

**DIRECTORS' REPORT FOR THE  
MEETING OF THE SHAREHOLDERS OF DE' LONGHI S.P.A.  
CONVENED IN ORDINARY SESSION FOR  
30 APRIL 2019, IN A SINGLE CALL**

**ORDINARY SHAREHOLDERS' MEETING OF 30 APRIL 2019**

*(Report prepared in accordance with Article 125-ter of the "TUF" and Articles 73 and 84-ter of the Issuers' Regulation)*

Dear Shareholders,

In compliance with Article 125-*ter* of Legislative Decree No. 58 of 24 February 1998, (the “**TUF**”) as later amended, and with Articles 73 and 84-*ter* of the regulation implementing the TUF regarding regulation of issuers, adopted by Consob with Resolution No. 11971 of 14 May 1999, as later amended, (the “**Issuers’ Regulation**”), the Board of Directors of De’ Longhi S.p.A (the “**Company**” or the “**Issuer**”) hereby provides you with a report (the “**Report**”) explaining the items on the agenda for the Shareholders’ Meeting convened in ordinary session – by notice published on **20 March 2019** on the Company’s website ([www.delonghigroup.com](http://www.delonghigroup.com), section “*Investor Relations*” – “*Governance*” – “*Shareholders’ Meeting*” – “*2019*”) and on the IInfo authorised storage mechanism (accessible via the website [www.iinfo.it](http://www.iinfo.it)), and in extract form in the Italia Oggi newspaper – at the Company’s registered office in Via L. Seitz 47, Treviso, Italy for **30 April 2019** at **8:45am**, in single call (the “**Shareholders’ Meeting**”).

In particular, the **agenda** for the above Shareholders’ Meeting is the following:

1. *Annual Financial Report at 31 December 2018:*
  - 1.1 *presentation of the Statutory Financial Statements at 31 December 2018 accompanied by the Report on Operations, the Report by the Board of Statutory Auditors, the External Auditors’ Report and the Certification by the Financial Reporting Officer. Resolutions thereon;*
  - 1.2 *proposed allocation of the profit for the year. Resolutions thereon.*
2. *Presentation of the Annual Remuneration Report and consultative vote on the 2019 Remuneration Policy contained in Section I, in accordance with Art. 123-ter of Legislative Decree No. 58/98.*
3. *Appointment of the Board of Directors:*
  - 3.1 *determination of the number of members. Resolutions thereon.*
  - 3.2 *determination of the term of office. Resolutions thereon.*
  - 3.3 *appointment of the Directors and the Chairman of the Board of Directors. Resolutions thereon;*
  - 3.4 *determination of the remuneration. Resolutions thereon.*
4. *Appointment of the Board of Statutory Auditors for the three-year period 2019-2021:*
  - 4.1 *appointment of the Statutory Auditors and the Chairman of the Board of Statutory Auditors. Resolutions thereon;*
  - 4.2 *determination of the remuneration. Resolutions thereon;*
5. *Proposal to authorise the purchase and disposal of treasury shares, after revoking the resolution taken by the Shareholders’ Meeting of 19 April 2018. Resolutions thereon.*

This Report will be filed and made available to the public on **20 March 2019** at the Company's registered office and on its website [www.delonghigroup.com](http://www.delonghigroup.com) (section “*Investor Relations*” – “*Governance*” – “*Shareholders’ Meeting*” – “2019”), and on the IINFO authorised storage mechanism accessible via the website [www.linfo.it](http://www.linfo.it).

**FIRST ITEM ON THE AGENDA*****“Annual Financial Report at 31 December 2018:***

***1.1 presentation of the Statutory Financial Statements at 31 December 2018 accompanied by the Report on Operations, the Report by the Board of Statutory Auditors, the External Auditors’ Report and the Certification by the Financial Reporting Officer. Resolutions thereon;***

***1.2 proposed allocation of the profit for the year. Resolutions thereon.”***

Dear Shareholders,

We submit for your approval the financial statements at 31 December 2018, examined and approved by the Company’s Board of Directors at the meeting held on 14 March 2019, which closed with a net profit of € 172,265,034.00.

Please note that any comment related to sub-items 1.1 of the agenda for the Shareholders’ Meeting is fully explained in the Annual Financial Report at 31 December 2018 (including the draft statutory financial statements and the consolidated financial statements at 31 December 2018, the Directors’ Report on Operations, the Reports of the Board of Statutory Auditors and of the External Auditors, as well as the certification by the Financial Reporting Officer pursuant to Article 154-*bis*, para. 5, of the TUF and the consolidated non-financial statement pursuant to Legislative Decree No. 254/16), which will be filed and made available to the public on **8 April 2019** at the Company’s registered office and on its website [www.delonghigroup.com](http://www.delonghigroup.com) (section “Investor Relations” – “Governance” – “Shareholders’ Meeting” – “2019”), and on the IINFO authorised storage mechanism accessible via the website [www.iinfo.it](http://www.iinfo.it), together with all other documentation required by applicable law.

With regard to the content of the above Annual Financial Report, it should be specified that, starting from the financial year 2017, the Company must, pursuant to Legislative Decree No. 254 of 30 December 2016 (“**Legislative Decree 254/2016**”), publish a “Consolidated non-financial statement” (“**NFS**”) which must report on a set of issues to the extent necessary to ensure understanding of the company’s activities, its performance, its results and the impact produced by it. More specifically, Legislative Decree No. 254/2016 provides for reporting on non-financial issues related to five specific areas (environmental, social, workforce, respect for human rights and the fight against active and passive corruption), requiring a description of the main risks (generated and/or incurred), the policies followed by the company, related performance indicators and the company’s management and organisation model for each of these

areas. Paragraph 1073 of the Budget Law No. 145/2018, which entered into force on 30 December 2018, amended Legislative Decree No. 254/2016, providing for the disclosure of, in addition to the main risks, also the methods of managing such risks.

