

Consolidated Non-Financial Statement

Introduction

Based on Legislative Decree n.254/2016, as amended, in implementation of the Directive 95/2014 or “Barnier Directive”, large public interest undertakings are required to publish a Non-Financial Statement (NFS) as of FY 2017. This statement must provide information about a series of topics which help to understand the company’s activities, performance, results and impact. More in detail, Legislative Decree 254 calls for non-financial reporting on topics relating to five areas: environmental protection, social responsibility, human resources, protection of human rights, as well as anti-corruption and fraud issues. A description of the main risks, generated and/or undertaken, the entity’s policies, the relative performance indicators, as well as the business and organizational models used must be provided. Paragraph 1073 of the Budget Law n.145/2018, which took effect as of 31 December 2018, also amended Legislative Decree 254 and in addition to disclosing the main risks, entities are also required to describing how the risks are managed.

In accordance with Decree 254, this document provides a description of the non-financial qualitative/quantitative performances of the De’ Longhi Group relative to a group of topics deemed material for the Group and its stakeholders.

Information on the material topics – scenario and risks, policies and objectives, organizational and business models, indicators – for each of the topics referred to in the Decree is provided in this report (for more information on the material topics and how they are defined please refer to the Note on Methodology).

Description of the business model

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

De’ Longhi S.p.A. (hereinafter also referred to as the “Company” or “Group”), listed on the screen based exchange (*Mercato Telematico Azionario* or MTA) managed by *Borsa Italiana*, is the holding company of a group of companies active in the manufacture and distribution of coffee making products, food preparation and cooking machines, air conditioners and heaters, as well as household cleaning devices. More in detail, the Group operates in international markets through 4 main brands (De’Longhi, Kenwood, Braun and Ariete) and regional commercial structures.

De’ Longhi’s sustainability path

The De’ Longhi Group embarked on a path which, beginning with the first Consolidated Non-Financial Statement published in 2017, resulted in greater awareness as to its non-financial impact and the desire to define sustainability goals for the future.

Toward this end, the Group sought to determine concrete steps, consistent with the business strategy, to lessen and improve its impact and generate long-term value for the company and its stakeholders.

In the first few months of 2019 the Control, Risk and Corporate Committee added sustainability to its area of expertise and changed the name to the **Control and Risks, Corporate Governance and Sustainability Committee** and became the corporate governance body, comprised of top management, responsible for defining the Groups strategy for sustainability. Lastly, during the year, “**Sustainability**

Ambassadors", charged with the task of implementing the strategy and following the guidelines, were selected. They report directly to the members of the Sustainability Steering Committee.

Thanks to the proactive and synergic collaboration of these groups, the Group has identified three "pillars" of sustainability, based on which the sustainability strategy is defined and future goals are identified. The three pillars are: "Valuing our people, the everyday makers", "Integrating sustainability in product design and innovation" and "Running sustainable supply chain and operations". For more information, please refer to the sustainability section found on De' Longhi's corporate website.

The value chain

The De'Longhi Group's work begins with research, development and design. These activities are shared across the Group and are carried out by the technical offices based on product line, together with the Marketing and Design Divisions. As a result of the recent reorganization completed by the Group in 2016, R&D now works transversely (namely by product line) and no more by brand only. In the Hong Kong branch, there is also a technical office responsible for research projects developed in partnership with local providers.

Once the solution to be launched on the market is defined, the semi-finished goods and raw materials are purchased. The De' Longhi Group's manufacturing and assembly are done at four plants located in Italy, Romania and China which cover more than 60% of sales and by a group of qualified partners or "Original Equipment Manufacturers" (hereinafter also referred to as "OEM").

Based on the Group's local for global approach, manufacture of products is plant specific. More in detail, the Nespresso Lattissima capsule machines and the De' Longhi brand fully automatic coffee machines, as well as the fully automatic built-in machines, are manufactured at the plant in Mignagola, Treviso, in Italy; in addition to fully automatic coffee machines and Nescafé Dolce Gusto capsule machines, the manufacture of Braun brand kitchen products is concentrated at the plant in Cluj, Romania. The manufacture of cooking and comfort products is done in the Chinese plant found in Zhongshan, while Kenwood brand food preparation appliances, De' Longhi brand cooking machines, Braun brand household products, and manual machines are manufactured at the Dongguan plant.

Once production is completed, the machines manufactured are tested: the main purpose of this activity, managed at each plant by a dedicated team, is to verify product safety. The quality controls are done based on specific audits which also include a specific process for verifying the quality of the OEM products.

Subsequently, the new products manufactured by the Group are delivered and stored at the sourcing center warehouses and logistics hubs. The finished products are, lastly, distributed through the Group's commercial network by providers of logistics services.

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

The Group's stakeholders

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

This mapping made it possible to identify 40 or so main stakeholders which were then grouped together based on the type of interests, needs and relationship with the Group.

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

Stakeholders	Communication channel	Main topics that emerged
Agents	Periodic meetings	Client management
Trade associations	Annual meetings, periodic meetings	Consumer rights, workers' rights, environmental performance
Shareholders	Corporate documents /Shareholders' meetings/ Events	Economic performance, business strategies
Call centers	Training	Knowledge of products, new products
Retail customers	Sales meetings	Innovation, product quality and safety, efficiency of the distribution network
Local communities and sponsorships	Periodic meetings	Sponsorships, social impact, contribution to the community
Consumers	Satisfaction questionnaires, test panels, Skype (technical assistance), advertising campaigns, culinary events, Youtube "How to" channel	Customer assistance, product safety and quality, product availability, feedback about ease of use and product satisfaction, privacy
Employees	Employee Engagement Survey, annual performance reviews, periodic meetings to share results, corporate intranet used to access Group information, Group house organ, new HRMS	Organizational clarity, improved management of resources by managers, appreciation of individual contributions to the company, improvement in internal communications and access to information
Suppliers	Contracts, qualifications and assessment, periodic meetings	Way in which supplier relationships are managed
Future generations/environment	-	Reduce emissions and fight climate change
Investors, financial analysts, media	Interviews, meetings, road shows, press conferences	Economic performance, new products/ services/organizational models, specific social initiatives
Nonprofit organizations	Sponsorships for specific initiatives	Raising of awareness about specific problems
Commercial partners	Sales meetings, audit	Product safety and quality, flexibility and adaptability to requests
E-commerce portals	Sales meetings	Innovation, product safety and quality, efficiency of the distribution network
Universities/research institutions/ laboratories	Dedicated meetings, partnerships on different research projects	Recruiting and retaining talents, recruiting support

Ethics and compliance

Scenario and risks

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

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

Business and organizational model

Compliance is overseen by the Legal and Internal Audit Divisions, the Group’s Officer Responsible for Preparing the Company’s Financial Report, as well as the Quality Division with respect to product and the qualifications/screening of suppliers (§Product quality and innovation).

