain and control information relating to the supplier and the customer, for each component and finished product sold.
In 2018, the commitment to implement and extend traceability in terms of food contact also in Chinese factories where the Group continued with product safety improvement activities.

In order to ensure full compliance with the strict hygiene regulations, 3 different areas have been identified at the Mignagola plant, isolated from one another, with progressive levels of protection, depending on the activity carried out therein.

Furthermore, in order to guarantee electrical and food safety, all De'Longhi Group products are qualified, in the pre-production phase, by a third party with respect to the standards on electrical safety and compliance with food contact. Furthermore, once production has started, electrical safety is tested on all products. Analyzes for compliance with food safety are periodically carried out on a sample basis. [GRI 103-2, GRI 103-3, GRI 416-1]

In the two-year period 2017-2018, there were no significant non-cases compliance related to product health and safety. In 2016, there was a case of non-compliance with the European directive 2014/35 / EU, the so-called "Low Voltage Directive" regarding VC6850 Vacuum Cleaners marketed in Turkey. [GRI 416-2]

With reference to product information, the Regulatory Affair team of the Quality function supports the Research and Development office and the Marketing Department in creating labels and booklets consistent with the provisions of the regulatory framework of the specific country. To comply with regulatory requirements regarding product information and labeling, each appliance marketed by the Group reports the country of origin and any content of refrigerant gases. The manual also contains information on how to use the product safely and to dispose of the product at the end of its life cycle. [GRI 417-1]

With regard to information and product labeling, in 2018, a case of non-compliance with the European Directive 2014/35/EU, so-called "Low Voltage Directive", occurred. Furthermore, a report was received during the year from the Hong Kong Customs and Excise Department regarding the "Commercial Ordinance" in relation to the labeling of a dehumidifier model. During 2017 there were no significant non-compliance cases with respect to the information and labeling of products, while in 2016 there were two episodes related to an incorrect indication of the network frequency on the plate showing the characteristics of the product ("60Hz" instead of "50/60Hz") and to the absence of instructions in the language of the country of marketing in four products. [GRI 417-2]

Assistance to end consumers

For all the products sold, the De'Longhi Group offers assistance to end consumers through a network of contact center and of technical assistance centers managed by the After Sales Department which is in charge of defining the reference standards valid for the entire Group.

The network of *contact center* - outsourced and active in almost all Group branches - handles requests for assistance from end consumers, provides product information and carries out ongoing support to constantly improve customer *journey*, through a dedicated Customer Relation Management system.

The technical assistance service, on the other hand, consists of approximately 1,800 Group-owned centers, of which approximately 300 are in Italy, and 12,000 centers served by partner distributors. In order to ensure a high level of coverage for these activities, over the years the Group has internalized a set of repair activities, previously managed by third party suppliers in Germany, England, Switzerland, Belgium, Holland, Japan and South Africa. In addition to sharing common lines and standards of intervention, the After Sales Department monitors constantly the service quality of the technical assistance teams and the contact center, through specific inspections and indicators, and periodically provides dedicated training. Training for employees and external partners specialized in technical assistance is provided throughout the year, through classroom courses, web training, the platform e-learning and final qualification tests. Specific training courses are also organized for new product launches. During 2018, thanks to a new e-learning platform, through which webinars are also provided, global training has been intensified. Overall, in 2018 approximately 627 people were trained for a total of 6,420 hours of training conducted in 41 courses and an international event for employees and distributors. The new e-learning platform was also released with 1,291 active users, making 29 training courses available for De'Longhi products, 14 for Kenwood and 5 for Braun, including those related to key products launched during the year. In addition to this, together with the Marketing Department, the After Sales Department provides training every year for the operators of the contact center. During 2018, the Company intensified the training activity and the tracking of the results, based on the information collected through CRM and analyzed using the Business Intelligence program. The quality of the assistance service is monitored through a set of indicators, among which the average assistance time, which in the two-year period 2017-2018, was equal to 5 days for about 95% of the products.

The quality of repairs carried out by technical assistance is monitored using the **First Time Fix (FTF)** which indicates the percentage of repaired products that did not need new assistance in the subsequent six months. In continuity with 2017, the value of the FTF in 2018 is greater than 95%, a slight improvement, and, therefore, it indicates that almost all products have received adequate and quality repair. [GRI 103-2, GRI 103-3]

Support technology, to improve every day

During 2018, a new SAP CRM management system was implemented for all Group companies, which allows for integrated and efficient management of consumer data. This new system makes it possible to cover a number of consumers equal to around 80% of the Group's turnover, and is able to generate feedback and carry out analysis of the information gathered.

Furthermore, the use of Business Intelligence was integrated at the end of 2017 and represents today an essential tool for De'Longhi's Digital Marketing function. Thanks to BI, our analysts are able to capture the so-called "weak signal" and carry out immediate and punctual market analysis, to respond effectively to the needs of consumers around the world, for example following the launch of a new product.

The use of consumer data

In line with the principle of confidentiality of its Code of Ethics, the De'Longhi Group is committed to protecting the confidentiality of information and data possessed in relation to customers and consumers. This information is collected and stored in two data centers, located in Italy and China, whose security is guaranteed through both physical and IT security systems, with the support of the IT function centrally.

With regard to institutional sites, information provided by consumers is stored within the webserver located in the Google Cloud Platform, whose security is guaranteed by exploiting the modern technologies of Google services as well as thanks to the commitment on the compliance topics that Google itself ensures conform with current legislation on data protection and in relation to the main international standards on information security (ISO 27001) and cloud services (ISO 27017, ISO 27018).

During the year, the project for the implementation of the Information Security Management System (ISMS) was launched and the first guidelines were issued to fulfill the new regulatory requirements deriving from the General Data Protection Regulation (GDPR 2016/679).

The entry into force of the new European legislation concerning the protection of personal data ("GDPR"), has imposed a re-adaptation of the information collection methods of the After Sales function, in order to ensure compliance according to current legislation. Specifically, the calculation of the CES (Customer Effort Score) indicator has been provisionally suspended. In relation to the management and protection of data, in 2018, there was a case of information loss limited to only three consumers, which was managed in accordance with company procedures and applicable legislation. During the 2016-2017 two-year period, no cases of non-compliance with the law on the management of privacy were recorded.
[GRI 103-2, GRI 103-3, GRI 418-1]

4_ Sustainability during all production phases

Running sustainable supply chains and operations

We pay particular attention to environmental and social impacts throughout our value chain. We are committed to managing energy resources responsibly and efficiently thus contributing actively to the fight against climate change. Our objective is to guarantee respect for human rights and working conditions across our production chain, and to contribute to the growth of the communities in which we operate.

Highlights 2018

kWh
1 mln
of self-generated electricity from renewable sources

100%
of new suppliers of finished products assessed according to social criteria

ENERGY INTENSITY INDEX
6.0
(kWh/ pieces produced)
(-1.7% compared to 2017)

EMISSION INTENSITY INDEX
2.8
(kg/CO_2 pieces produced)
(-6.6% compared to 2017)

4.1_ Our operations

The De'Longhi Group's production model is based on **four factories located in Italy, Romania** and **China** for the production and assembly of the finished product, whose activity covers over 60% of the sales, and on a set of qualified partners, the **"Original Equipment Manufacturer"**. In 2018, some important projects started in previous years were completed in the European plants. In particular, the investment program required to support the growth in sales volumes of fully automatic coffee machines was completed, and the improvement service to markets and customers continued thanks to more flexible management of production programs obtained owing to the integration of the make to stock system with a make to order logic, and to the optimization of the finished product portfolio. Furthermore, in 2017, the investment plan aimed at strengthening the production platform in Romania was completed, which resulted in the extension of the plant, from approximately 40,000 m² to 60,000 m², and in the expansion of the structures and production lines. [GRI 102-10]

The **"Local for global"** Group's approach provides for the presence of centers of competence whereby the production of a specific product is allocated to a single plant. Nevertheless, the technology used, which makes it possible to create products at plants other than the main one, ensures the continuity of the Group's business.

Fig. 22 - Production in our factories

Mignagola (Treviso, Italy)
Converted in 2007 for the production of fully automatic coffee machines, it is located in Mignagola di Carbonera, not far from Treviso.

Product category:
• De'Longhi fully automatic machines
• Capsule coffee machines

Certifications
• ISO 14001
• ISO 9001

IIIIIIIIIIII > 1 mln
IIIIIIII > 400

Zhongshan (China)
Located near the city of Dongsheng Town, a southern Chinese city in Zhongshan Prefecture.

Product category:
• Cooking
• Comfort

Certifications
• ISO 9001

IIIIIIIIIIIIIIIIIIIIIIII < 2 mln
IIIIIIIII < 400

Cluj (Romania)
Acquired in 2013 and located near the city of Cluj, in Romania, it is the youngest and most modern plant of the Group.

Product category:
• De'Longhi fully automatic coffee machines
• Braun brand kitchen products
• Capsule coffee machines

Certifications
• ISO 14001
• ISO 9001

IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII > 4 mln
IIIII < 400

Dongguan (China)
Joined the Group in 2001, with the acquisition of Kenwood it is located in Qinxi Town, in Dongguan prefecture in southern China.

Product category:
• Kenwood brand food preparation
• De'Longhi brand cooking
• Traditional coffee machines
• Home care brand Braun
• Manual built-in machines

Certifications
• ISO 9001

IIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIIII > 3 mln
IIIIIIIIIIII > 1,000

IIIII **NUMBER OF PIECES**   IIIII **NUMBER OF ITEM CODES (SKU)**

Supply chain management is carried out unanimously by the Supply Chain Department, the Quality function and the Purchasing department, ensuring constantly compliance with the highest quality standards, in line with company procedures and purchase economic parameters, the specific requirements of environmental character and related to work practices, as well as business continuity.

To respond to the needs of the markets quickly and efficiently, purchases of finished products are planned and managed in dedicated facilities with offices in Italy and abroad based on the type of product and geographical proximity of the production.