To comply with the above provisions, the Company has drafted the NFS and has included it in a special section of the Report on Operations contained in the Annual Financial Report. On this point it is specified that the statement required under Art. 3, para. 10 of Legislative Decree No. 254/2016 - concerning the information provided being consistent with the requirements of the Legislative Decree itself and with the principles, methodologies and methods provided for therein - is issued by the auditing firm *PriceWaterhouseCooper S.p.A.* and will be published and made available as an annex to the Annual Financial Report.

In relation to sub-item 1.2 on the agenda of the Shareholders' Meeting, please remember that you are also asked to resolve on the allocation of the above net profit for the year of €172,265,034.00 achieved by De' Longhi S.p.A. during the 2018 financial year, in relation to which, in the meeting held on 14 March 2019, the Board of Directors, as part of the strategic vision to prioritise new investment initiatives and external growth, resolved to propose to the Shareholders' Meeting to allocate: €8,613,252.00 to the legal reserve, €108,336,782.00 to the extraordinary reserve and the remaining €55,315,000.00 to the Shareholders, corresponding to the distribution of a gross dividend of €0.37 on each of the 149,500,000 outstanding shares.

The Board also resolved to propose paying the above dividend of €0.37 starting from 22 May 2019, with shares going ex-coupon on 20 May 2019 and with the record date, pursuant to Art. 83-*terdecies* of the TUF (namely the accounting date at the end of which, the active Shareholders' accounts with brokers will be proof for the purposes of entitlement to receive the dividend) as at 21 May 2019.

The text of the proposed resolution prepared by the Board of Directors for the Shareholders' Meeting concerning sub-items 1.1 and 1.2 of this item on the agenda will be specified in the above Annual Financial Report for the financial year 2018, to which reference is made.

\*\*\*\*\*

**SECOND ITEM ON THE AGENDA**

***“Presentation of the Annual Remuneration Report and consultative vote on the 2019 Remuneration Policy contained in Section I, in accordance with Art. 123-ter of Legislative Decree No. 58/98.”***

Dear Shareholders,

With regard to the second item on the agenda for the Shareholders’ Meeting, you are asked again this year to give your consultative vote on the “2019 Remuneration Policy” of De’ Longhi S.p.A (the “**Remuneration Policy**”) described in Section I of the Annual Remuneration Report drafted in accordance with the combined provision of Article 123-ter, paragraphs 3 and 6, of the TUF. The Annual Shareholders’ Meeting convened to approve the statutory financial statements is called to express its opinion on the Company’s policy for remunerating the members of the board of directors, general managers and key managers with strategic responsibilities and on the procedures used to adopt and implement this policy.

As expressly indicated by Article 123-ter, para. 6, of the TUF, the resolution the Shareholders’ Meeting must adopt with regard to the Remuneration Policy and the related adoption and implementation procedures is not binding and is limited to expressing an opinion for or against the Remuneration Policy and its adoption and implementation. The voting result will be made available to the public on the Company’s website in accordance with Article 125-quater, para. 2 of the TUF.

It should be noted that the “*Annual Remuneration Report*” and, therefore, the 2019 Remuneration Policy contained in Section I of the same report have been approved by the Board of Directors in the meeting on 14 March 2019, upon the proposal of the Remuneration and Appointments Committee - in accordance with the laws and regulations in force - and will be filed and made available to the public at the Company's registered office and on its website [www.delonghigroup.com](http://www.delonghigroup.com) (section “*Investor Relations*” – “*Governance*” – “*Shareholders’ Meeting*” – “*2019*”), and on the IINFO authorised storage mechanism accessible on the website [www.iinfo.it](http://www.iinfo.it) at least 21 days before the date of the Shareholders’ Meeting (more specifically, from **8 April 2019**).

For further details, please refer to the above report, the contents of which have also been defined in accordance with Article 84-quater of the Issuers’ Regulation and in consideration of the related Annex 3A, Scheme 7-bis and Scheme 7-ter.

§§§

The Shareholders' Meeting is therefore invited to adopt the following proposed resolution:

*“The Meeting of the Shareholders of De' Longhi S.p.A.:*

*- having reviewed the Annual Remuneration Report of De' Longhi S.p.A., prepared in accordance with the laws and regulations in force,*

**RESOLVES**

*to give its opinion in favour of the 2019 Remuneration Policy of De' Longhi S.p.A. and the related adoption and implementation procedures.”*

\*\*\*\*\*

THIRD ITEM ON THE AGENDA*“Appointment of the Board of Directors:*

- 3.1 determination of the number of members. Resolutions thereon;*
- 3.2 determination of the term of office. Resolutions thereon;*
- 3.3 appointment of the Directors and the Chairman of the Board of Directors. Resolutions thereon;*
- 3.4 determination of the remuneration. Resolutions thereon.”*

Dear Shareholders,

With the approval of the Annual Financial Report at 31 December 2018, the Company’s Board of Directors, appointed by the Shareholders’ Meeting for the years 2016-2018 and composed, at the date of this Report, of the Directors: Giuseppe de’ Longhi (Chairman), Fabio de’ Longhi (Chief Executive Officer), Silvia de’ Longhi (Executive), Massimiliano Benedetti (Independent), Alberto Clò (Independent), Luisa Maria Virginia Collina (Independent), Renato Corrada (Independent), Carlo Garavaglia, Cristina Pagni (Independent), Stefania Petruccioli (Independent), Giorgio Sandri, Silvio Sartori, will expire having completed its term of office.

It should be noted that, on this point, all the above members of the Board of Directors were appointed by the Shareholders’ Meeting on 14 April 2016, except for Massimiliano Benedetti, whose appointment was proposed by the Board of Directors and confirmed by the Shareholders’ Meeting on 19 April 2018, based on the opportunity, which emerged from the self-assessment carried out during the last financial year, to add specific expertise in digital and e-commerce to the professional skills already present on the Board. This evaluation took into account the continued and constant growth of e-commerce which makes this sales channel and communication channel with customers increasingly more important for the De’ Longhi Group’s business.

You are therefore asked to renew the Board of Directors, after determining the number of its members, also setting the duration of the term of office and the related remuneration or the methods for determining the remuneration.