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

The Group also continues to address risk assessment and management through the implementation of Enterprise Risk Management (ERM) under the supervision of Internal Audit and the Group’s Officer Responsible for Preparing the Company’s Financial Report. As part of this project, in 2019 a number of activities were carried out including interviews (about 40% more than in 2018) of local and international management in order to integrate the ERM matrix with the risks perceived in each area and, more generally, the country of operation. During the year preparations were made for the creation of a dynamic platform which will become operative in 2020, and which will allow all the selected people for the identification of risks in a timely and independent manner. The system will also allow for changes to be made to the risk map based on user profile in order to guarantee the utmost control and separation of roles.

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

The Group also ensures that, in addition to total transparency and compliance, **models of conduct** have been defined and implemented with a view to minimizing the risk of acts which are subject to sanctions under the law. In 2018 De’ Longhi implemented a project dedicated to analyzing the company’s operations in relation to: administrative responsibilities, compliance with privacy and antitrust measures, consumer protection in e-commerce, compliance with internal legal policies and anti-money laundering and anti-corruption laws.

Furthermore, in order to standardize the Governance policies across the Group, in 2018 “**Corporate Governance Guidelines**” were adopted which call for, among other things, the adoption of a Code of Ethics and define the different mandates based on spending power. The implementation of these guidelines was entrusted to the local heads of administration by way of an internal document which is easily accessed by all employees.

The Italian De’ Longhi Group companies also adopted an “**Organizational, Management and Control Model**” pursuant to and in accordance with Legislative Decree 231/2001, which calls for the appointment of a Supervisory Board to oversee the correct functioning and compliance with the Model. During the previous year, the Model was updated and amended, as was the entire system which aims to prevent the crimes contemplated under Legislative Decree 231. In 2019, the Group adopted an internal management system which automatically monitors the flow of information and the processes controlled by the system used to prevent the crimes indicated in Legislative Decree 231.

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

Policies and objectives

The De’ Longhi Group’s **Code of Ethics**, on 31 July 2018, defines the ethical standards that must be adhered to by employees and in the course of all the relationships between the company and third parties, which aspire to legality and transparency, fairness, integrity and professionalism, as well as protection of privacy.

As part of the **Anti-Fraud Program** defined based on the guidelines of the *Association of Certified Fraud Examiners* (ACFE), in 2019 the Group focused on the areas in need of improvement that emerged in past years, with regard particularly to Group merchandising promoters through a survey of cross-company purchasing practices.

In 2020 the Group will adopt an external platform dedicated to whistleblowing which was first tested in 2019.

Key figures

No violations of the anti-corruption laws were recorded in the three-year reporting period (2017-19.)

Information relating to persons apprised of the company policies and procedures, as well as the employees who received anti-corruption training in the three-year period 2017-2019, is shown below.

Category	Europe			APA ^{2*}			MEIA ³			De' Longhi Group		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Number of people with whom the company's anti-corruption procedure was shared												
Managers	52	93	56	33	26	31	-	5	4	85	124	91
White collars	159	424	229	164	220	259	-	23	26	323	667	514
Blue collars	4	3	-	59	282	1,768	-	3	-	63	288	1,768
Total employees	215	520	285	256	528	2,058	-	31	30	471	1,079	2,373
Commercial partners	1	2	1	4	7	8	-	-	-	5	9	8
Employees who received anti-corruption training												
Managers	43	19	51	7	5	6	-	5	-	50	29	57
White collars	119	174	209	57	103	76	-	23	-	176	300	285
Blue collars	2	1	-	3,439	5,416	5,280	-	3	-	3,441	5,420	5,280
Total employees	164	194	260	3,503	5,524	5,362	-	31	-	3,667	5,749	5,622

*The hours of training for new hires, which addresses business ethics and anti-corruption, are taken into consideration APA. The statistics are not available for offices located in Canada.

No legal complaints relating to anti-competitive, anti-trust and monopolistic practices were filed in the three-year period 2017-2019.

In 2018 and in 2019 no complaints relating to discrimination were filed. In 2017 a complaint was received at the UK branch alleging discrimination based on the sexual orientation of an employee. This complaint, which was unfounded, was 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 outcomes to be issued. If the employee is not satisfied with the outcome, another investigation will be made.

In 2018 one instance of child labor, found during an audit conducted by a client, at the OnShiu plant in China. More in detail, the under-age son of employees had submitted falsified documents in order to be hired. After further investigation, the minor and his parents were suspended and additional steps were taken to make sure all plant employees were hired legitimately. In light of this incident, various initiatives and verifications were instituted relating to the hiring process, agreed upon with local authorities, in order to prevent this from happening again. The steps taken proved effective as no complaints about Human Rights violations within the Group were reported in 2019.

² APA refers to the countries located in Asia, Pacific, Americas.

³ MEIA refers to the countries located in Middle East, India, Africa.

Human resources management

Scenario and risks

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

Values that stands with the Group's people, among all ambition, courage, passion, expertise, heritage, teamwork and mutual respect, daily encourage the employees to put in place sound and fair behavior and to behave with mutual trust, leveraging on the value of diversity, eliminating any form of discrimination. These principles drive the Group's ability to promote the professional growth of its people and a safe healthy workplace, in order to attract and retain talents and to guarantee, as a consequence, business continuity.

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

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

Business and organizational model

The Group management of human resources and related activities is assigned to a corporate Human Resources Management and Organization Division, which is coordinated by the Chief Corporate Services Officer; local supervision is carried out by dedicated HR structures in both the main geographical areas and the Group's more structured branches. These structures are involved in administrative aspects of employee relationships and, above all, in the management and development of internal resources, talent acquisition development and retention, internal communications, development of important initiatives tied to both employee engagement, as well as supervision of topics relating to health and safety in the workplace and organizational issues like relations with labor unions. In 2019, the corporate HR structure was re-evaluated and redesigned in order to ensure greater consistency with the recent organizational changes made by the Group. The new organizational structure calls for:

- the breakdown of managerial role in three macro-clusters focused the supervision of functional areas, as well as specific expertise:

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

The Group Human Resources Management and Organization Director is responsible for the supervision of the remaining commercial structures;

- the strengthening of the Group's corporate structure with regard to talent acquisition, Training and Development of Human Resources and internal communications, as well as the development and implementation of important projects fostering the full expression of the full potential and talent of the Group's human resources and their retention.

During the year more investments were made in initiatives and the increasing digitalization of important company processes linked to the management and development of human resources.

2019 marked the third edition of the engagement survey “*Your voice: to make a difference*” which measures the degree of the group employees’ satisfaction and employee engagement. Participation in the survey was higher than in the past, with about 91% of the white-collar staff and 85% of the blue collars, which testifies to the commitment and desire of the Group’s people to be involved in the growth and improvement of the company they belong to. The main areas of interest included “*Giving Something Back*” which received the best results and is the result of a number of initiatives underway which promote active involvement in the community surrounding De’ Longhi’s facilities.