In Europe, two teams in the Supply Chain Department deal with the management of production components, in terms of quantity and logistics. For Chinese Operations, on the other hand, the management of materials falls directly to plant managers, supported by the three purchasing offices.

Increasingly efficient logistics

The efficient management of production and products at the warehouses is a key element in a market characterized by strong demand volatility. The focus of the De'Longhi Group's logistics system is warehouses, located across the world. The activation of the second hub was completed in 2018, and this effected the centralization of the logistical distribution activities of the Benelux, France and Germany areas under a single operational center, with the aim of creating synergies in the management of the stock for the common codes and achieve greater efficiency in logistics operations. [GRI 102-10] The initiative provides for the progressive consolidation of outbound logistics activities from the warehouses of the individual country branches to a single centralized warehouse, allowing a better allocation of product availability with respect to the volatility of the single markets and, therefore, an improvement in the level of service, guaranteeing overall even adequate cost synergies. The Dutch hub currently supplies the Benelux, France and the Scandinavian countries and in 2018 its activity has been further extended to Germany. During 2018, the Group's logistics system implemented a reorganization of some hubs, due to emergency phenomena of exogenous origin: the US hub recorded doubled volumes, in conjunction with the increase in incoming transactions due to the new upcoming customs duties imposed on imports from China. [GRI 103-2, GRI 103-3] During the year, testing continued on the fully automatic coffee machine segment of the "Swim Lanes" project which, from 2017, through the integration of management procedures and an organization that integrates the market, component suppliers and production has allowed a significant improvement in order processing times and, therefore, in the level of service provided to customers. Currently, the extension of the project to other product categories that can benefit from a similar management model is being evaluated.

Greener logistics

During 2018, a cross-functional initiative called "**Assembly to order**" or "**Assembly To Track**" was studied; this allows to ship products directly from the production site to the customer, without necessarily having to go to the regional hub. This is made possible thanks to the fact that the final labeling of the machines, previously carried out exclusively within each hub, is now carried out directly in the production plant. The initiative will be fully implemented in 2019, and will allow not only the optimization of the transport system, but also the improvement of the Group's performance in terms of time-to-market. Through this initiative, the supply chain function will have the opportunity to monitor transport and deliveries to the customer, allowing savings, both in terms of hydrocarbon costs thanks to the reduction of sections, and delivery times.

4.2_ Responsible management of the supply chain

Suppliers represent a key element for the De'Longhi Group's business activities and, therefore, the supply chain management is aimed at promoting best practices in terms of product quality, respect for human rights and working conditions, health and safety and environmental responsibility. In addition to the Group's Code of Ethics, De'Longhi has adopted the "Quality Supply Agreement" and entrusted the implementation of an audit program of environmental, ethical, social and product quality aspects to a third party.

Annually, the new suppliers of the Cluj and Mignagola plants undergo environmental assessments. To ensure respect for human rights and the values and principles set out in the Code of Ethics relating to work practices, in countries most exposed to the risk of human rights violations, the De'Longhi Group's Quality function carries out social audits with the suppliers of the Chinese plants, according to the SA 8000 Standard (Social Accountability).

In 2018, all the new suppliers of finished products underwent an evaluation according to social criteria, in line with the provisions of the SA 8000 standard [GRI 414-1]. Finally, during the year, a total of 74 audits were conducted to verify the work practices at 73 suppliers and a Group site, approximately 66% of the Group's Operations, i.e. an increase compared to the previous year [GRI 412-1].

The evaluation of the environmental and quality aspects of the products make up a **vendor rate**, whose results are used to classify partners into *preferred, approved, probation* and *exit plan* and, consequently, to assess the modalities and intensity of future collaborations.
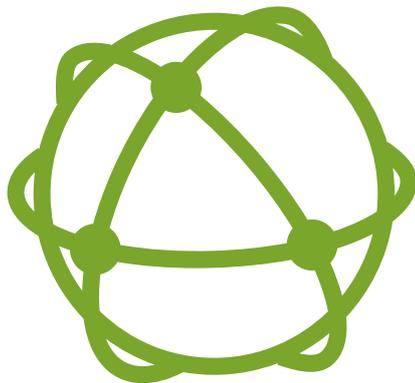
Social Accountability

The Standard Social Accountability (SA) 8000 is an international standard, developed in 1997 by the American organization SAI (Social Accountability International).

Based on the ILO (International Labor Organization) conventions, the Universal Declaration of Human Rights and the United Nations Convention on the Rights of the Child, it is the first international standard that offers a measure of the ethical level and responsibility of a company with respect to social aspects, identified below:
1. Child labor
2. Forced work
3. Workers' health and safetyi
4. Freedom of association and collective bargaining
5. Discrimination
6. Disciplinary measures
7. Work hours
8. Compensation
9. Management system

Fig. 28 - New suppliers evaluated according to social criteria, number and percentage [GRI 103-3, GRI 414-1]

2016

71.4%

7

5

2017

94.7%

19

18

2018

100%

29

29

- Number of new suppliers
- Number of suppliers audited
- Percentage of new suppliers audited of total
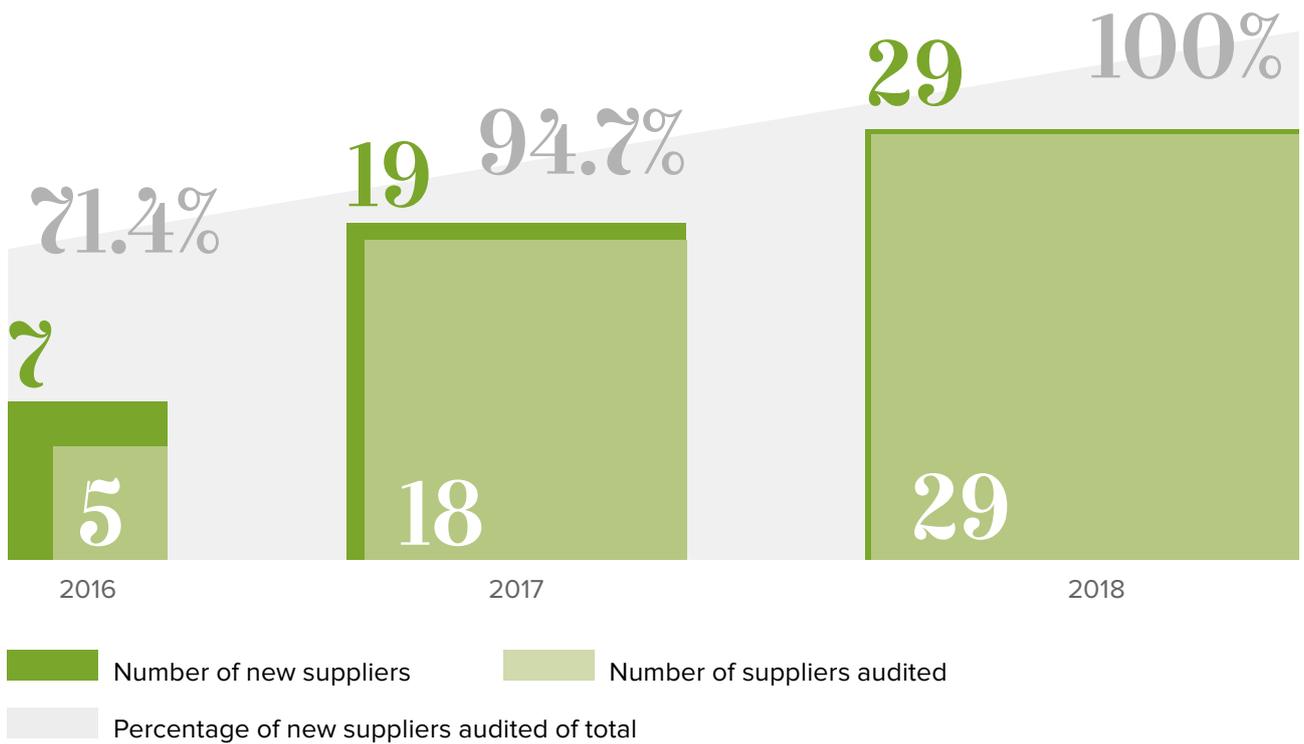
Fig. 23 - Operations subject to human rights assessment, number and percentage [GRI 103-3, GRI 412-1]

2016

64.5%

75

49

2017

47%

100

47

2018

66.1%

112

74

- Total Operations
- Total Operations evaluated for the respect of human rights
- Percentage Operations evaluated on the total

4.3_ The management and reduction of environmental impacts

De'Longhi Group's commitment to reducing the environmental impacts calls for particular attention to managing the performance of production sites. Among the objectives that the Group sets itself, emerge: the responsible management of the supply chain; energy efficiency of Operations and the consequent reduction of polluting emissions; the reduction of waste produced by production and the commitment to local communities where De'Longhi operates. Specifically, an ISO 14001 certified environmental management system is in place for the Mignagola and Cluj production sites. For these plants, the Group carried out an environmental analysis which allowed to define actions to mitigate environmental impacts, assessing the entire production process.

In particular, photovoltaic panels are currently operating at the Mignagola plant which allow the self-generation of part of the electricity, equal to 7% of the total consumed; the traditional lighting system of the plant has been renewed using LED lamps which, performing similarly, guarantee a reduction in energy consumption. At the plant in Cluj (Romania) the activity of replacing the lamps was started and is nearing completion; in addition, the production lines have been equipped with machines for molding electrical plastic, which allow to significantly reduce energy consumption compared to traditional machines.