To this end, it should be remembered that, pursuant to Art. 9 of the Articles of Association of De’ Longhi (the “**Articles of Association**”):

- (i) the number of members of the Board of Directors cannot be fewer than three or greater than thirteen members;



- (ii) the duration of the term of office, in compliance with the provisions of Art. 9 of the Articles of Association in accordance with Art. 2383 of the Italian Civil Code, cannot exceed three financial years;
- (iii) the appointment of the directors is carried out based on the lists submitted by the shareholders.

With regard to the remuneration for the directors who will be elected, the Board of Directors reminds shareholders that, in determining the gross annual remuneration of each member of the Board of Directors, the remuneration policy laid down in the “Annual Remuneration Report” of De’ Longhi S.p.A. submitted to the consultative vote of the Company’s Shareholders’ Meeting must be taken into account.

The Board of Directors therefore asks the shareholders to make proposed resolutions on the subject and to submit lists of candidates, using the methods and within the terms referred to in Art. 9 of the Articles of Association.

In particular, the shareholders who – on the day that the lists are submitted – represent, either alone or together with other shareholders, at least **1%** of the share capital (shareholding laid down by Consob Decision No. 13 of 24 January 2019, in accordance with the law and regulations) can submit a list containing a maximum of thirteen candidates, numbered in sequential order. At least two candidates, always indicated at least at the second or seventh position of each list, must possess the independence requirements required by Art. 147-ter, para. 4, of the TUF (which refers to Art. 148, para. 3, of the TUF).

Each candidate may appear on only one list or shall be deemed ineligible.

The shareholders are reminded that, in accordance with Article 9 of the Articles of Association, implementing Law No. 120/2011, the lists containing a total of three or more candidates must comprise candidates belonging to both genders, so that both genders are represented by at least one third (rounded up to the nearest whole number) of candidates for the office of Director.

The lists submitted by the shareholders must be filed at the Company's registered office (marked to the attention of the General Counsel) or sent by certified email to [societariodelonghispa@legalmail.it](mailto:societariodelonghispa@legalmail.it) at least twenty-five days before the date set for the Shareholders’ Meeting (namely by **5 April 2019**) or they shall be deemed invalid.

The following must also be submitted together with each list:

- (i) the special certificate issued by an authorised intermediary in accordance with the law proving ownership of the number of shares necessary to present the lists (which can also be produced after filing, provided this is by the term within which the Company has to publish the lists, namely by **9 April 2019**);

(ii) the curriculum vitae of each candidate included in the list, containing a detailed description of the candidates' personal and professional characteristics (also containing the list of offices as director and/or statutory auditor held by the candidates in other companies); and

(iii) the statement in which each candidate accepts candidacy and certifies, at their own responsibility and under penalty of being excluded from the list, that there is no impediment preventing election and that the requisites required by the law in force and by the Articles of Association for the office of director have been met, and whether they possess the requirements of independence required by Art. 147-ter, para. 4, of the TUF (which refers to those established by Article 148, para. 3, of the TUF).

You are also reminded, as provided for by Art. 147-ter, para. 3, of the TUF, about the absence of connections between the minority list that received the most votes and the Shareholders who submitted or voted the list with the greatest number of votes, taking into account Consob Notice No. DEM/9017893 of 26 February 2009. It should be highlighted that, in the same Notice, the Supervisory Authority recommends that Shareholders submit a “minority list”, together with the list, a specific declaration that states: (i) that there are no connections (including indirect connections) referred to in Art. 147-ter, para. 3, of the TUF and Art. 144-quinquies of the Issuers’ Regulation with Shareholders who hold, even jointly, a controlling or relative majority shareholding, as well as the absence of the significant relations indicated in the same Notice, or (ii) that specifies, where they exist, the significant relations indicated in the above Notice and the reasons why they have not been considered as factors determining the existence of connections.

The lists and a copy of the documentation required to accompany them can be filed at the Company’s registered office (marked to the attention of the General Counsel) or sent to the following certified email address [societariodelonghispa@legalmail.it](mailto:societariodelonghispa@legalmail.it). On this point, information that identifies the person making the filing and a contact telephone number should be sent together with the above documentation, taking into account the provisions of Art. 144-octies of the Issuers’ Regulation.

It should be remembered that any list that does not observe the above rules shall be deemed as not submitted.

In relation to the composition of the lists, the Board of Directors, based on the results of the periodic self-assessment process carried out, and concerning the diversity policy for the composition of the administrative body contained in the “*Diversity policies for members of the corporate bodies of De’ Longhi S.p.A.*” adopted by the Board on 26 February 2019 (available on the Company’s website [www.delonghigroup.com](http://www.delonghigroup.com), section “*Investor Relations*” – “*Governance*” – “*Corporate documentation*” – “*2019*”), recommends that Shareholders who intend to submit a list:

- (i) enter on the list candidates with diverse managerial and professional profiles, particularly with regard to the segment in which the De' Longhi Group operates and economic, legal, financial, accounting, risk management, remuneration policies, social sustainability and e-commerce matters. In the opinion of the Board of Directors, the Company's directors should be people with a managerial and/or professional and/or academic and/or institutional profile in order to have a mix of expertise and experiences that are diverse and complementary. In particular:
- managerial profiles should have acquired expertise and experience in positions of responsibility in segments connected to the one in which the De' Longhi Group operates or in any case within companies of a significant size and/or complexity with pronounced international vocation, and should possess specific skills related to general management, finance, sales marketing (including digital/e-commerce) and/or technological innovation, or other management and corporate organisation functions;
  - professional profiles should have acquired expertise and experience in positions of responsibility within accredited professional firms, consultancy firms or other organisations and have performed their work, particularly involving business, in one of the following fields: economics, accounting, law (with particular reference to business law, company law, tax law, M&A and financial markets), finance as well as risk management and/or control, internal audit, compliance and remuneration policies;
  - academic and/or institutional profiles should possess expertise that may be useful for developing and enhancing the De' Longhi Group's business;
- (ii) enter on the list a number of candidates possessing the requirements of independence provided for by the law and by the articles of association such as to ensure compliance with the provisions of law and the articles of association in force, as well as compliance with the recommendations of the Corporate Governance Code for Listed Companies. On this point, it should be noted that, in accordance with Art. 9 of the Articles of Association and Art. 147-ter, para. 4 of the TUF, if the Board of Directors is composed of more than seven members, at least two (or one if the number of members is not more than seven) of its members must possess the independence requirements required for statutory auditors by Art. 148, para. 3, of the TUF;
- (iii) enter on the list a balanced gender representation in compliance with the law, the Articles of Association and the recommendations of the Corporate Governance Code (the least represented gender must obtain at least one third of the directorships);