As in the previous years, the digitalization of HR processes involved the deployment of the SAP management system, *SuccessFactors*, and the module relative to variable pay which was adopted by all the Group companies. The PULSE platform, active since 2018, allows Group employees to create personalized learning plans based on specific needs and access a catalogue of on-line courses available through e-learning. It was also possible to track the training carried out in 2019 in order to analyze results and identify training priorities.

The gradual expansion of the application *Concur*, used for the reporting travel expenses, to a growing number of Group companies is also underway.

The Human Resources Division also guides the global **performance assessment** process used to promote personal and professional growth, encouraging the use of a dedicated system (up to the middle management level) by all Group companies. The results of the performance assessment, based on dialogue between supervisors and staff members, makes it possible to assign an average score for each key competency and define training priorities, which are then managed locally. The Human Resources Division also provides coaching for key figures at the branches in Italy and worldwide, accurately mapping the profiles and adopting a continuous assessment approach. In 2018 a new MBO management system was also adopted, which monitors the variable compensation paid to employees of Group companies, with a view to also integrating the salary review process using methods which are more and more formalized and standardized across the Group. As mentioned already, this integration was supported by the SAP *SuccessFactors* system used by all Group companies.

With regard to overall improvement of work-life balance, as well as protection of worker safety and wellbeing, the Human Resources Division is assisted by people charged with monitoring compliance with health and safety regulations like, for example, the head and staff of the Prevention, Protection and Environment Department in Italy, China and Romania. These individuals are responsible for assessing risks related to the activities carried out by the Group employees and implementing any improvements needed with a particular focus to improving the ergonomics of the work stations in the plants and offices. The responsibilities and procedures relating to health and safety are defined based on an organizational model which is in line with the international OHSAS 18001 “*Occupational Health and Safety Assessment Series*” standards for the entire Group.

As in prior years, in 2019 the Group moved forward with several initiatives dedicated to the health and safety of its people: the activities focused mainly on improving the quality of the work environment by making several improvements at the production sites in order to increase the wellbeing of its employees. The human resources departments inside the plants and branches focused their work on the ergonomics of the work station, air conditioning systems in the areas dedicated to the loading/unloading of merchandise and air treatment devices in production areas where fumes are produced.

With regard specifically to the Italian plant, in 2019 new machines were purchased, designed specifically for De' Longhi, which automate a few production processes and noticeably reduce the physical exertion required. At the Mignagola plant innovative solutions were used which increase the efficiency of the resources reallocation process along the production lines and improve the ability to monitor risks at each work station. The idea is to gradually move forward with these projects in other Group plants in the future.

Any complaints received are managed locally by human resources and legal departments which may, in specific instances, also involve the Supervisory Board.

Policies and objectives

The Code of Ethics dedicates an entire section to the management of human resources which testifies to the increased focus on people, considered to be of primary importance to the Group's ability to achieve its objectives through the professional and personal contribution of its people as part of a relationship based on integrity, fairness and mutual trust. Particular attention is paid to the recruitment of personnel which should be done with a view to equal opportunities for all. The Code of Ethics also condemns undocumented working relationships, the use of child labor, any and all forms of forced labor and of undue advantage in the face of a state of need of workers. The Group also prohibits any form of discrimination in dealings with its employees and staff members, providing equal opportunities in employment and professional advancement.

With regard specifically to the health and safety of workers, the Code of Ethics also requires that each employee pay the utmost attention to carrying out his/her duties, adhering strictly to all of the safety and preventive measures in place, while also complying with all the instructions and directives on how to fulfill obligations relating to a safe and healthy workplace, as well as of prevention on workplace. A health and safety policy was formalized for the Mignagola plant in Treviso, Italy and in Cluj, Romania after having adopted an operating system which complies with the international standard, OHSAS 18001.

With a view to integrated management for all the companies of topics relating to human resources like for example, the compensation of the Board of Directors and the Executives with Strategic Responsibilities, the Group defined a formalized policy. Furthermore, consistent with the process of standardizing practices and policies across the Group, in 2019 a new Group MBO policy was adopted, which aims to further consolidate Group identity, through dedicated instruments.

In 2019 the Group continued with the activities tied to the engagement survey "Your Voice: to Make the Difference", conducted in the past and conducted again in 2019, through a plan of action defined based on the feedback received. During the year the Group also launched several global initiatives in order to promote corporate values and promote the creation of a more transversal network of Group company employees. These include, an initiative brought to life in 2019 involving different Group companies and employees of all levels: an escape room was created shaped by De' Longhi's 7 global values. This initiative, which was very well received with significant engagement, succeeded in promoting company values through games, also providing a change to share and promote ideas normally communicated through more traditional channels.

With regard to safety and health measures, in 2019 further investments were made to improve the ergonomics of the work stations at the plants in Italy, China and Romania. Along with structural changes, work will also continue on training and raising awareness relative to the protection of personal health and safety through traditional courses and innovative experiential initiatives like physical training and personalized consulting.

Key figures

The Group had 7,850 employees at 31 December 2019, a decrease of 7% compared to the prior year. Taking into account the average number of employees in 2019, the difference (-4%) is less significant compared to 2018. Women represent 49% of the De'Longhi Group's workforce. 93% of the employees have permanent contracts, slightly higher than in the prior year (90%).

Employees, by type of contract	Italy			Europe			APA			MEIA			De' Longhi Group		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Number of employees by contract type															
Permanent positions	1,469	1,551	1,577	3,203	3,270	3,084	2,692	2,712	2,551	67	62	61	7,431	7,595	7,273
women	554	602	611	1,781	1,860	1,765	1,225	1,270	1,209	27	23	25	3,587	3,755	3,612
men	915	949	966	1,422	1,410	1,319	1,467	1,442	1,342	40	39	36	3,844	3,840	3,661
Temporary positions	140	84	14	52	33	26	574	697	536	-	-	1	766	814	577
women	78	48	11	30	21	16	247	302	241	-	-	1	355	371	269
men	62	36	3	22	12	10	327	395	295	-	-	-	411	443	308
Total	1,609	1,635	1,591	3,255	3,303	3,110	3,266	3,409	3,087	67	62	62	8,197	8,409	7,850

Number of employees by contract type															
Full-time	1,493	1,519	1,472	3,167	3,220	3,028	3,248	3,397	3,074	67	62	61	7,975	8,198	7,635
women	520	537	506	1,736	1,811	1,715	1,456	1,562	1,438	27	23	25	3,739	3,933	3,686
men	973	982	966	1,431	1,409	1,313	1,792	1,835	1,636	40	39	36	4,236	4,265	3,949
Part-time	116	116	119	88	83	82	18	12	13	-	-	1	222	211	215
women	112	113	116	75	70	66	16	10	12	-	-	1	203	193	195
men	4	3	3	13	13	16	2	2	1	-	-	-	19	18	20
Total	1,609	1,635	1,591	3,255	3,303	3,110	3,266	3,409	3,087	67	62	62	8,197	8,409	7,850

Number of employees by gender															
Total women	632	650	622	1,811	1,881	1,781	1,472	1,572	1,450	27	23	26	3,942	4,126	3,879
Total men	977	985	969	1,444	1,422	1,329	1,794	1,837	1,637	40	39	36	4,255	4,283	3,971

During the year the Group availed itself of approximately 530 contract workers at the production plants.