This technology was also adopted at the Group's Chinese factories, where a substitution activity of traditional plastic molding machines was started with electric presses; moreover, on the remaining pneumatic machines, cargo engines have been installed to reduce energy consumption. At both Chinese production sites, the lighting system for the assembly lines, the warehouse and the outdoor area was replaced with LED lamps. The efficiency initiatives described above made it possible to reduce the electricity consumption of Chinese plants, achieving savings of approximately 240,000 kWh, corresponding to around 156 t of CO_2 prevented. With particular reference to the environmental performance of the Italian factory in Mignagola and Dongguan in China, over the years, some specific projects have been launched for the recovery of by-products of the production process, favoring the circular economy. For example, the production waste deriving from the plastic molding activity is now reintroduced into the production cycle with consequent savings of the incoming
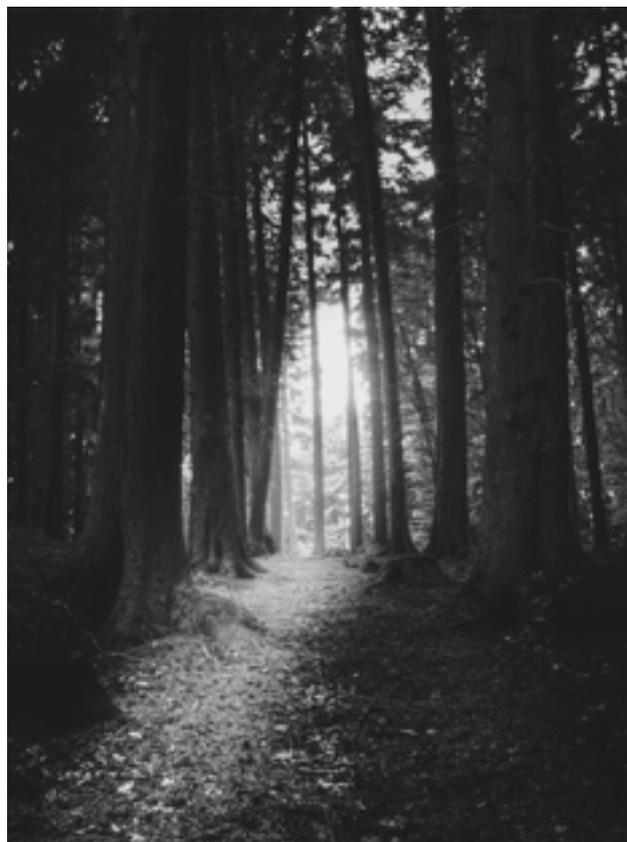
raw materials and reduction of disposed of waste. The waste deriving from the processing of ferrous materials, on the other hand, is sold as a raw material. Furthermore, during the year, at the Group's Chinese factories, the recycling plan of washing water originating from the painting plants, started in 2017, was initiated, and, thanks to ultrafiltration systems, this can be reused for wastewater allowing 2018 savings estimated at around 13,000 m³ of water.

Finally, the introduction of a laser measurement system for coffee grinding and the substitution of coffee with water in some phases of the quality tests carried out on fully automatic coffee machines have made it possible to reduce considerably coffee consumption and eliminate the possible contamination of the water discharged from the Mignagola production site with coffee residues. In 2018, moreover, the Nespresso capsules used for testing the De'Longhi machines were recovered to encourage the recycling of aluminum contained in them: the agreement with the municipal company for the treatment of waste at Mignagola, which picks up the capsules monthly, allowed to collect almost 4 tons of aluminum and organic content in 2018, thus contributing to the reduction of waste that would otherwise be difficult to dispose of.

In recent years the development of automatic processes in the testing phase and the possibility of sharing data between the various production lines have made it possible to reduce drastically the actual consumption of coffee, with an improvement not only in terms of efficiency and productivity but also in terms of environmental impact. [GRI 103-2; GRI 103-3]

A "paperless" Board of Directors

In 2018, the Board of Directors (CdA) has become "paperless", thanks to two initiatives aimed at reducing the often unnecessary use of paper. Specifically, a Non-Disclosure Agreement (NDA) system was implemented paperless: this is the first system concerning a process in the legal field that touches the use of the card. The NDAs have been made available for consultation and can be signed without the need to print hundreds of sheets for archiving, therefore completely electronically. A paperless software was also implemented for documentation intended for the Board of Directors: all the board documentation to be prepared before the BoD was made available through Ipads provided by De'Longhi for all the directors. Confidential documentation is sent by e-mail and can be accessed through dedicated credentials. The Ipads remain at the headquarters, and can be used the directors for the day of the meeting of the Board of Directors.

Energy consumption and GHG emissions

During the year, numerous specific initiatives were launched and completed to improve energy efficiency within the Group's Operations and, consequently, to reduce emissions of greenhouse gases and pollutants into the atmosphere.

For example, in the Group's Chinese factories, about a quarter of the traditional plastic molding machines have been replaced with electric presses that allow an average energy consumption of about 25% less than the pneumatic ones. Furthermore, during the year, an energy saving plan was implemented at the Dongguan production site, which, through the installation of consumption meters, allows to monitor electricity consumption in a timely and continuous manner and to identify the most energy-intensive areas and tasks. The plan, fully operational in 2019, will make it possible to obtain a map of consumption in the various areas and, consequently, to implement improvement actions.

In 2018, in relation to higher production volumes, total energy consumption increased by about 10% compared to the previous year (380,431.4 GJ in 2018 compared to 346,334.8 GJ in 2017). The relationship between direct consumption, for heating and transport, and indirect consumption, i.e. the consumption of electricity, related to district heating and cooling, is almost constant over the 3 years of reporting.

Fig. 30 - Direct and indirect consumption, percentage and GJ [GRI 302-1]

28.2% Direct consumption
71.8% Indirect consumption
313,492 GJ
2016

27.5% Direct consumption
72.5% Indirect consumption
346,834 GJ
2017

27.1% Direct consumption
72.9% Indirect consumption
380,431 GJ
2018

Fig. 31 - Direct consumption, GJ [GRI 302-1]

2016
Offices 46,511
Production Sites 41,934
88.445

2017
Offices 42,633
Production Sites 52,748
95.381
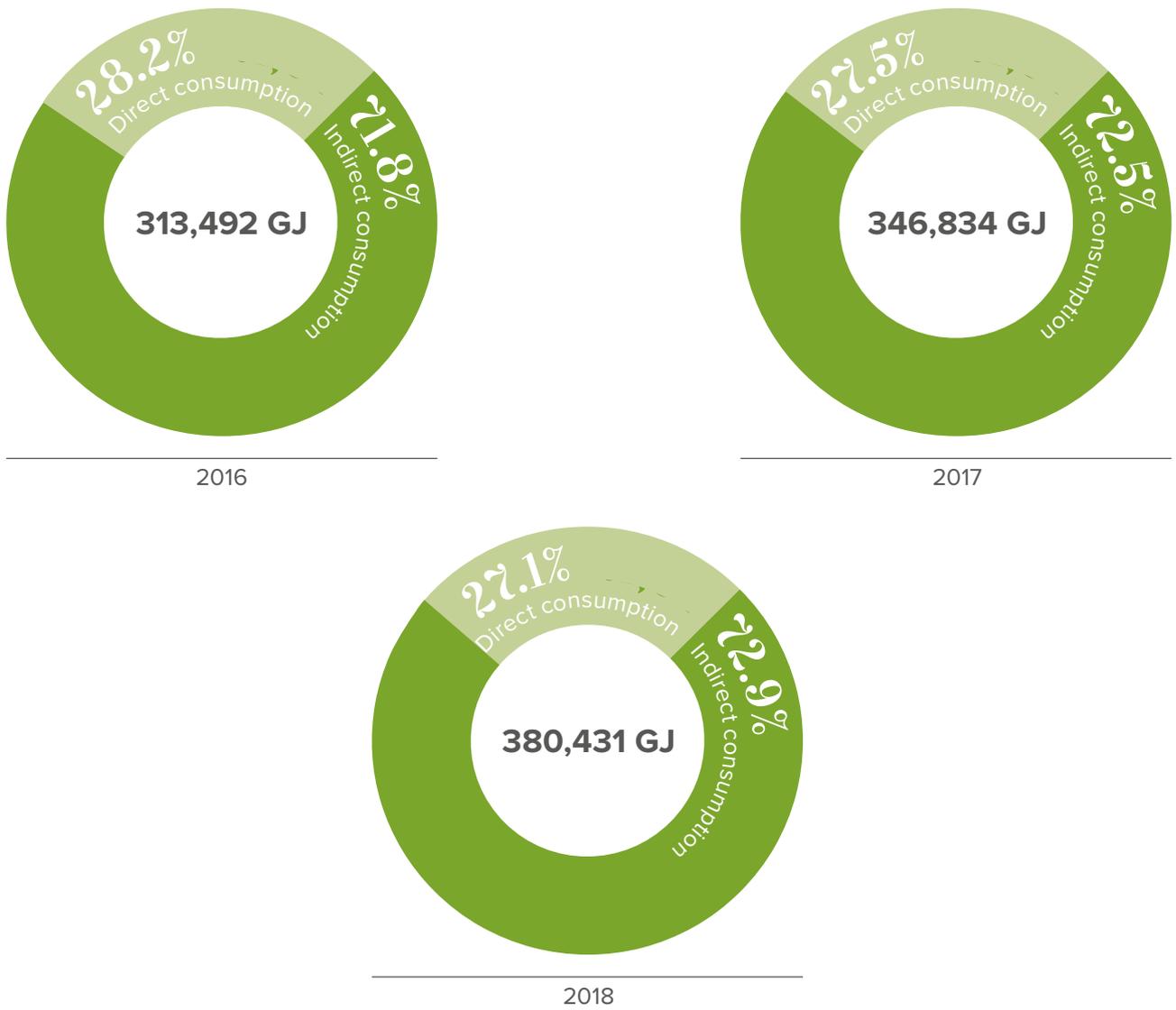
2018
Offices 43,912
Production Sites 59,148
103.060

With regard to primary energy consumption, the graph shows that in 2018 there was an increase of 8%, 103,059.7 GJ in 2018 compared to 95,380.6 GJ in 2017, growth however lower than the higher consumption of production sites that grew by 12%.

In 2018, the majority of primary energy consumption is linked to production plants, which alone require around 57% of primary energy.
The graph below shows the energy mix that constitutes direct energy consumption: for 46.3% they are linked to heating, which occurs mainly through the use of natural gas, while 31.2% and 17.6% are attributable to the consumption of diesel and petrol for the company fleet, respectively.