- (iv) ensure, during the selection of candidates to enter on the list, a balanced combination of different age ranges within the Board of Directors, which would bring diverse sensibilities and skills, enabling – taking in to account, for example, the significant changes that characterise the macro-economic and competitive scenario – a balanced plurality of diverse perspectives and experiences;
- (v) enter on the list a majority of candidates who can be qualified as non-executive pursuant to criterion 2.C.1 of the Corporate Governance Code, who must fulfil an important dialogue function and contribute to monitoring the choices made by the executive Directors;
- (vi) enter on the list candidates who, in order enable the Board to discharge its duties more effectively, guarantee that they can dedicate enough time to carry out the tasks of director diligently and responsibly.

The Board of Directors considers having persons with the above characteristics as particularly appropriate, in the conviction that the diverse and highly qualified professionals called upon to contribute to the work of the administrative body, and the balanced combination of gender and range factors enables: (i) the discussion to be enriched - a distinctive condition of reasoned and informed decision-making - thanks to the diverse expertise of its members which allow them to make decisions with the contribution of multiple qualified and diverse points of view able to examine the issues under discussion from different perspectives; (ii) a better understanding of the needs and demands of stakeholders; (iii) the risk of group thinking to be reduced in the opinions of the board members; (iv) the decision-making process to be made more effective and more in-depth; (v) the directors to discuss the decisions of management constructively.

During the assessment that was carried out within the board at the meeting on 26 February 2019 regarding its size, composition and functioning, as well as those of its Committees, the Board of Directors confirmed the adequacy of the size of the Board itself in its current composition (of 12 members). With a view to aligning to current trends and best practices, the Board of Directors also decided that any reduction in the number of its members would not adversely affect maintenance of an adequate functioning of the Board itself, provided that its composition continues to be appropriately comprehensive in terms of the professional profiles present within it.

It should also be noted that, in compliance with the Articles of Association, the members of the Board of Directors are appointed as follows:

- (i) all the directors to be elected except one are taken, in the sequential order they appear on the list, from the list that obtained the highest number of votes cast by the shareholders, except as provided below to ensure a balance between the

genders in compliance with the laws and regulations in force regarding gender equality;

(ii) the remaining director is taken from the list which obtained the second greatest number of votes cast in the Shareholders' Meeting, and who is not connected in any way, not even indirectly, with the shareholders who submitted or voted for the first list.

In the event that only one list is submitted or admitted to the vote, the candidates of said list will be appointed directors, respecting the sequential order of the candidates as they appear on the list itself.

If, as a result of the list voting or voting on the only list submitted, the composition of the Board of Directors does not comply with the rules and regulations in force on gender equality, the candidate of the most represented gender elected last in sequential order in the list which obtained the highest number of votes will be replaced by the first candidate of the least represented gender, from the same list and in sequential order, who was not elected. This replacement procedure will be used until the composition of the Board of Directors complies with the rules and regulations in force and, in particular, those concerning gender equality. If this replacement procedure does not ensure gender equality, directors will be replaced using a Shareholders' Meeting resolution passed by a simple majority after candidates belonging to the least represented gender have been submitted.

Should it not be possible to appoint the directors using this list method, the Shareholders' Meeting shall resolve with a legal majority, without observing the procedure above, in compliance with the laws and regulations in force, particularly those regarding gender equality.

Therefore, the Shareholders' Meeting is asked to deliberate on the appointment of the members of the Board of Directors, in compliance with Art. 9 of the Articles of Association, also appointing its Chairman, after determining the number of members and the duration of the term of office, and the remuneration of members.

To enable the Shareholders to express their right to vote in different ways with reference to the four sub-items of this item on the agenda of the Shareholders' Meeting, it is recommended that Shareholders who intend to submit a list for the renewal of the Board of Directors prepare and file, together with the list, proposed resolutions on each of these sub-items, concerning, in particular:

- (i) the determination of the number of directors who will comprise the Board of Directors, in accordance with the limits laid down by the Articles of Association;
- (ii) the duration of the term of office of the appointee Board of Directors, in accordance with the limits laid down by the Articles of Association;

- (iii) the appointment of the directors and the Chairman of the Board of Directors, it being understood that, pursuant to Art. 11 of the Articles of Association, if the Shareholders' Meeting does not appoint the Chairman, the Board of Directors will do so;
- (iv) the determination of the relative remunerations or methods for their determination.

The lists and the information submitted with them, and the proposed resolutions on the subject will be publicised in accordance with the law and regulations in force by being made available to the public at the Company's registered office and on its website [www.delonghigroup.com](http://www.delonghigroup.com) (section "*Investor Relations*" – "*Governance*" – "*Shareholders' Meeting*" – "*2019*"), and on the 1INFO authorised storage mechanism accessible via the website [www.1info.it](http://www.1info.it), at least twenty-one days before the date set for the Shareholders' Meeting (namely by **9 April 2019**).

\*\*\*\*\*

**FOURTH ITEM ON THE AGENDA**

*“Appointment of the Board of Statutory Auditors for the three-year period 2019-2021:*

- 4.1 appointment of the Statutory Auditors and the Chairman of the Board of Statutory Auditors. Resolutions thereon;*
- 4.2 determination of the remuneration. Resolutions thereon.”*

Dear Shareholders,

With the approval of the Annual Financial Report at 31 December 2018, the term of office of the Board of Statutory Auditors, appointed by the Shareholders' Meeting on 14 April 2016, for the years 2016-2018 and composed, at the date of this Report, after the sudden death of the standing auditor Gianluca Ponzellini, of the Statutory Auditors: Cesare Conti (Chairman, taken from the minority list); Paola Mignani (standing auditor, taken from the majority list); Piera Tula (standing auditor, taken from the majority list as alternate auditor and then taking over as standing auditor from Gianluca Ponzellini on 1 June 2018); Alberta Gervasio (alternate auditor, taken from the minority list) will expire.