Breakdown of the workforce		Unit of measure	De' Longhi Group 2018	De' Longhi Group 2019
Managers				
Men	< 30 years	%	-	-
	> 30 < 50 years	%	2.1%	1.7%
	> 50 years	%	1.0%	1.3%
Total men		%	3.1%	3.0%
Woman	< 30 years	%	-	0.1%
	>30 < 50 years	%	0.8%	0.7%
	> 50 years	%	0.1%	0.2%
Total women		%	0.9%	0.9%
TOTAL		%	4.2%	3.9%
White collars				
Men	< 30 years	%	2.4%	2.1%
	> 30 < 50 years	%	12.9%	13.3%
	> 50 years	%	3.1%	3.8%
Total men		%	18.4%	19.2%
Woman	< 30 years	%	2.9%	2.6%
	> 30 < 50 years	%	10.0%	10.8%
	> 50 years	%	1.6%	2.3%
Total women		%	14.5%	15.6%
TOTAL		%	32.9%	34.9%
Blue collars				
Men	< 30 years	%	8.9%	6.4%
	> 30 < 50 years	%	16.2%	15.8%
	> 50 years	%	4.4%	6.0%
Total men		%	29.5%	28.3%
Woman	< 30 years	%	7.3%	5.7%
	> 30 < 50 years	%	22.7%	21.9%
	> 50 years	%	3.6%	5.3%
Total women		%	33.6%	32.9%
TOTAL		%	63.1%	61.2%

Note: The same breakdown for 2017 is not available.

In 2019, the De'Longhi Group's BoD comprised 6 men and 4 women; of which 80% over the age of 50.

Composition of the Parent Company's BoD		Unit of measure	Italy		
			2017	2018	2019
Men	< 30 years	n	-	-	-
	> 30 < 50 years	n	1	1	1
	> 50 years	n	6	7	5
Total men		n	7	8	6
Women	< 30 years	n	-	-	-
	> 30 < 50 years	n	3	2	1
	> 50 years	n	1	2	3
Total women		n	4	4	4
TOTAL		n	11	12	10

The success of the De'Longhi Group's products lies with its people. In order to foster their knowledge and expertise, as well as ensure adequate training in terms of health and safety, in 2019 the De'Longhi Group provided an average of 20.6 hours of training to each employee (+ 13% compared to 2018) for a total of approximately 161,977 hours, about 6% higher than in the prior year.

Training	Unit of measure	De' Longhi Group		
		2017	2018	2019
Average hours per employee	h	16.3	18.2	20.6

Note: the statistics relating to training provided in 2017 are not available for the Czech Republic, USA, Scandinavia, Canada.

Training	Unit of measure	De' Longhi Group	
		2018	2019
Training by job level			
Average hours for managers	h	14.8	19.9
Average hours for blue collars	h	17.7	23.2
Average hours for white collars	h	18.6	19.2
Training by gender			
Average hours per women	h	13.3	18.1
Average hours per men	h	23.0	23.1

The Group's rate of injuries fell about 35%, coming in at 2.7 in 2019 versus 4.2 in 2018, due to the decrease in the number of injuries during the year. The gravity rate in 2019 was lower for both men and women, reaching 0.07 compared to 0.13 in 2018.

Types of Injuries and rate of injury		De' Longhi Group								
		2017			2018			2019		
		Men	Women	Group	Men	Women	Group	Men	Women	Group
Accidents	n.	67	31	98	59	31	90	42	22	64
<i>Of which related to commuting</i>	n.	4	7	11	5	5	10	5	10	15
Fatal accidents	n.	-	-	-	-	-	-	-	-	-
Rate of injury	-	6.3	2.8	4.6	5.3	2.9	4.2	3.8	1.4	2.7
Rate of occupational disease	-	0.1	0.3	0.2	-	0.3	0.2	-	0.4	0.2
Gravity rate	-	0.17	0.05	0.11	0.18	0.08	0.13	0.08	0.06	0.07
Absentee rate	%	1.6	2.5	2.0	2.3	3.9	3.0	1.7	3.7	2.7

Injuries and rate of injury – breakdown by geography		2018							
		Italy		Europe		APA		MEIA	
		Men	Women	Men	Women	Men	Women	Men	Women
Accidents	n.	19	11	8	11	31	9	1	-
<i>Of which related to commuting</i>	n.	5	5	-	-	-	-	-	-
Fatal accidents	n.	-	-	-	-	-	-	-	-
Rate of injury	-	8.3	6.0	3.3	3.6	5.1	1.8	26.2	-
Rate of occupational disease	-	-	2.0	-	0.3	-	-	-	-
Gravity rate	-	0.30	0.17	0.03	0.03	0.22	0.11	-	-
Absentee rate	%	2.8	3.9	4.8	7.5	0.6	0.4	0.3	0.3

Injuries and rate of injury – breakdown by geography		2019							
		Italy		Europe		APA		MEIA	
		Men	Women	Men	Women	Men	Women	Men	Women
Accidents	n.	12	7	12	8	18	7	-	-
<i>Of which related to commuting</i>	n.	3	4	1	5	1	1	-	-
Fatal accidents	n.	-	-	-	-	-	-	-	-
Rate of injury	-	5.3	3.1	4.7	1.0	3.0	1.3	-	-
Rate of occupational disease	-	-	2.1	-	0.3	-	-	-	-
Gravity rate	-	0.15	0.16	0.08	0.03	0.06	0.07	-	-
Absentee rate	%	3.0	4.0	3.7	7.4	0.1	0.3	0.6	0.6

Injuries and rate of injury of contract workers in production plants		Gruppo De' Longhi								
		2017			2018			2019		
		Men	Women	Group	Men	Women	Group	Men	Women	Group
Accidents	n.	5	1	6	3	1	4	4	1	5
<i>Of which related to commuting</i>	n.	-	-	-	-	-	-	2	1	3
Fatal accidents	n.	-	-	-	-	-	-	-	-	-
Rate of injury	-	2.0	0.4	1.2	0.9	0.3	0.6	0.6	-	0.3

Product quality and innovation

Scenario and risks

Top quality product is key to consumer confidence and the brands' reputation, as well as to ensuring business continuity and long-term profitability. Business continuity and, therefore, product quality are a function of compliance with safety regulations and adequate disclosure.