Fig. 32 - The composition of direct consumption in 2018, percentage [GRI 302-1]

3.6%
Electricity generated from renewable sources and consumed

0.2%
LPG

29.4%
Diesel

0.6%
Fuel oil

49.2%
Natural gas

16.9%
Petrol
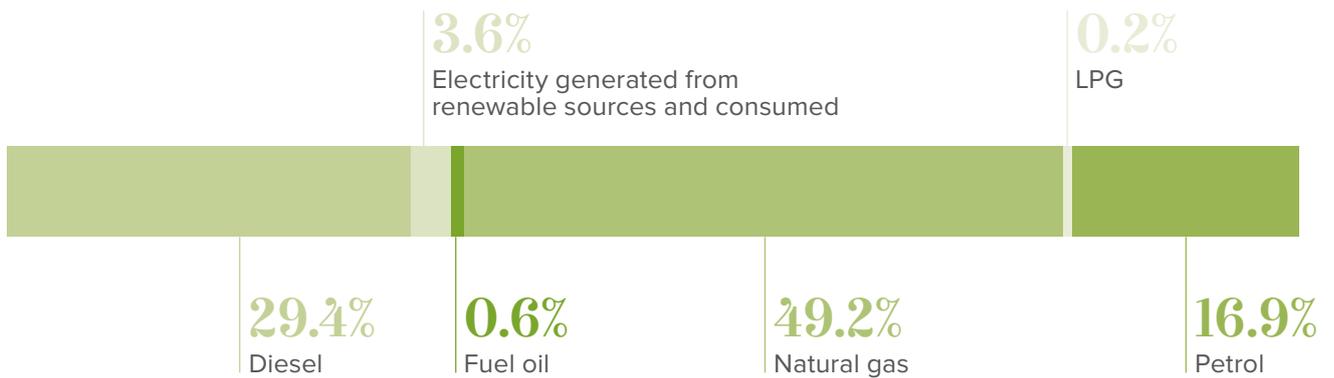
Indirect energy consumption in 2018 shows a positive growth trend of around 10% in 2017-2018. The increase is due mainly to the greater consumption of electricity at the production plants in 2018 (+12% compared to 2017). This increase is linked to the growth in production recorded for 2018 (+13% compared to 2017). In fact, per piece produced, there is a slight reduction in energy consumption, which decreased from 6.1 kWh per piece produced in 2017 to 6.0 kWh per piece produced in 2018 (-1.7%), confirming the effectiveness of energy efficiency actions initiated during the year. Furthermore, during the year, part of the electricity consumed, approximately 3,746 GJ (-3% compared to 2017), was produced from renewable sources. [GRI 302-3]

Fig. 33 - Indirect consumption, GJ [GRI 302-1]

6.5 kWh/n° pieces produced
192,729
32,318
2016

6.1 kWh/n° pieces produced
218,114
33,339
2017

6 kWh/n° pieces produced
245,173
32,198
2018

Production Sites   Offices   Energy intensity (KWh/no. pieces produced)
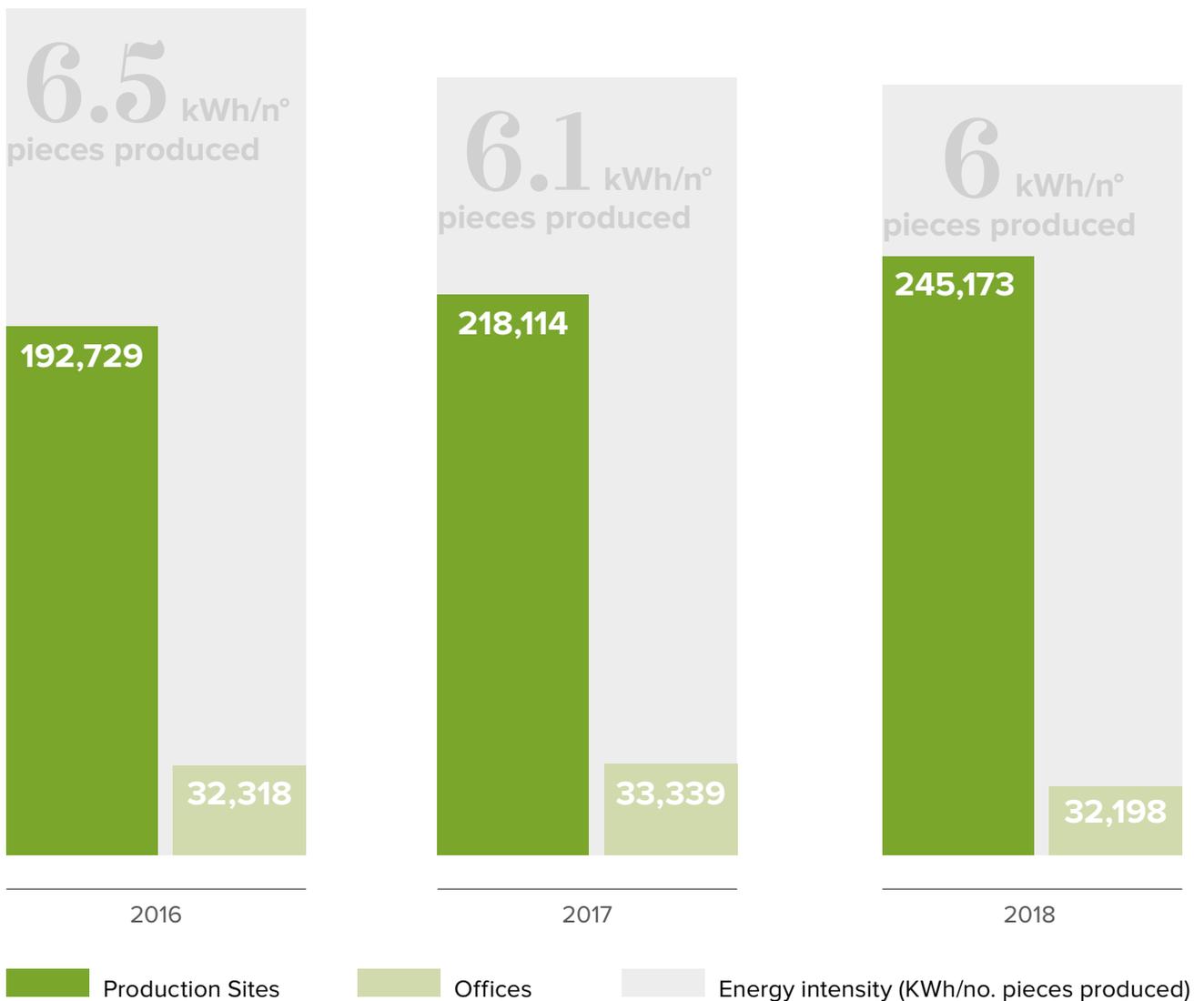
In 2018, total CO2 emissions amounted to 41,482 tons, up (+6.4%) compared to 2017, the year in which the recorded value was equal to 38,991. Consistent with the trend in energy consumption, it can be seen that CO2 emissions are mainly due to the consumption of electricity, which accounts for 85% of the total value of CO2 emissions at Group level.

Fig. 34 - Total CO₂ emission, tons of CO₂ [GRI 305-1 and 305-2]

36,027 Tot.

30,392

5,635

2016

38,991 Tot.

33,045

5,944

2017

41,482 Tot.

35,078

6,403

2018

■ Direct emissions   ■ Indirect emissions
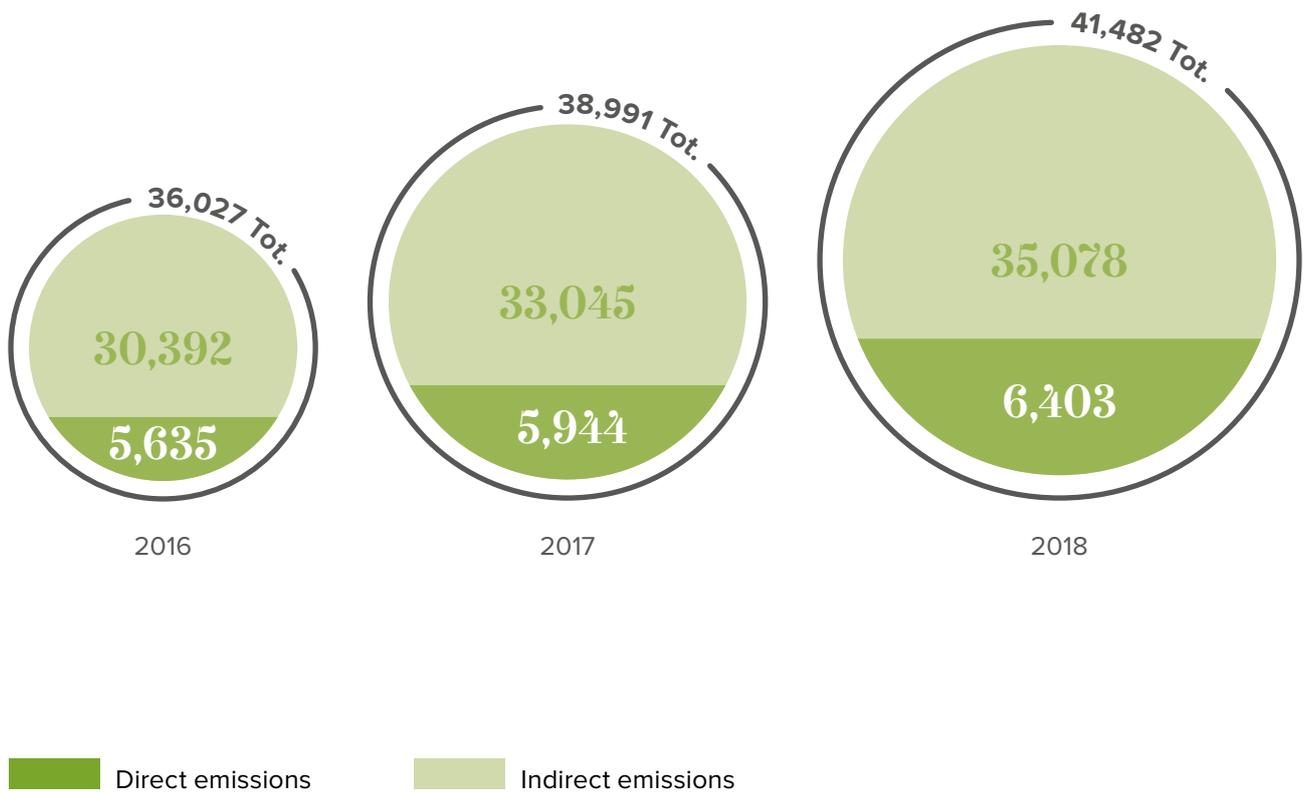
Fig. 35 - Direct emissions Scope 1, tons of CO_2 [GRI 305-1]