You are therefore asked to renew the Board of Statutory Auditors (which, pursuant to Art. 14 of the Articles of Association, must be composed of three standing auditors, including the Chairman, and two alternate auditors) and to appoint its Chairman, determining the relative remuneration.

On this point, it should be noted that, pursuant to Art. 14 of the Articles of Association, the appointment of the Board of Statutory Auditors is carried out based on the lists submitted by the shareholders in which the candidates are listed using sequential numbers.

Each list contains a number of candidates that is no greater than the number of members to be elected (three standing auditors and two alternate auditors).

In accordance with Article 14 of the Articles of Association, in implementation of Law No. 120/2011, the lists containing a total of three or more candidates must comprise candidates belonging to both genders (male and female), so that both genders are represented by at least one third (rounded up to the nearest whole number) of candidates for the office of standing auditor and by at least one third (rounded up to the nearest whole number) of candidates for the office of alternate auditor.

The shareholders who, either alone or together with other shareholders, hold – on the day that the lists are submitted – at least 1% of the share capital (shareholding laid down by Consob Decision No. 13 of 24 January 2019, in accordance with the law and regulations) are entitled to submit lists of candidates.

The lists of candidates, signed by those shareholders submitting them, must be filed at the Company's registered office (marked to the attention of the General Counsel) by the twenty-fifth day before the day of the Shareholders' Meeting (namely by **5 April 2019**).

Each candidate may only be indicated on one single list or shall be deemed ineligible. The following people cannot be elected as statutory auditors: *(i)* those who do not possess the requisites required by the applicable laws (to this end, pursuant to Art. 14 of the Articles of Association, the subjects and business segments indicated in the corporate purpose are considered as strictly related to those of the Company, particularly with regard to companies or entities operating in the industrial, commercial, real estate, IT, financial and services sectors in general); or *(ii)* those who do not observe the limits to the number of offices held as established by the applicable laws and the related implementation rules in force.

Pursuant to Art. 14 of the Articles of Association and in compliance with Art. 144-*sexies*, para. 6, of the Issuers' Regulation: *(i)* a shareholder may not submit or vote for more than one list, even through a third party or trust company; *(ii)* shareholders belonging to the same group and shareholders who are party to a shareholder agreement concerning the Company's shares may not submit or vote for more than one list, even through a third party or trust company.

Each list is accompanied by the information required by law, by the regulations in force and by the Articles of Association, including: *(i)* a description of the curriculum vitae of the candidates and *(ii)* the statements in which each candidate accepts candidacy and certifies, at their own responsibility, that there is no known impediment preventing election or incompatibility and that the requisites required by the law and regulations in force and by the Articles of Association for this office have been met. To this end, pursuant to Art. 14 of the Articles of Association, the subjects and business segments indicated in the corporate purpose are considered as strictly related to those of the Company, particularly with regard to companies or entities operating in the industrial, commercial, real estate, IT, financial and services sectors in general). Pursuant to Article 2400, last paragraph, of the Italian Civil Code, at the time of appointment and before accepting the appointment, those positions of administration and control held by the Auditors in other companies must be communicated to the Shareholders' Meeting. This information is expected to be provided in the above description the candidates' curriculum vitae, ensuring that it is updated to the day of the Shareholders' Meeting.

Ownership of the number of shares necessary to present a list must be proven by the certificate issued by an authorised intermediary and can be produced after the list is filed, provided this is by the term within which the Company has to publish the lists (**9 April 2019**).



If by the deadline for submitting lists (**5 April 2019**) only one list has been filed, or lists have been submitted only by shareholders who are connected to each other under the provisions of law and regulations, further lists may be submitted until **8 April 2019** (the third day after the original deadline for submitting the lists). In this case, the shareholders who, either alone or together with other shareholders, hold – on the day that the lists are submitted – at least **0.5%** of the share capital (equal to half of the 1% shareholding laid down by Consob Decision No. 13 of 24 January 2019) are entitled to submit lists of candidates.

In compliance with the above terms, the lists and a copy of the documentation required to accompany them can be filed at the registered office (marked to the attention of the General Counsel) or sent to the following certified email address [societariodelonghispa@legalmail.it](mailto:societariodelonghispa@legalmail.it).

On this point, information that identifies the person making the filing and a contact telephone number should be sent together with the above documentation, taking into account the provisions of Art. 144-*sexies*, para. 4 and Art. 144-*octies* of the Issuers' Regulation.

Any list that does not observe the above rules shall be deemed as not submitted.

Lastly, those who intend to submit lists are asked to observe the recommendations formulated by Consob with Notice No. DEM/9017893 of 2 February 2009, with which the Supervisory Authority recommends that shareholders who submit a minority list declare that there are no connections such as those referred to in Art. 144-*quinquies* of the TUF: (i) stating in that declaration that there are also no significant relations, such as those indicated in the above Consob Notice, with the shareholders of De' Longhi S.p.A. who hold, even jointly, a controlling or relative majority shareholding; or otherwise, (ii) indicating in the same declaration the existing significant relations and the reasons why they have not been considered as factors determining the existence of connections, referred to in Art. 148, para. 2 of the TUF and Art. 144-*quinquies* of the Issuers' Regulation. On this point it should be noted that, in compliance with that required by Art. 144-*sexies*, para. 4(b) of the Issuers' Regulation, the minority lists must be also accompanied by the declaration of the submitting Shareholders certifying that there are no connections, as provided by Art. 144-*quinquies* of the Issuers' Regulation, taking into account Consob recommendations on the subject contained in the above Notice.