The Group operates in different realities worldwide, in a complex and heterogeneous regulatory environment, so the constant attention and full compliance with the standards applied in the different jurisdictions is imperative and must be monitored continuously; toward this end, based on De' Longhi's typical *local for global* approach, the products are to be developed in accordance with the most stringent standards applicable in the numerous countries where they are distributed. Some of the most well-known examples include EU Regulation n. 1907/2007 or REACH (*Registration, Evaluation, Authorization and Restrictions of Chemicals*) and the RoHS (*Restrictions of Hazardous Substances*) directive 2002/95/EC, both of which all Group's companies comply with even though the scope of application is strictly European.

Lastly, the Group assumes the manufacturers' responsibilities for damages caused by defective products. In these instances, the laws and regulations can be particularly severe in some jurisdictions, like the United States. For example, in 2018 adjustments were made to comply with US regulations relative to the comfort segment, specifically portable air conditioners, based on the *Department of Energy* (DOE)'s domestic *Appliance & Equipment Standards*.

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

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

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

Business and organizational model

The Quality Division, comprised of more than 500 people Group-wide, together with the Regulatory Affairs team, supervises all the legal aspects of the current laws and regulations relating to product safety, including food, defining guidelines and criterion for control at all companies

Compliance with the corporate provisions is assured thanks to 2 groups of teams: teams at plants dedicated to quality control of products made by the Group and suppliers of finished goods, as well as other teams responsible for quality control during the product development phase and when any feedback is received from the market. Paying careful attention to product quality beginning with the initial planning phases helps to keep any breakage or product malfunctions to a minimum.

Product quality is also monitored as part of the **ISO 9001** certified organizational model in place at the European plants and the Group's Chinese production facilities. In order to manage food safety, the Group adopted an organizational model based on the **Good Hygienic Practices (GHP)** and the ISO 22000 and ISO 1672-2 food safety standards which specify how to ensure hygienic and sanitary conditions for food and the products which it is in contact with. The 22000 standard is based on the HACCP principles and the *Codex Alimentarius* which makes it possible to identify and manage the possible risks, prevent incidents along the entire production chain and assess the compliance of products with laws and regulations. The organizational model was also developed in accordance with the **ISO 22005** product traceability standards and requirements in order to provide, for each component and finished product, information relating to the supplier and the client recipient of the product.

With a view to guaranteeing **electrical and food safety**, during the pre-production phase compliance with the highest electrical safety and food contact standards of all the De'Longhi Group products is certified by third parties. More in detail, once production has begun, the electrical safety of all products is tested while a sample group of products is tested periodically for food safety compliance. In order to ensure the quality of the finished products, the Quality Division also supervises the production quality of its suppliers through specific audits (§ Supply chain management).

Lastly, with regard to **product information**, the Regulatory Affairs team of the Quality Division assists Research and Development and Marketing with the creation of labels and booklets which comply with the regulations specific to each country. In order to comply with laws relating to product information and labeling, the country of origin and the presence of any refrigerants is reported for each appliance distributed by the Group. Instructions relating to how to safely use and dispose of the product at the end of its life cycle are also provided in the product manuals.

The Operations and Technology Division guides **innovation and product design** which is based on the search for maximum multi-functionality, ease of use, design, ergonomics, sophisticated materials, as well as silent, reliable, energy efficient (particularly for comfort) goods and developing technologies capable of facilitating and supporting healthy lifestyles. The De'Longhi Group also continues to invest in the research and development of durable products with components that are easy to take apart and clean.

The recent market trends, which drive noticeable product digitalization, caused the De'Longhi Group to develop innovative solutions tied to digital technology (the *Internet of Things*) and remote connectivity. The planning of new products is shared across the entire De'Longhi Group and is guided by specific NPD (*New Project Development*) procedures used by the technical departments, as well as Marketing and Design. The technical departments are comprised of more than 350 people located in offices in Italy, Germany, UK and at the Dongguan plant in China. These offices, together with the Quality Division's Regulatory team, develop solutions which comply with applicable laws. The Group's local for global approach calls for the development of products which comply with the most stringent standards applicable in the more than one hundred countries where the Group's solutions are distributed.

The development of innovative products is also promoted and supported by the commercial partnerships that Operations and Technology based on which the De'Longhi Group designs and manufactures a collection of coffee products, as well as with a few Italian and foreign universities which focus on product design and improving the user experience.

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

Policies and objectives

One of the Group's founding values is the importance of making excellent products, conceived and continually innovated through research in order to guarantee, in addition to other things, the safety and wellbeing of the consumer. In the Code of Ethics, the Group commits to guaranteeing that consumers and clients will be provided with high quality and the best service possible. More in detail, product design and production must take into account product efficiency and durability, as well as the maximum environmental compatibility.

The Group, finally, wants to be a reliable and safe partner for its clients and intends to develop its markets based on this principle, providing top-tier quality products and services.

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

Key figures

The qualitative efficiency of this process is assessed based on the *First Time Quality Indicator* (FTQ) which looks at the type of defects, functional or esthetic, linked to the single products. More in detail, the indicator expresses the number of perfect products as a percentage of total production. In the three-year period 2017–2019, the overall FTQ was stable confirming the Group's excellent performance. The *Service Call Rate* (SCR) measures the machines repaired in the first two years under warranty as a percentage of total yearly sales. The overall SCR in 2019 and the constant improvement over the three-year period confirm the De'Longhi Group's commitment to designing and producing high quality products.

In the two-year period 2018-2017 no instances of noncompliance relating to health and product safety were reported.

In 2019 there was only one instance of noncompliance with the European Directive 2014/35/EU, the "Low Tension Directive" which caused a not significant administrative penalty; following this instance, the Group has promptly put in place the internal procedures in order to solve the noncompliance issue. In 2018 one complaint of noncompliance was relating to the European directive mentioned above and labeling, while in 2019 two complaints of noncompliance with this directive were received. In 2018 a complaint was filed by the Customs Department in Hong Kong relating to the "Commercial Ordinance" and the labeling of a dehumidifier.

In 2019, as in the prior year, the Group continued with its investments plans and research and development in order to enhance its capacity for innovation (please refer to the section "Research and development – quality control" for more information).

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

Connected products

As in the past, in 2019 the Group continued to invest in the development of solutions which guarantee connectivity and ease-of-use through digital technologies like Wi-Fi and touch screens, given the potential these technologies have for increasing personalization, as well as preventing malfunctions and, consequently, improving efficiency and timely customer care.

More in detail, the study for the development of a line of coffee machines that can be connected via Wi-Fi as well as Bluetooth, already available for the De'Longhi fully automatic machines since 2015, was completed.

Connectivity and the development of new interfaces were also the focus of development in the comfort and food preparation segments. In addition to the *Apple Homekits* for heaters already available in Japan, in 2018 European distribution of a dehumidifier which can be connected via Wi-Fi was also begun.