Year	Production Sites	Offices	Total
2016	2,311	3,324	5,635
2017	2,890	3,054	5,944
2018	3,276	3,127	6,403

Production Sites
Offices

Fig. 36 - Indirect emissions Scope 2, tons of CO_2 [GRI 305-2]

3.3 kg CO_2/n° pieces produced

3.0 kg CO_2/n° pieces produced

2.8 kg CO_2/n° pieces produced

Year	Production Sites	Uffici (ton CO_2)
2016	26,900	3,492
2017	29,652	3,394
2018	31,564	3,514

Production Sites
Uffici (ton CO_2)
Emission intensity (kg CO2/number of pieces produced)
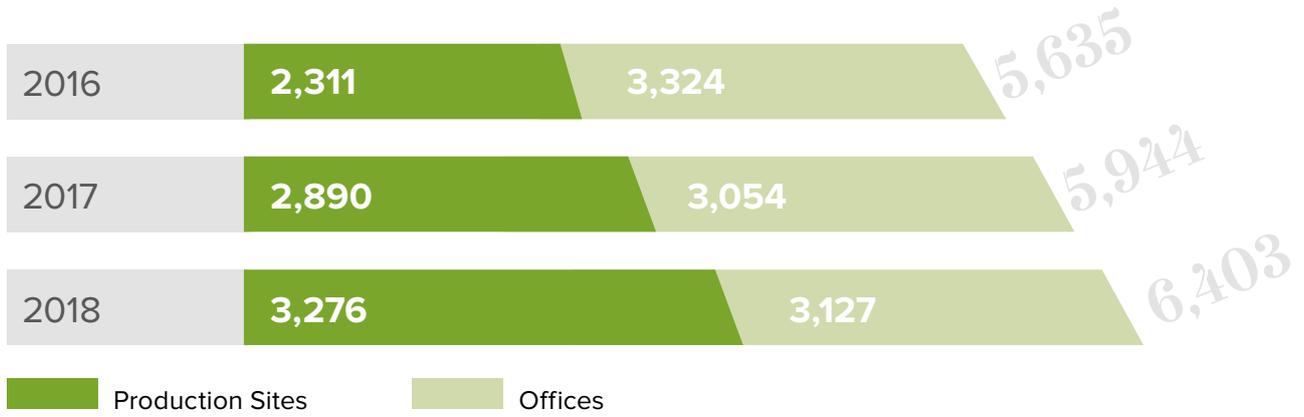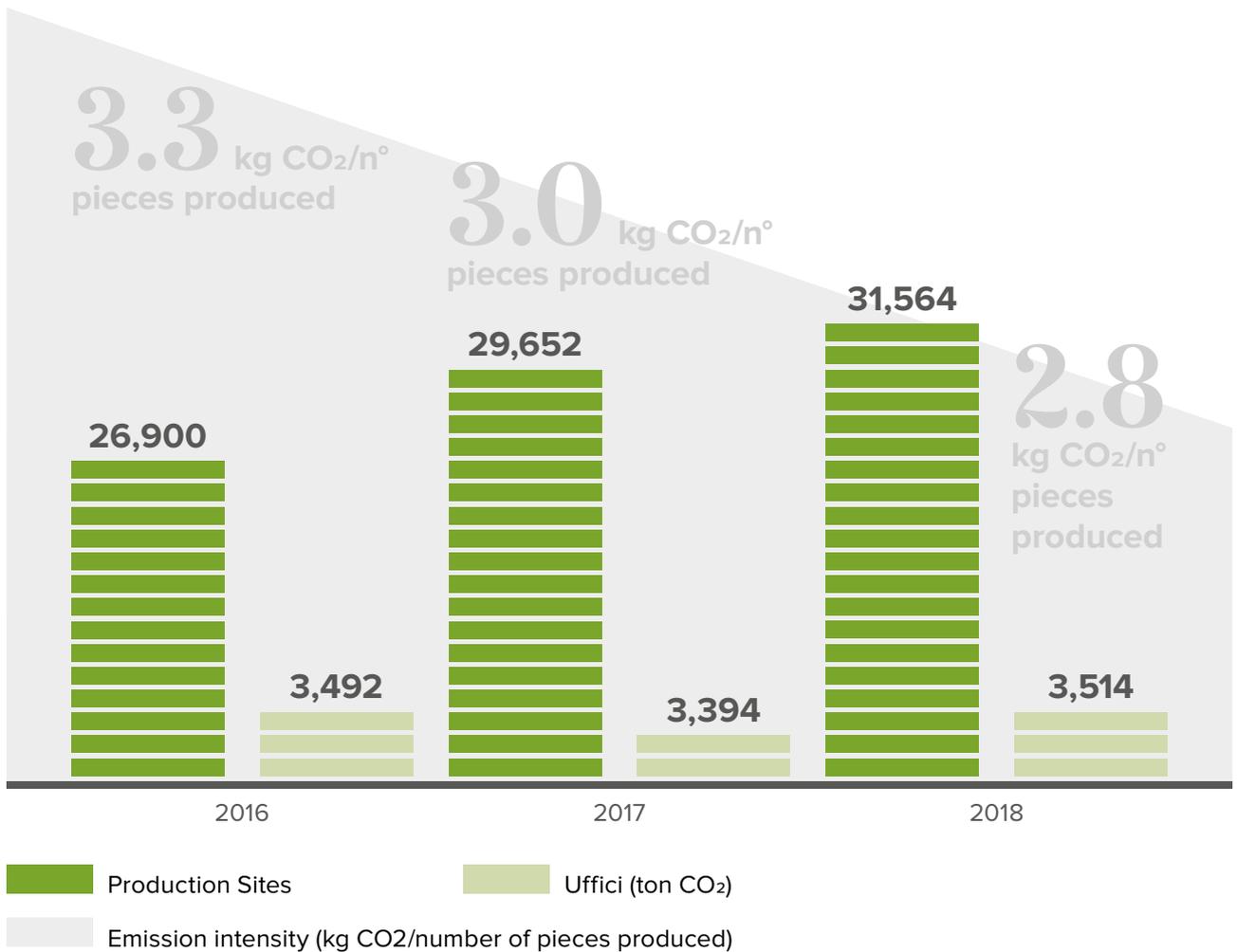
With respect to direct CO_2 emissions, a value of 6,403 t was recorded in 2018, of which 51% pertained to office energy consumption and the remaining 49% to production site consumption. As regards indirect CO_2 emissions, in 2018 there is a total value of 35,078 t, of which about 90% is linked to the production sites and, in particular, to the 2 Chinese plants, which contribute to 58% of the indirect total CO_2 emissions (20,798 t CO_2).

Fig. 37 - Indirect emissions Scope 2, tons of CO_2 [GRI 305-2]

3.3 kg CO_2/n° pieces produced

3.0 kg CO_2/n° pieces produced

2.8 kg CO_2/n° pieces produced

30,551   33,311

33,215   37,134

35,078   40,379

2016   2017   2018

■ Location based   ■ Market based

■ Emission intensity (kg CO2/number of pieces produced)

In 2018, CO_2 emissions Scope 2 *market based* exceed by approximately 5 thousand tons *location based.* The increase in indirect emissions over the years is due to the simultaneous increase in production. Comparing CO_2 emissions Scope 2 *location based* in fact, for each piece produced, there is a reduction of about 6.6% compared to the previous year, i.e. from 3.0 kg of CO_2 per piece produced in 2017 to 2.8 kg of CO_2 per piece produced in 2018. This result is, therefore, proof of the increase in energy efficiency within the Group's Operations. [GRI 305-4]

Waste management

In 2018, 7,193 tons of waste were generated at the Group's production facilities, of which 98% were non-hazardous and the remaining 2% hazardous. Of the total waste produced, approximately 93% (93.4% of non-hazardous waste and 85.6% of hazardous waste) was sent for recovery activities such as: re-use, recovery, recycling and composting.

Fig. 38 – Waste generated at the production facilities in 2018, tons

7,016
Non-hazardous waste

177
Hazardous waste

With regard to non-hazardous waste generated in 2018, most was sent for recycling (58.7%) and recovery (32.3%), including energy recovery. With regard to hazardous waste, on the other hand, most (85.6%) was disposed of via recovery activities (53.8%), recycling (16.6%) and reuse (15.2%).