In compliance with the Articles of Association, the members of the Board of Statutory Auditors are appointed as follows:

- two standing members and one alternate are taken, in the sequential order they appear on the list, from the list that obtained the highest number of votes in the Shareholders' Meeting, except as provided below to ensure a balance between the genders in compliance with the laws and regulations in force;

- the remaining standing member and second alternate are taken from the list which obtained the second greatest number of votes in the Shareholders' Meeting, and who are not connected in any way, not even indirectly, with the Shareholders who submitted or voted for the list with the greatest number of votes.
- in the event that more than one list has obtained the same number of votes, these lists must be put to a second ballot by the shareholders at the meeting, and the candidates on the list that obtains a simple majority of votes shall be elected.

If, as a result of the list voting, the composition of the standing members of the Board of Statutory Auditors does not comply with the rules and regulations on gender equality in force, the candidate of the most represented gender elected last in sequential order in the list which obtained the highest number of votes will be excluded and replaced by the next candidate of the least represented gender, from the same list and in sequential order.

It should be remembered that, pursuant to Art. 14 of the Articles of Association, the chairman of the Board of Statutory Auditors shall be the standing auditor taken from the second list that obtained the greatest number of votes.

If only one list is submitted, the Shareholders' Meeting votes on it; if as a result of the voting the only the list obtains the relative majority, the first three candidates indicated in sequential order are elected standing auditors and the fourth and fifth candidates are elected alternates, provided that the composition of the Board of Statutory Auditors complies with the rules and regulations in force regarding gender equality. Otherwise, the candidate of the most represented gender, who is the third elected standing auditor in sequential order in the single list, will be replaced by the next candidate, who is elected as alternate auditor and who is the opposite gender. The auditor replaced under this procedure will become alternate auditor in place of the auditor appointed standing member under this same procedure. In this case, the candidate indicated in the first place in the list submitted is the Chairman.

In the event there are no lists, the Board of Statutory Auditors and its Chairman are appointed by the Shareholders' Meeting with the majorities laid down by law in compliance with, among others, the rules and regulations in force regarding gender equality.

Outgoing auditors can be re-elected.

In relation to the composition of the lists, Shareholders are asked to consider, for the purposes of preparing the lists, the following diversity criteria and objectives in the composition of the Board of Statutory Auditors envisaged in the "*Diversity policies for members of the corporate bodies of De' Longhi S.p.A.*" (available on the Company's website [www.delonghigroup.com](http://www.delonghigroup.com), section "*Investor Relations*" – "*Governance*" – "*Corporate documentation*" – "2019"), adopted by the Company's Board of Directors

on 26 February 2019 upon the proposal of the Remuneration and Appointments Committee and having consulted the Board of Statutory Auditors:

- (i) the majority of Standing Auditors must be statutory auditors registered in the appropriate register;
- (ii) a balanced combination of different age ranges within the Board of Statutory Auditors is advisable, enabling a balanced plurality of diverse perspectives and experiences;
- (iii) the composition of the Board of Statutory Auditors must in any case ensure a gender balance that complies with the provisions of the law and the Articles of Association in force at the time, as well as compliance with the recommendations laid down on this point by the Corporate Governance Code, both from the moment of appointment and during office;
- (iv) at least one Standing Auditor must have acquired adequate experience in listed companies, in complex and/or international contexts;
- (v) the presence of auditors who, on the whole, are competent in sectors related to the one in which the Company and the De' Longhi Group operate should be ensured;
- (vi) the presence of figures with a managerial and/or professional and/or academic and/or institutional profile should be ensured so as to have a combination of expertise and experiences that are diverse and complementary;
- (vii) the Chairman should be a person with the authority to ensure that the work of the Board of Statutory Auditors is conducted and coordinated appropriately with any further activities carried out by other persons involved in the internal control and risk management system.

So that the Board of Statutory Auditors can discharge its duties more effectively, in addition to the diversity requirements listed above, it is considered of key importance that all the Auditors guarantee that they can dedicate enough time to carry out their tasks properly and conscientiously, taking into account the number of other offices held in the administrative and control bodies of other companies (in compliance with the law) and the commitment required of them by any other work and professional activities.

For the optimal composition of the Board of Statutory Auditors, it is also expected, in identifying the members for the list to renew this body by the Shareholders, that:

- (i) a goal to integrate diverse professional and/or academic profiles is pursued, particularly with regard to economic, accounting, legal, financial and risk management

matters, and that, by their characteristics, they can enable optimum discharging of the oversight functions required of the Board of Statutory Auditors;

(ii) account is also taken – in addition to possession of the necessary requirements of integrity, professionalism and independence required by the law – of the importance of balanced gender representation (at least one third of the members are the least represented gender) in compliance with the provisions of law and of the Articles of Association in force at the time and the recommendations of the Corporate Governance Code, as well as of the benefits that may arise from the presence of different age ranges, including in terms of multiple perspectives and experiences.

Lastly, it should be remembered that, in compliance with the law and with Art. 14 of the Articles of Association, in addition to the appointment of the Board of Statutory Auditors, the Shareholders' Meeting is also asked to deliberate on the remuneration to be allocated to its members. On this point it should be noted that, for the three-year period 2016-2018, the Shareholders' Meeting held on 14 April 2016 resolved on a gross annual remuneration for the Chairman of the Board of Statutory Auditors of €61,900.00 and for each of the two standing auditors €41,300.00.

Therefore, the Board of Directors, pursuant to and in accordance with the Articles of Association and the applicable law and regulations, you are asked to submit lists of candidates for the appointment of the members of the Board of Statutory Auditors, and, to enable you to express your right to vote in different ways with reference to the two sub-items of this item on the agenda of the Shareholders' Meeting, it is recommended that you prepare and file, together with the lists, proposed resolutions on each of these sub-items, concerning, in particular:

- (i) the appointment of statutory auditors (three standing members and two alternates) and of the Chairman of the Board of Statutory Auditors for the financial years 2019, 2020 and 2021, by voting on any lists of candidates submitted;
- (ii) determination of the remuneration of members of the Board of Statutory Auditors.

The lists and the information submitted with them, and the proposed resolutions on the subject will be publicised in accordance with the law and regulations in force, namely by being made available to the public at the Company's registered office and on its website [www.delonghigroup.com](http://www.delonghigroup.com) (section "*Investor Relations*" – "*Governance*" – "*Shareholders' Meeting*" – "*2019*"), and on the IINFO authorised mechanism accessible via the website [www.linfo.it](http://www.linfo.it), at least twenty-one days before the date set for the Shareholders' Meeting (namely by 9 April 2019).