Durable and detachable products

During the development phase, coffee machines are subject to numerous tests relating to the durability of components and finished products. More in detail, thousands of drinks are made under standard conditions in order to verify product reliability and durability. There are a few models like, for example, *Maestosa* and *La Specialista* for which different initiatives are underway focused on increasing durability and guaranteeing optimal performances. For example, in test phase *Maestosa* guarantees numerous cycles, testimony to the attention the Group pays to this aspect. Beginning in 2018 new initiatives focused on enhancing performance were also started, like the “double wall” coffee filter which makes it possible to disassemble and substitute part of the water filter mechanism - comprised of two walls – which otherwise would have to be replaced entirely if broken or punctured – or separate (and, therefore, substitute) the grinder of coffee machines with built-in grinders.

In 2019, as part of the initiative focused on the standardization of internal components of the Kenwood brand kitchen machines begun last year, progress was made in further improving the durability and efficiency of the electric motors. For the Kenwood Chef the types of whisks went from 13 to only 2, made out of stainless steel rather than plastic which both helps reparability and promotes the use of materials that are more resistant over time.

In the Home segment initiatives focused on improving durability were also begun, with regard, particularly, to irons through design solutions for the soleplates and the use of resins for filters in order to reduce scale formation, as well as power vacuum cleaners which are subject to EU regulation n. 666/2013.

In addition to the essential elements of quality and durability, the De'Longhi Group is also committed to the development of products that are increasingly easier to take apart in order to ensure the highest degree of reparability possible. Toward this end, the ability to easily disassemble fully automatic coffee machines and Braun brand handblenders, together with the “dishwasher safe” characteristic, help to reduce the water consumption associated with handwashing and the use of polluting cleaning products. As already noted in 2018, the fully automatic coffee machines are equipped with patented systems which facilitate washing with water, without having to use detergents and lubricants, while the milk system is cleaned using steam and hot water at the end of each use so that any remaining milk can be stored in the refrigerator and used again.

Energy efficient products

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

With regard to coffee, almost all fully automatic De'Longhi coffee machines are at least class A⁴, as are all the Lattissima and manual machines with electronic controls like the Dedicca machine. Also, beginning in 2018 the "Eco-mode" was also available already. This mode makes it possible to save energy during the warm-up phase of the fully automatic machines and also introduced a stand-by function for all product families which results in energy consumption that is lower than regulatory limits. In 2019 this mode was further improved to maintain the same level of performance.

Moreover, all the manual coffee machines, which typically consume more energy than the fully automatic machines, are equipped with a patented De' Longhi system that makes it possible to cut off the power supply or turn off automatically after a period of inactivity, resulting in energy savings.

As for Comfort, in accordance with EU regulation n. 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases, an initiative was begun in 2018 to substitute the refrigerant gas, which has high global warming potential, used in the refrigerant circuits of products for the European market with propane gas.

Healthy lifestyle products

The De' Longhi Group is able to promote healthy lifestyles, consistent with recent health trends and increasingly healthy eating habits. This has resulted in, for example, kitchen machines capable of maintaining the principle nutritional elements of food unchanged.

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

The quest for products that meet consumers' healthy food needs also drove the development of Kenwood brand products. Thanks to the Scrolling Technology, the Pure Juice line is able to reduce the overheating and oxidation of ingredients making it possible to extract juice from fruits and vegetables without compromising the nutritional properties. The developments in this sector were also possible thanks to the productive partnership entered into with the University of Reading which resulted in the Group financing nutritional research. A number of initiatives relating to health were already begun last year, including the Multifry fryers which cook food using hot air. This reduces the use of vegetable oils (and, therefore, fat), as well as the environmental impact of cooking oils related to the waste management.

As for comfort, during the year a "Certification Mark of Allergy Standard Ltd" dehumidifier "Asthma & Allergy Friendly™" was launched, as was a radiator and an air purifier which allow for uniform heating using air flows that was developed in partnership with Politecnico in Turin.

⁴ Beginning in 2009, the FEA (Swiss Association of the domestic appliances industry) in agreement with the Swiss authorities, introduced the energy label for espresso machines, which became mandatory in 2014 for all machines sold in the Swiss market. In this context, the De'Longhi Group has decided to extend the certification in accordance with the standard EN 60661/2014 "Methods for measuring the performance of domestic coffee machines" to all coffee machines, regardless of the distribution market. The energy label proposed in the Swiss agreement classifies espresso machines on the basis of their energy efficiency on a scale that goes from class D to A +++.

Consumer relations

Scenario and risks

In addition to the essential product quality, the loyalty of end consumers and the strengthening of the brands' reputation is fueled by different factors including: clear and honest communication before the purchase, protection of data, as well as service capable of understanding and quickly responding to the end consumers' needs as effectively as possible, before and after the purchase phase.

Other aspects related to the ability to respond to the needs of end consumers include compliance with laws governing consumer rights relating to, for example, minimum warranty periods, handling of the warrants when products are defective, recyclable elements and environmental friendliness.

Data protection is largely a function of obsolescence in telecommunications technologies and the way in which data is processed.

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

Business and organization model

Group and brand communication are managed by the corporate Marketing and Communication Division and the marketing offices of each brand. In order to reflect the increasingly integrated customer service provided both during the purchase phase and after the sale, in 2019, After Sales, which was already responsible for managing the before and after sales care, was renamed the Customer Care division. The contact center and the service centers continue to be an essential part of the new division which defines the standards to be used by the whole Group.

The contact center network – managed in outsourcing and in place at almost all of the Group's branches – manages the requests for assistance received from the end consumers, provides product information and continuous support need to for an optimal customer journey. The dedicated Customer Relation Management system monitors the activities in order to guarantee compliance with the best standards.

Consistent with prior years, the support service network is made of around 1,800 service centers, approximately 300 of which are in Italy, mainly outsourced, as well as 12,000 centers serviced by distribution partners. In order to ensure a high level of control of these activities, over the years the Group has internalized a series of repair activities, previously managed by third party suppliers in Germany, the UK, Switzerland, Benelux, and Japan. To date repair personnel, hired by the Group, amounts to more than 500 employees who work primarily in Italy.

In addition to sharing joint guidelines and standards, Customer Care constantly monitors the quality of the support service teams and contact centers through inspections, as well as the use of specific indicators, and periodically provides training. The training of employees and specialized external support service providers takes place during the year in classrooms, through web training and the e-learning platform, with a certification exam at the end. When new products are launched specialized training courses are also organized. In addition, together with Marketing, each year Customer Care offers a dedicated training course to contact center operators.