Fig. 39 – Non-hazardous waste generated in 2018 by type of disposal, percentage

0%
Incineration

0%
Storage

2%
Chemical/biological treatment

4%
Disposal

32%
Recovery

2%
Composting

59%
Recycling

1%
Reuse

Fig. 40 – Hazardous waste generated in 2018 by type of disposal, percentage

1%
Incineration

8%
Storage

5%
Chemical/biological treatment

0%
Disposal

54%
Recovery

17%
Recycling
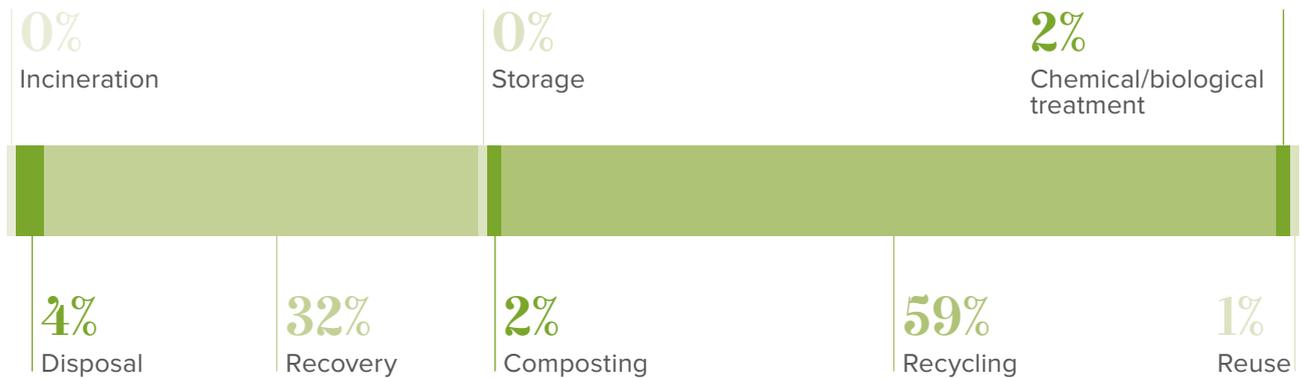
15%
Reuse
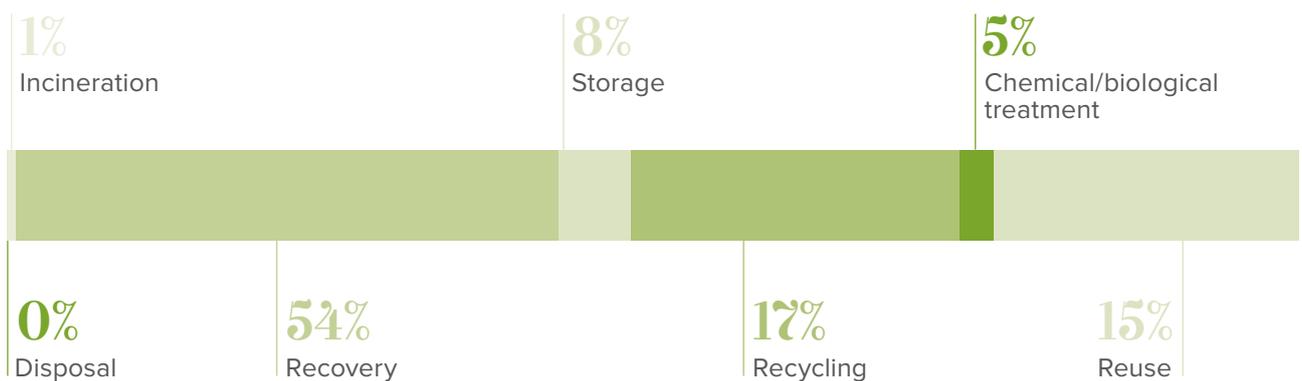
5_ Methodological note

The principles for defining the content and quality of the report

De'Longhi Group's Sustainability Report is meant to report the relevant issues for the Group and its main stakeholders. It is prepared in accordance with the "GRI Sustainability Reporting Standards", the most recent and widespread non-financial reporting standards defined in 2016 by the Global Reporting Initiative (GRI), according to the "In accordance - Core" option which provides for the reporting of at least one GRI indicator for each relevant topic. [GRI 102-54]

This document has been prepared according to the principles on defining the contents of the report suggested by the GRI:

- **Completeness:** the material issues discussed in the report are covered in their entirety and represent the most relevant environmental, social and economic aspects for the Group's activities, thus allowing a complete assessment of the Company's performance in the reporting year.
- **Sustainability context:** the performances of the De'Longhi Group presented in this Report are included in the broader context of the company's business sustainability.
- **Inclusion of stakeholders:** this document shows the stakeholders of the Group and the ways in which their interests were considered in defining the contents of the report.
- **Materiality:** the issues reported were identified based on their relevance to the Group's business and to its stakeholders.

To ensure the quality of the information reported, the report's quality principles were followed in the drafting of the report as suggested by the GRI.

- **Accuracy:** the level of detail of the contents reported in the Report is adequate for understanding and assessing De'Longhi Group's sustainability performance in the reporting period.
- **Reliability:** the data presented in the document were collected, processed and validated by the managers of each department with the collaboration of a consulting company. The economic data are consistent with those reported in the Group's annual financial report.
- **Clarity:** the choice of a clear and accessible language and the use of graphs and tables to represent the performance of the Group make this Report available and easy to understand for stakeholders.
- **Comparability:** the indicators in the Report are reported for the 2016-2017-2018 three-year period and are accompanied by a comment relating to their performance in order to allow comparison and comparability of the Group's performance over time.
- **Equilibrium:** the contents of this document report in a balanced way De'Longhi Group's performance in the reporting period.
- **Timeliness:** the Report takes into consideration events occurring after 31 December 2018 that may be significant for the assessment of the Group's performance by stakeholders. [GRI 102-46]

The relevant topics: materiality analysis

The identification of the relevant topics was carried out starting from a documentary analysis of the main expectations and pressures of the Group's stakeholders identified on the basis of a media analysis and a benchmark analysis of the main companies operating in the sector. Specifically, those issues that express the expectations of stakeholders with a significant degree of dependence towards the Group and highly able to influence corporate strategies have been enhanced. The issues thus identified were subsequently evaluated and integrated by the company management according to the priorities and strategic objectives.

The Sustainability Report also intends to report the relevant issues according to Italian Legislative Decree 254/2016 transposing the European Directive 2014/95/EU, the so-called "Barnier Directive" on non-financial reporting for large Public Entities.
For the comprehensive reporting of these topics, the De'Longhi Group has chosen to adopt the GRI Standards.
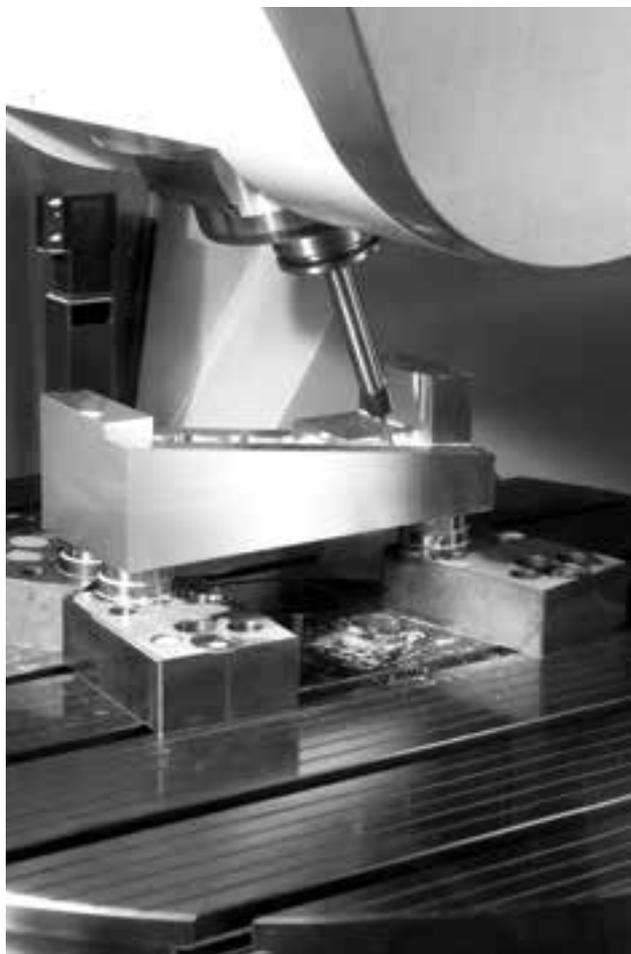
Fig. 33 - Relevant topics for stakeholders and De'Longhi Group
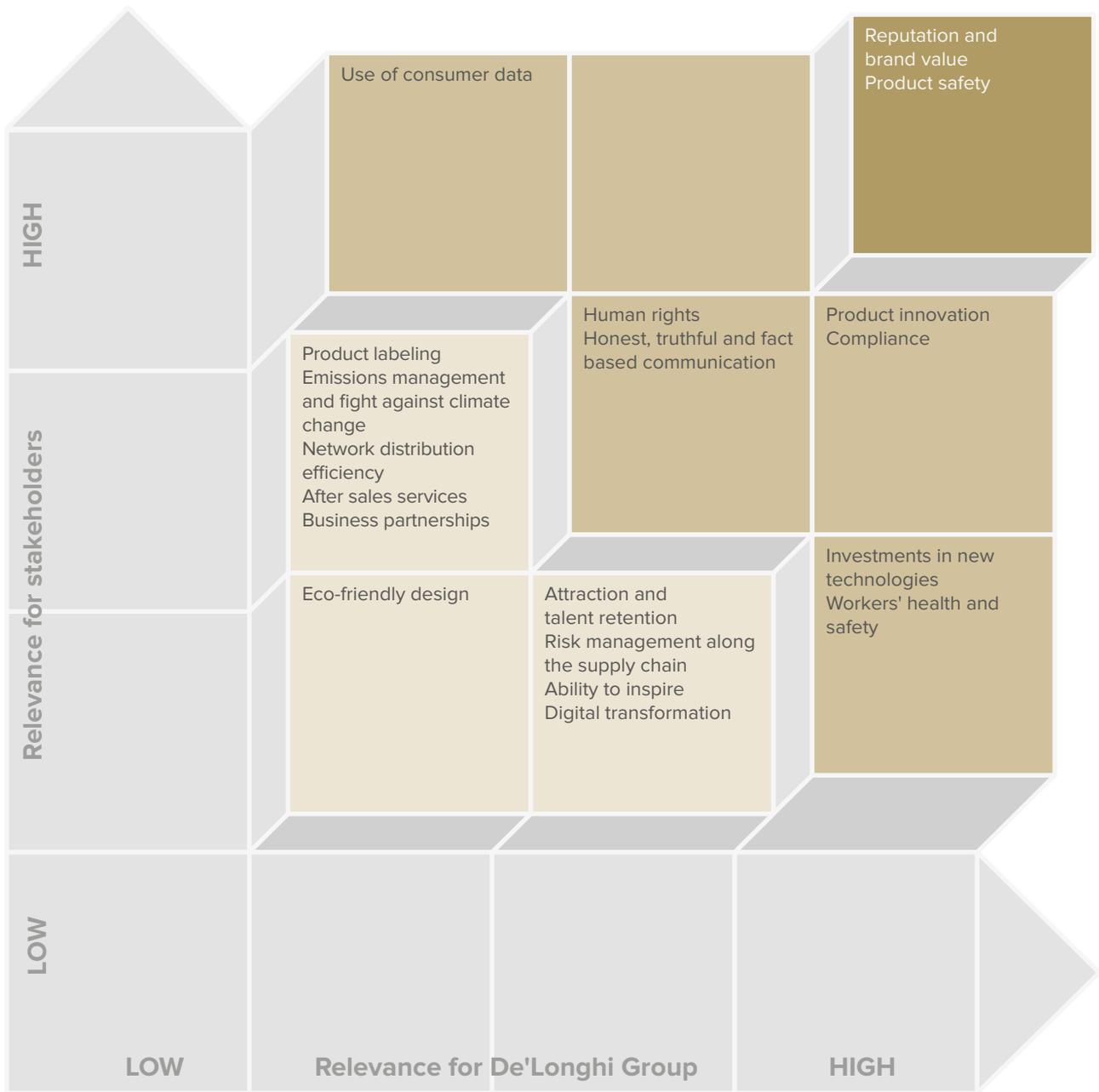
Following the activities carried out as part of the Group's sustainability strategy by the Sustainability Steering Committee and the Sustainability Ambassadors, the topics below that were not present in the materiality matrix emerged as possible additional issues, with respect to which the Group deems useful to report their performance: Local Communities, Waste Reduction and Gender Equality.