**FIFTH ITEM ON THE AGENDA**

*“Proposal to authorise the purchase and disposal of treasury shares, by revoking the resolution taken by the Shareholders’ Meeting of 19 April 2018. Resolutions thereon.”*

Dear Shareholders,

We submit the proposal to authorise the Company’s purchase and subsequent disposal of treasury shares for your consideration and approval.

We remind you that the previous authorisation to purchase and dispose of treasury shares was approved by the Shareholders’ Meeting held on 19 April 2018 and, therefore, the 18-month period envisaged by the same resolution is due to expire on 19 October 2019.

We would like to inform you that the Board of Directors has not, to date, ever made use of the abovementioned Shareholders’ Meeting authorisation and that, as of the date this Report is approved, the Company does not hold treasury shares either directly or through its subsidiaries, trust companies or intermediaries.

In consideration of the opportunity to renew the authorisation, for the reasons and under the terms set out below, we propose that you revoke the authorisation granted with the resolution of 19 April 2018 and, at the same time, approve a new authorisation to purchase and dispose of the Company’s ordinary shares under the following terms.

**5.1 Reasons for the requested authorisation to purchase and dispose of treasury shares.**

The Board of Directors has resolved to submit again to the Shareholders’ Meeting the request for authorisation to perform operations to purchase treasury shares - after revocation of the resolution passed by the Shareholders’ Meeting last year - and, under certain conditions, to dispose of said shares, though still in compliance with the equal treatment of Shareholders and with the legislation and regulations that are applicable, including EU Regulation No. 596/2014 of the European Parliament and Council of 16 April 2014 relating to market abuse (“**EU Reg. No. 596/2014**”) and related regulatory technical standards, as well as market practices permitted by Consob, for the following reasons:

a) it will be possible to proceed with investments in the Company’s shares, in the interests of the same and of all the Shareholders: (i) in relation to current market

situations to perform a support activity that improves the share's liquidity, promoting the regularity of trading, and (ii) when the stock exchange prices or the amount of available cash make this operation economically convenient;

b) if necessary, treasury shares may be used for transactions related to business or commercial projects or however in the interests of the Company and the De' Longhi Group, involving the opportunity to trade or transfer shareholdings or to use them as guarantee on the same;

c) if necessary, treasury shares (or options on the same) may also be purchased and/or sold and/or assigned in relation to remuneration plans based on financial instruments in accordance with Article 114-*bis* of the TUF, either in the form of (traditional) stock options or under plans that do not envisage the "real" allocation of the shares, such as for example, so-called "phantom stock options", to, among others, directors, employees, consultants of the Company or of the De' Longhi Group;

d) if necessary, treasury shares (or options on the same) may also be purchased and/or sold and/or assigned in relation to the issue of financial instruments that can be converted into shares;

e) if necessary, treasury shares (or options on the same) may also be purchased and/or sold and/or assigned in relation to programmes for Shareholder scrip issues.

## **5.2 Maximum number, class and nominal value of the shares to which the authorisation proposal relates.**

The authorisation which the Board requests from the Shareholders' Meeting concerns the purchase of the Company's shares to be carried out, also through a series of operations, until reaching a maximum quantity of 14,500,000 (fourteen million five hundred thousand) ordinary shares with a nominal value of €1.50 (one euro fifty cents) each, and therefore an amount not exceeding one fifth of the share capital - considering also any shares held by subsidiaries - and, in any case, within the limits of the distributable profits and available reserves according to the last approved financial statements. The authorisation requested includes the faculty to subsequently dispose of the shares in portfolio, without any time limit, one or more times, also before having reached the maximum quantity of shares that can be purchased, and to buy-back the same shares in compliance with the limits and conditions established by this authorisation.

## **5.3 Useful information for the evaluation of compliance with the provision as per Article 2357, paragraph 3 of the Civil Code.**

For the purposes of the evaluation of compliance with the limits as per Article 2357, paragraph 3 of the Civil Code, it is noted that the Issuer's share capital is currently €224,250,000.00, comprising 149,500,000 ordinary shares, and that, at the date of this Report, the Company does not hold treasury shares either directly or through subsidiaries.

The nominal value of the shares for which purchase authorisation is requested therefore does not exceed the above limit, also taking into account shares which may be bought by subsidiaries.

However, subsidiaries will be provided with specific instructions concerning the timely reporting of any share purchase operations in accordance with Articles 2359-*bis* et seq. of the Civil Code.

#### **5.4 Duration of the requested authorisation.**

The authorisation to purchase treasury shares is requested for a period of 18 (eighteen) months from the date the Shareholders' Meeting adopts the relative resolution.

The authorisation to dispose of treasury shares, also before reaching the purchase limit, is requested without time limit.

#### **5.5 Minimum and maximum payments and market valuations.**

##### Purchase of treasury shares

The purchase price of each treasury share must not be more than 15% (fifteen percent) below or 15% (fifteen percent) above the average of the official trading prices recorded by the Mercato Telematico Azionario on the three trading days before the purchase or the announcement of the operation, depending on the technical methods identified by the Board of Directors.

##### Disposal of treasury shares

As regards the subsequent disposal of the shares purchased, only the minimum price for sale to third parties is established, which must not entail negative economic effects on the Company, and in any case not below 95% (ninety-five percent) of the average official price recorded on the Mercato Telematico Azionario over the three days before the sale. This price limit may be waived for the exchange or sale of treasury shares (or their use as guarantee on the same) relating to the realisation of operations associated with industrial and/or commercial projects and/or however in the interests of the Company or the De' Longhi Group, and in the case of the allocation and/or sale of shares (or options on such shares) in relation to (i) remuneration plans based on

financial instruments pursuant to Art. 114-*bis* of the TUF (for, among others, directors, employees or consultants of the Company and of companies in the De' Longhi Group) and/or (ii) for the issue of other financial instruments that can be converted into shares and/or (iii) programmes for Shareholder scrip issues.