In 2019, a CRM management system (an extension of SAP) which allows for integrated and efficient management of consumer information was also used. This system covers consumers representing around 80% of the Group's sales, generates feedback and analyzes the information gathered. Lastly, the information provided by consumers is stored on Google Cloud Platform webservers. The security of this platform is guaranteed by Google's modern service technologies, as well as Google's commitment to compliance with data protection laws and the main international standards for information security (ISO 27001) and cloud services (ISO 27017 and ISO 27018).

Policies and objectives

The De' Longhi Group operates in accordance with the consumer codes developed in the different countries in which the products are distributed and is committed to improving access to support services in order to increase product life and improve the consumer experience. These aspects are not currently formalized in a specific policy, but the Group has given itself a series of targets which aim to increase the analysis and understanding of the consumer's most frequent requests with regard to product information, as well as after sales assistance, including through big data analysis systems.

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

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

Key figures

With regard to the processing and protection of data, in 2019 there was one instance of noncompliance involving a Group company in Germany due to a potential data breach which was resolved once the problem area was identified. In 2018 there was a loss of data which affected the information relative to three consumers. In 2017, no violations of laws governing privacy were reported.

Looking at the service provided to end consumers, in 2019 the average service period was less than 5 days for around 95% of the products. The quality of the repairs made by support services was monitored based on the *First Time Fix* (FTF) which measures the number of repaired products that did not need further repairs in the six months following completion of the initial repair as a percentage of total product repairs. In 2019 the FTF was above 95%, higher than in 2018, which indicates that almost all products received adequate, quality repairs.

Looking at the instances of noncompliance in marketing and communications, in 2019 there were two, resolved incidents, which did not result in fines, only a warning. In 2018 there were four complaints: two related to brand information and the remainder to promotional disclosures. In 2017 two complaints were received relating to promotional statements which caused the message to be changed or removed.

Supply chain management

Scenario and risks

Preventing and managing the risks associated with the supply chain is essential to ensuring the continuity of the Group's business. For the Group, the focus of supply chain management is on promoting the best practices for product quality, working conditions, human rights, health, safety and environmental responsibility.

The De' Longhi Group's manufacturing and assembly of finished products are done at four plants located in Italy, Romania and China which covers 60% of sales, and by a group of qualified partners or "Original Equipment Manufacturers" which develop, manufacture and distribute products (above all coffee machines). Failure by the Group to maintain or renew the agreements with these partners could impact the consolidated results and financial position.

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

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

Business and organizational model

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

Three offices are involved in monitoring and supporting the providers of finished products based on based on product category and proximity to production: the offices focused on coffee and irons are in Italy; motor-driven products are managed through the UK office; in Hong Kong, lastly, the focus is on comfort. This structure makes it possible to respond to the specific needs of the different markets effectively and quickly.

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

The Quality Division periodically audits and investigates the quality of the finished products and also conducts audits in order to ensure protection of human rights and compliance with the values and principles included in the Code of Ethics relating to labor practices and, beginning in 2019, the main environmental regulations. The social and environmental audits are done of the suppliers of the Chinese plants in accordance with the international standard SA 8000 (*Social Accountability*). More in detail, the audits (which relate to both initial screening and subsequent periodic monitoring, are normally carried out every two years) make it possible to investigate a multitude of different social aspects including, for example, freedom of association and collective bargaining, work hours, work conditions, health and safety, child labor, forced labor, discrimination and training of personnel.

Beginning in 2019, the Social Accountability audits also include specific environmental controls, including compliance with environmental regulations and the applicable standards (for example REACH, RoHS, etc.), management and disposal of waste and commitment to environmental protection.

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

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

1. Technical Factory Audit (TFA): measures the effectiveness of the processes and evaluates the results of tests relating to product life. This type of audit is conducted every year and focuses on both initial quality, as well as subsequent periodic monitoring of suppliers. As mentioned below, in 2019 the checklist for this type of audit included a section dedicated to environmental issues.

2. Quality Evaluation (QE): measures product quality based on statistical sampling of each single lot.

3. On Time Delivery (OTD): measures the delivery time of the supplier and, more specifically, the difference between the delivery date agreed upon and the actual one.

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

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

Lastly, with regard to logistics optimization, after the complete integration of the hub in the Netherlands and the system reorganization carried out in 2018, no significant changes were made in 2019. During the year logistics was, in fact, focused on stabilizing the existing organization and market related contingent needs.

Policies and objectives

While there is no formal Group policy, the Code of Ethics governs the relationships with suppliers which should be conducted in accordance with the law and applicable regulations, as well as the general principles defined in the Code. The selection process, furthermore, should be done based on an objective comparison of quality, price, execution and assistance while avoiding any and all forms of favoritism or discrimination. Throughout any relationship with the Group, the suppliers are also required to comply fully with the law and the Code. The Group suppliers must ensure that the working conditions of its employees do not violate basic human rights, comply with international agreements and current law. The supplier must provide any of its sub-contractors with a copy of the updated Code of Ethics.

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

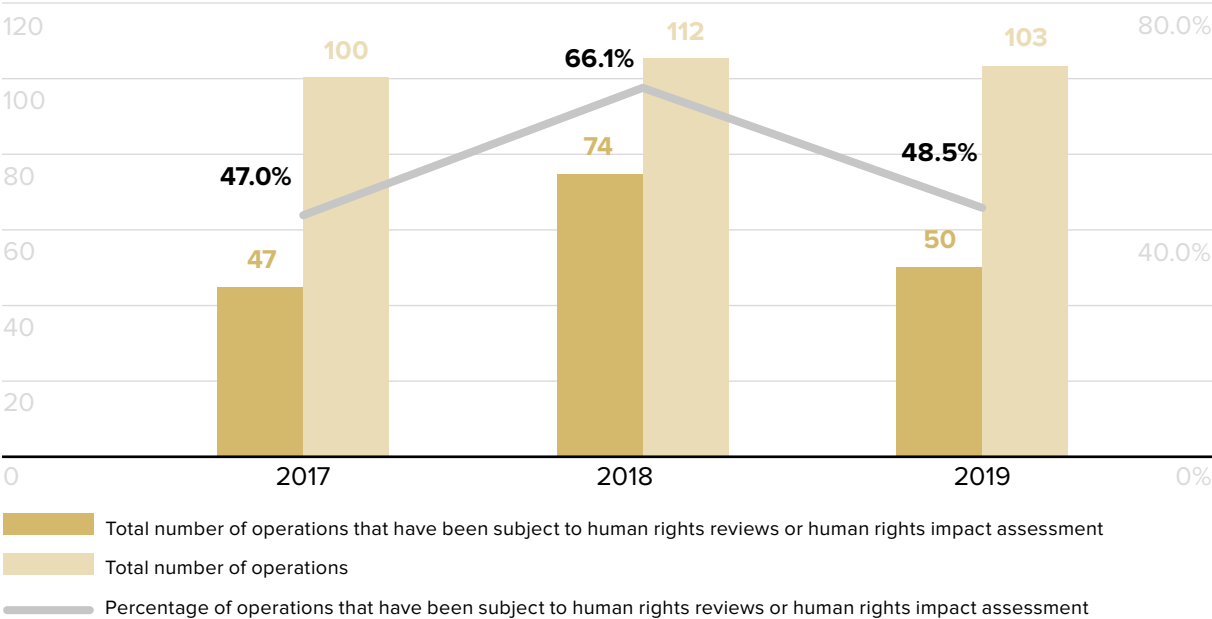
Supply Chain and Quality are committed to developing enduring relationships with suppliers in order to ensure quick responses to market and production needs. As for logistics, the Group intends to build a direct and simplified network favoring direct deliveries, consistent with the Group's expectations.