The reporting scope

This document represents the second edition of De'Longhi Group's Sustainability Report and contains the description of the initiatives and activities related to the 2018 financial year, as well as the performance trends of the 2016-2018 three-year period. The collection of performance indicators and the reporting frequency occur on a yearly basis.

The reporting scope coincides with that of the Consolidated Financial Statements, i.e. it includes fully consolidated companies for financial reporting with reference to Continuing Operations, unless otherwise stated. The reporting year to which the information and data included in this section refers is 2018. Any exceptions are indicated in the individual sections below of this methodological note. [GRI 102-50, GRI 102-52]

In line with the Consolidated Financial Statements, the data reported have been aggregated in the following areas:
• EUROPE
• APA (Asia, Pacific, Americas)
• MEIA (Middle East, India and Africa)

For each topic subject to reporting, the description and perimeter of the impact of the issue along the value creation chain of the De'Longhi Group is shown, explaining whether this is internal or external.

Fig 34 - The relevant topics: framework [GRI 103-1]

THEME	GRI DISCLOSURE	SCOPE		REPORTING LIMITATIONS ON THE SCOPE	
		Internal	External	Internal	External
Compliance					
Honest, truthful and fact-based communication	Marketing and labeling	Group	OEM Suppliers	-	-
Compliance	Anti-corruption Anti-competitive behavior, Environmental compliance, Socioeconomic compliance Customer privacy	Group	-	-	-
Use of consumer data	Customer privacy	Group	Contact Center	-	-
Business					
Reputation and brand value	Economic performance	Group	-	-	-
Business partnerships	-	Group	Partner	-	-
After-sales services	-	Group	Contact Center, Partner	-	-
The people of De'Longhi Group					
Attraction and talent retention	Training and education	Group	-	-	-
Workers' health and safety	Occupational health and safety	Group	Suppliers Contact Center	-	Reporting not extended to Suppliers and Contact Center
Our products: quality, innovation and sustainability					
Product safety	Consumer health safety	Group	OEM Suppliers	-	-
Product innovation	-	Group	-	-	-
Investments in new technologies (of product)	-	Group	-	-	-
Product labeling	Marketing and labeling	Group	OEM Suppliers	-	-
Digital transformation	-	Group	-	-	-
Capacity to inspire	-	Group	-	-	-
Eco-friendly design	-	Group	-	-	-

THEME	GRI DISCLOSURE	SCOPE		REPORTING LIMITATIONS ON THE SCOPE	
Sustainability in all production phases					
Human rights	Non-discrimination, Freedom of Association, Child labor, Forced or compulsory labor	Group	Suppliers	-	Reporting not extended to suppliers
Risk management along the supply chain	Supplier environmental assessment	Group	Suppliers	-	-
Emissions management and fight against climate change	Energy Emissions	Group	Suppliers, Contact Center	-	Reporting not extended to suppliers and Contact Center
Network distribution efficiency	-	Group	Partner	-	-
Investments in new technologies (of process)	-	Group	-	-	-

Calculation methodology

The methodological indications for some indicators reported in this Sustainability Report are shown below.

The people of De'Longhi Group

The calculation of Group personnel by geographical area, gender and type of contract was carried out with respect to the data received from the various offices and commercial branches.

The data relating to the division of personnel by qualification, gender and age, for the 2016 and 2017 years are not available as detailed as the 2018 data.

Anti-corruption training

With respect to the APA area, the hours associated with training courses for new hires that also include aspects of business ethics or anticorruption were considered.

The data shown is not available for offices and production sites based in the USA, Canada and Romania.

Training delivered

The data relating to the training provided for the two-year period 2016-2017 are not available for offices based in the Czech Republic, USA, Scandinavia, Canada.

Accident indices

The accident indices have been calculated as follows:

- **the injury rate** is the ratio between the total number of accidents and the total number of hours worked, multiplied by 1,000,000; accidents in progress are excluded from the calculation of the accident rate;
- **the index of gravity** is the ratio between the total number of working days lost due to injury and the total number of workable hours, multiplied by 1,000;
- **lost days** represent the calendar days lost due to injury starting from the day following the accident;
- **the absentee rate** is the percentage ratio between the days of absence (due to incapacity for work) in the reporting period and the total number of days that can be worked in the same period;

Only employees are included in the calculation of the indices over the entire two-year period; interns or project-based contractors are excluded.

Energy consumption

The conversion factors used to uniform energy consumption derive from the table "UK Government GHG Conversion Factors for Company Reporting - Fuel properties" of DEFRA, in the most recent latest version available.

During the 2016 - 2018 three-year period, 11.6, 12.3 and 5.5 GJ of electricity generated from renewable sources were produced at the Group's sites, which were subsequently transferred to the national network. It is noted that in relation to the electricity consumption of the Ariete offices during the year, a measurement methodology change occurred.

Greenhouse gas emissions

Greenhouse gas emissions have been calculated according to the principles indicated in the international standards ISO 14064-1. In particular, the only greenhouse gas considered was carbon dioxide (CO_2). Self-produced energy from renewable sources has not been included in the calculation of greenhouse gas emissions since they are considered to be zero greenhouse gas emissions.

The emission factors used for the calculation of CO_2 emissions have been determined as follows:

Direct emissions (Scope 1): emissions related to the consumption of natural gas and diesel for heating and gasoline, diesel and LPG for the company fleet were determined using as emission factors those reported in the Table of national standard parameters published by the Italian Ministry for the Environment, for the 2016, 2017 and 2018 years.

Indirect emissions (Scope 2): indirect emissions correspond to electricity consumption and consumption related to district heating; emissions related to electricity consumption were calculated according to the location based and market-based approach. For the calculation of location-based emissions, the factors, for each country, were used in the Table 49 - Main socio-economic and energetic indicators published by Terna in the International Comparisons section, which have as their source Enerdata and are available in their most recent version for the year 2016, used for the calculation of indirect 2018 emissions. The factors used to calculate the indirect emissions related to 2017 - 2016 energy consumption, instead, come from the previous version of the Table 49 - Main socio-economic and energy indicators and referred to 2015 as the most updated version at the time of calculation (2017 Reporting Cycle). In the event that a country was not present in the list within the aforementioned table, the emission factor of the continent was associated. In case of offices referring to more than one country, the highest emission factor among the countries represented was used conservatively.

For the calculation of market-based issues, the residual mixes reported in the document "European Residual Mixes", published by ABI and available for the 2016-2017 years, were used, where available. For America and Canada, an average residual mix was used for NERC Region calculated on the basis of the residual mix reported in the Green-e Energy Residual Mix Emissions Rates document available for the years 2016-2017-2018. For countries for which no residual mix was available, the location-based emission factor reported in the Terna Table above was used conservatively.

The emissions related to district heating were calculated using the emission factors shown in the Defra tables available for the 2016-2017-2018 three-year period.

Emissions avoided linked to packaging optimization activities: CO_2 emissions avoided resulting from packaging optimization activities are linked to the initiatives launched at European and Chinese plants. In the first case, the calculation of CO_2 emissions avoided, it was carried out by estimating the number of trucks avoided and consequently the number of kilometers saved and using the emission factor relating to truck transport reported in the Defra tables. In the second case, the calculation was carried out by estimating the total weight transported before and after the application of the optimization activity for an average section and using the emission factor relating to transport by ship reported in the Defra tables.

Quality indicators

The **first-time quality (FTQ) indicator** is the percentage ratio between products that have not shown functional or aesthetic defects on the total production of the year;

The **service call rate (SCR)** is the percentage ratio between the machines repaired in the first year of warranty and the total number of products sold during the year. This indicator is calculated quarterly on a 12-month mobile base.

The **first-time fix (FTF) indicator** is the percentage ratio between repaired products that did not need new assistance in the following six months and the total of repaired products.

[GRI 102-53]

6_ Annexes

Below are the detailed tables relating to the indicators, in accordance with the GRI Standards.