### **5.6 Methods through which the purchase and disposal of treasury shares will be carried out.**

The operations for purchasing treasury shares must be carried out in accordance with Art. 5 of EU Regulation No. 596/2014, Art. 132 of the TUF and Art. 144-*bis* of the Issuers' Regulation and with accepted market practices, and therefore, among others, (i) through public purchase offer or exchange, or (ii) on the market or possibly on multilateral trading systems, according to the operating methods established by the market management company, which do not allow the direct linking of purchase proposals with pre-established sales proposals, or (iii) through the purchase and sale, in accordance with applicable regulations, of derivative instruments traded on regulated markets or possibly on multilateral trading systems which provide for the physical delivery of the underlying shares, or (iv) through the allocation to Shareholders, in proportion to their shareholding, of a sales option to be exercised within 18 (eighteen) months from the date the Shareholders' Meeting adopted the corresponding resolution, or also (v) with the methods established by the market practices permitted by Consob pursuant to Art. 13 of EU Regulation No. 596/2014, and in any case in a way to ensure equal treatment of Shareholders and in compliance with all applicable regulations, including EU regulations (in particular, the regulatory technical standards adopted to implement EU Regulation No. 596/2014).

The purchase of treasury shares may take place through procedures that differ from those indicated above where permitted by and/or compatible with the regulations, including European regulations, in force at the time, taking into account the need, in any case, to respect the principle of equal treatment of Shareholders.

Purchases may take place on one or more occasions.

With regards to the disposal of the shares in question, this may take place, on one or more occasions, also before reaching the maximum quantity of shares that can be purchased. Disposal will take place through sale on the stock market, outside the market, or through exchange with investments or other assets or the establishment of guarantees as part of operations connected with industrial and/or commercial projects and/or however in the interests of the Company or the De' Longhi Group, in implementation of incentive programmes or in any case remuneration plans based on financial instruments pursuant to Art. 114-*bis* of the TUF (for, among others, directors, employees and consultants of the Company and of companies in the De' Longhi Group), for the issue of other financial instruments that can be converted into shares,



through programmes for Shareholder scrip issues and also through public exchange offers. Shares may also be disposed of also as part of other financial instruments.

The disposal of treasury shares may also take place through procedures that differ from those indicated above where permitted by the regulations applicable at the time of the operation.

### **5.7 Information on the utility of the purchase to reduce share capital.**

It should be noted that the abovementioned purchase of treasury shares does not constitute a reduction of the share capital.

§§§

The Shareholders' Meeting is therefore invited to adopt the following proposed resolution:

*“The Meeting of the Shareholders of De' Longhi S.p.A.:*

- *having regard to the resolution passed by the ordinary Shareholders' Meeting of De' Longhi S.p.A held on 19 April 2018, with regard to the authorisation to purchase and dispose of treasury shares;*
- *having noted the Report by the Board of Directors and the applicable laws and regulations;*

#### **RESOLVES**

*1) to revoke the Shareholders' Meeting resolution of 19 April 2018 authorising the purchase and disposal of treasury shares, since it has not been used;*

*2) to authorise the purchase and disposal of treasury shares for the purposes indicated in the Directors' Report under the following terms and conditions:*

- *without prejudice to the limits as per Article 2357 of the Civil Code, the purchase may be carried out on one or more occasions, until reaching a maximum quantity of 14,500,000 (fourteen million five hundred thousand) ordinary shares with a nominal value of €1.50 each, also considering the shares held by the Company and by its subsidiaries, and within the limits of distributable profits and available reserves according to the last approved financial statements;*

- the authorisation to purchase treasury shares is approved for a period of 18 (eighteen) months from today's date and therefore until 30 October 2020;

- the authorisation includes the faculty to subsequently dispose of the shares in portfolio, one or more times, also before having reached the maximum quantity of shares that can be purchased, and to buy back the same shares in compliance with the limits and conditions established by this authorisation;

- the purchase operations must be carried out in accordance with Art. 5 of EU Regulation No. 596/2014, Art. 132 of Legislative Decree No. 58 of 24 February 1998, Art. 144-bis of the Regulation adopted by Consob with Resolution No. 11971/99 and with accepted market practices, and therefore, among others, (i) through public purchase offer or exchange; (ii) on regulated markets or possibly on multilateral trading systems, according to the operating methods established by the market management company; (iii) through the purchase and sale, in accordance with the regulations in force at the time, of derivative instruments traded on regulated markets or possibly on multilateral trading systems which provide for the physical delivery of the underlying shares; (iv) through the allocation to Shareholders, in proportion to their shareholding, of a sales option to be exercised within 18 (eighteen) months from today's date; (v) with the methods established by the market practices permitted by Consob pursuant to Art. 13 of EU Regulation No. 596/2014; (vi) with other methods permitted by the regulations in force at the time; and in any case ensuring the equal treatment of Shareholders and compliance with all applicable regulations, including applicable EU regulations;

- the purchase price of each treasury share must not be more than 15% (fifteen percent) below or 15% (fifteen percent) above the average of the official trading prices recorded by the Mercato Telematico Azionario on the three trading days before the purchase or the announcement of the operation, depending on the technical methods identified by the Board of Directors;

- the sale price for third parties must not be lower than 95% (ninety-five percent) of the average official prices recorded on the Mercato Telematico Azionario over the three days before the sale. This price limit may be waived for the exchange or sale of treasury shares (or their use as guarantee on the same) relating to the realisation of operations associated with industrial and/or commercial projects and/or however in the interests of the Company or the Group, and in the case of the allocation and/or sale of shares (or options on such shares) in relation to remuneration plans based on financial instruments pursuant to Art. 114-bis of the TUF (for, among others, directors, employees or consultants of the Company and of companies in the De' Longhi Group) and/or for the issue of other financial instruments that can be converted into shares and/or programmes for scrip issues;

*- the authorisation to dispose of treasury shares, also before reaching the purchase limit, is given without time limit.”*

\*\*\*\*\*

Treviso, 14 March 2019

For the Board of Directors

The Chairman

Giuseppe de' Longhi