The people of the De'Longhi Group

GRI 102-8: Information on employees and other workers

Employees, by type of contract	Italy			EUROPE			APA			MEIA			De'Longhi Group		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Number of employees by type of contract															
Permanent positions	1,471	1,469	1,551	2,255	3,203	3,270	2,663	2,692	2,712	74	67	62	6,463	7,431	7,595
of which women	554	554	602	1,181	1,781	1,860	1,237	1,225	1,270	38	27	23	3,010	3,587	3,755
of which men	917	915	949	1,074	1,422	1,410	1,426	1,467	1,442	36	40	39	3,453	3,844	3,840
Temporary positions	29	140	84	47	52	33	493	574	697	-	-	-	569	766	814
of which women	12	78	48	28	30	21	211	247	302	-	-	-	251	355	371
of which men	17	62	36	19	22	12	282	327	395	-	-	-	318	411	443
Total	**1,500**	**1,609**	**1,635**	**2,302**	**3,255**	**3,303**	**3,156**	**3,266**	**3,409**	**74**	**67**	**62**	**7,032**	**8,197**	**8,409**
Number of employees by type of contract															
Full-time	1,388	1,493	1,519	2,212	3,167	3,220	3,143	3,248	3,397	74	67	62	6,817	7,975	8,198
of which women	457	520	537	1,133	1,736	1,811	1,437	1,456	1,562	38	27	23	3,065	3,739	3,933
of which men	931	973	982	1,079	1,431	1,409	1,706	1,792	1,835	36	40	39	3,752	4,236	4,265
Part-time	112	116	116	90	88	83	13	18	12	-	-	-	215	222	211
of which women	109	112	113	76	75	70	11	16	10	-	-	-	196	203	193
of which men	3	4	3	14	13	13	2	2	2	-	-	-	19	19	18
Total	**1,500**	**1,609**	**1,635**	**2,302**	**3,255**	**3,303**	**3,156**	**3,266**	**3,409**	**74**	**67**	**62**	**7,032**	**8,197**	**8,409**
Number of employees by gender															
Total women	**566**	**632**	**650**	**1,209**	**1,811**	**1,881**	**1,448**	**1,472**	**1,572**	**38**	**27**	**23**	**3,261**	**3,942**	**4,126**
Total men	**934**	**977**	**985**	**1,093**	**1,444**	**1,422**	**1,708**	**1,794**	**1,837**	**36**	**40**	**39**	**3,771**	**4,255**	**4,283**

GRI 405-1: Composition of governing bodies by age and gender

Composition of the De'Longhi Group S.p.A. Board of Directors		Unit of measure	Italy		
			2016	2017	2018
Men	Less than 30 years	n	-	-	-
	From 30 to 50 years	n	1	1	1
	More than 50 years	n	6	6	7
Total men		**n**	**7**	**7**	**8**
Women	Less than 30 years	n	-	-	-
	from 2 to 5 years	n	3	3	2
	After 50 years	n	1	1	2
Total women		**n**	**4**	**4**	**4**
Total		**n**	**11**	**11**	**12**

GRI 405-1: Composition by age and gender of employees

Personnel composition – Detail to 2018		Unit of measure	De'Longhi Group
Manager			
Men	Less than 30 years	%	-
	From 30 to 50 years	%	2.1%
	More than 50 years	%	1%
Total men		**%**	**3.1%**
Women	Less than 30 years	%	-
	From 30 to 50 years	%	0.8%
	More than 50 years	%	0.1%
Total women		**%**	**0.9%**
TOTAL		**%**	**4%**
White collar			
Men	Less than 30 years	%	2.4%
	From 30 to 50 years	%	12.9%
	More than 50 years	%	3.1%
Total men		**%**	**18.4%**
Women	Less than 30 years	%	2.9%
	From 30 to 50 years	%	10%
	More than 50 years	%	1.6%
Total women		**%**	**14.5%**
TOTAL		**%**	**32.9%**
Blue collar			
Men	Less than 30 years	%	8.9%
	From 30 to 50 years	%	16.2%
	More than 50 years	%	4.4%
Total men		**%**	**29.5%**
Women	Less than 30 years	%	7.3%
	From 30 to 50 years	%	22.7%
	More than 50 years	%	3.6%
Total women		**%**	**33.6%**
TOTAL		**%**	**63.1%**

GRI 403-2 – Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

Types of injury and rates of injury	Unit of measure	De'Longhi Group					
		2016		2017		2018	
		Men	Women	Men	Women	Men	Women
Total number of injuries	n.	70	31	67	31	59	31
of which commuting injuries	n.	12	7	4	7	5	5
Fatal injuries	n.	1	-	-	-	-	-
Injury rate	**-**	**6.4**	**3.2**	**6.3**	**2.8**	**5.3**	**2.9**
Occupational disease rate	**-**	**0.2**	**0.3**	**0.1**	**0.3**	**-**	**0.3**
Index of gravity	**-**	**0.10**	**0.04**	**0.17**	**0.05**	**0.18**	**0.08**
Absenteeism rate	**%**	**1.7**	**2.4**	**1.6**	**2.5**	**2.3**	**3.9**

GRI 403-2 – Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

Types of injury and rates of injury	Unit of measure	2018 – Detail by geographical area							
		Italy		Europe		APA		MEIA	
		Men	Women	Men	Women	Men	Women	Men	Women
Total number of injuries	n.	19	11	8	11	31	9	1	-
of which commuting injuries	n.	5	5	-	-	-	-	-	-
Fatal injuries	n.	-	-	-	-	-	-	-	-
Injury rate	**-**	**8.3**	**6.0**	**3.3**	**3.6**	**5.1**	**1.8**	**26.2**	**-**
Occupational disease rate	**-**	**-**	**2.0**	**-**	**0.3**	**-**	**-**	**-**	**-**
Index of gravity	**-**	**0.30**	**0.17**	**0.03**	**0.03**	**0.22**	**0.11**	**-**	**-**
Absenteeism rate	**%**	**2.8**	**3.9**	**4.8**	**7.5**	**0.6**	**0.4**	**0.3**	**0.3**

GRI 403-2 - Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

ypes of injury and rates of injury of contractors	Unit of measure	De'Longhi Group					
		2016		2017		2018	
		Men	Women	Men	Women	Men	Women
Total number of injuries	n.	10	2	5	1	3	1
of which commuting injuries	n.	-	-	-	-	-	-
Fatal injuries	n.	-	-	-	-	-	-
Injury rate	**-**	**6.2**	**1.3**	**2.0**	**0.4**	**0.9**	**0.3**

The reduction of environmental impacts

GRI 302-1: Energy consumption

Energy consumption	Unit of measure	Production Sites			Offices			De'Longhi Group		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
Direct Energy consumption from non-renewable sources										
Petrol	GJ	2,550	2,385	2,801	14,521	14,392	14,664	17,072	16,776	17,465
Diesel	GJ	6,506	6,121	6,885	26,509	23,598	23,374	33,015	29,719	30,259
Natural gas	GJ	29,001	39,846	45,230	5,171	4,281	5,498	34,172	44,126	50,728
LPG	GJ	394	585	523	66	113	133	461	698	657
Fuel oil	GJ	-	-	-	204	205	205	204	205	205
Total	**GJ**	**38,451**	**48,936**	**55,440**	**46,473**	**42,588**	**43,875**	**84,924**	**91,524**	**99,314**
Direct Energy consumption from renewable sources										
Energy produced from renewable sources and consumed	GJ	3,482	3,811	3,709	38	45	37	3,521	3,856	3,746
Total direct Energy consumption	**GJ**	**41,934**	**52,747**	**59,148**	**46,511**	**42,633**	**43,911**	**88,445**	**95,381**	**103,060**
Indirect energy consumption										
Electricity	GJ	192,729	218,114	245,173	28,350	29,087	29,082	221,079	247,202	274,256
District heating	GJ	-	-	-	3,427	3,698	2,718	3,427	3,698	2,718
Cooling	GJ	-	-	-	540	554	398	540	554	398
Total indirect energy consumption	**GJ**	**192,729**	**218,114**	**245,173**	**32,318**	**33,339**	**32,198**	**225,047**	**251,453**	**277,372**
Total energy consumption	**GJ**	**234,663**	**270,862**	**304,322**	**78,829**	**75,972**	**76,110**	**313,492**	**346,834**	**380,431**

GRI 305-1 and GRI 305-2: Direct and indirect emissions of greenhouse gases (GHG) Scope 1 and Scope 2

Emissions	Unit of measure	Production Sites			Offices			De'Longhi Group		
		2016	2017	2018	2016	2017	2018	2016	2017	2018
Direct	ton CO_2	2,311	2,891	3,276	3,324	3,054	3,127	5,635	5,944	6,403
Indirect - Location Based	ton CO_2	26,900	29,652	31,564	3,492	3,394	3,514	30,392	33,045	35,078
Indirect - Market Based	ton CO_2	28,888	32,833	36,057	4,423	4,301	4,322	33,311	37,134	40,379
TOT (Direct + Indirect - Location Based)	**ton CO_2**	**29,211**	**32,543**	**34,840**	**6,816**	**6,448**	**6,642**	**36,027**	**38,991**	**41,482**
TOT (Direct + Indirect - Market Based)	**ton CO_2**	**31,199**	**35,724**	**39,333**	**7,747**	**7,355**	**7,449**	**38,947**	**43,079**	**46,783**

⁊_ GRI Content Index

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102-11	Precautionary Principle or approach	13; 39; 66-69		
102-12	External initiatives		During the reporting year, the De'Longhi Group did not participate or subscribe to any initiative promoted by external stakeholders	
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GRI Standard	Disclosure	Page number	Note	Omission
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102-47	List of material topics	90		
102-48	Restatements of information		No significant changes with respect the 2017 Sustainability Report	
102-49	Changes in reporting		No significant changes with respect the 2017 Sustainability Report	
102-50	Reporting period		From 1st January to 31st December 2018	
102-51	Date of most recent report		August 2018	
102-52	Reporting cycle		Annual	
102-53	Contact point for questions regarding the report		sustainability@ delonghigroup.com	
102-54	Claims of reporting in accordance with the GRI Standards	88		
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102-56	External assurance		This document has not been subject to assurance activities	

GRI Standard	Disclosure	Page number	Omission
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ECONOMIC PERFORMANCE			
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GRI Standard	Disclosure	Page number	Omission
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GRI 103: Management Approach 2016			
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GRI 404: Training and Education 2016			
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GRI Standard	Disclosure	Page number	Omission
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