As mentioned above, in 2019 the Group formalized the social accountability and environmental audits of Chinese providers in a dedicated procedure.

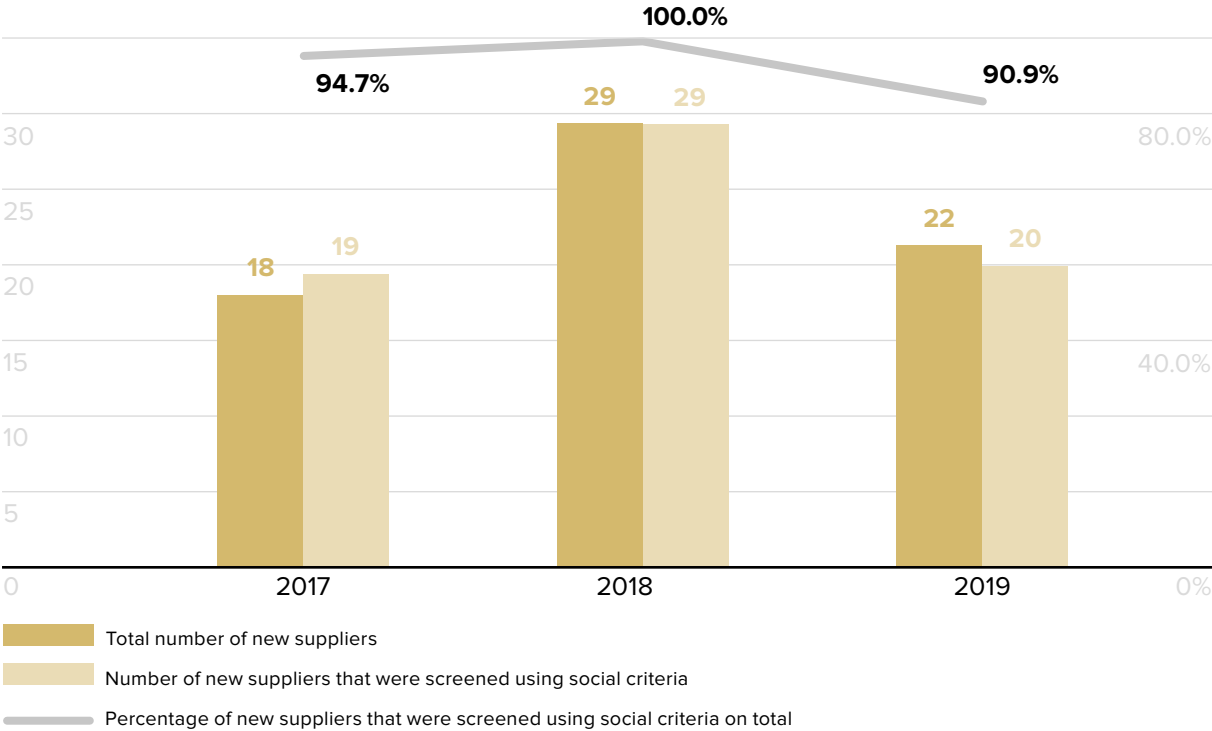
Key figures

In 2019, almost all the new suppliers of finished products were subject to a social accountability audit, in accordance with standard SA 8000 (90.9%). The difference with respect to 2018 (100%) is explained by the fact that only the quality audit of two suppliers had been completed at 31 December 2019, while the SCOC audit was completed at the beginning of 2020. To date none of SCOC (*Social Accountability Code of Conduct*) audits had a “zero tolerance” outcome and, therefore, resulted in the termination of the relationship with the supplier. With regard to environmental aspects, in 2019 environmental audits of 18 or 81.8% of the new suppliers of finished products were carried out; the difference between this future and the social accountability audits is attributable to the fact that environmental audits were begun in the second half of the year and, consequently, were fewer in absolute terms. In 2019 a total of 50 audits were carried out in order to verify that no human rights violations had occurred at 47 supplier plants and 3 Group plants, which covered almost half of the Group’s operations, (slightly less than in the prior year).

Number and percentage of Operations subject to human rights assessments



New suppliers of finished products subject to social accountability audits



Reducing environmental impact

Scenario and risks

In light of the evolving context subject to climate change, every day the De' Longhi Group pays constant attention to the proper management of its manufacturing processes.

Consistent with this constant change, environmental regulations are updated continuously and are, therefore, a factor which should not be underestimated in terms of business management and the impact they could have on the company.

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

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

Business and organizational model

At a Group level, the environmental aspects are managed by the Operations & Technology and Quality Divisions. More in detail, the ISO14001 certified environmental management system in place at the production facilities in Mignagola and Cluj make it possible to carry out environmental assessments of these plants and define the steps needed to reduce the environmental impact of the entire production chain. The Group's remaining production facilities strive to comply with the best practices for environmental management consistent with internal procedures and applicable regulations.

More in detail, at the Mignagola plant solar panels were installed which allow for the self-production of about 7% of the electricity consumed and reduce the environmental impact of manufacturing. In 2019 the replacement of lighting fixtures with LED systems at the Italian plants, and the one in Cluj, continued. At the same level of performance, these lighting systems allow for a significant reduction in energy consumption.

In an effort to save energy, an innovative heating system for the warehouses was installed at the Cluj plant which uses the heat generated in the plant's drying facilities which reduces the use of natural gas for traditional heating. Lastly, in 2019 further investments were made along the assembly lines to increase the energy efficiency of the machinery.

In China, where already in 2018 the plastic stamp machinery was renewed – preferring machinery fueled by electricity than traditional pneumatic ones, thus guaranteeing a reduction in consumption of electricity by 25%- during the year work was also done on further improving the energy efficiency of manufacturing assets and productivity.

During the year an energy saving plan was also implemented which, through the installation of specific meters, makes it possible to monitor the consumption of electricity and find the areas and functions which consume the most energy. Thanks to this initiative, it was possible to reduce the consumption of the different areas and define the steps needed to reduce energy consumption and improve energy efficiency at the Chinese facilities.

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

In 2019 projects involving the **recovery of production by products**, which favor a circular economy, were expanded. For example, at the Mignagola and Dongguan plants, in 2018 plastic scraps were reused in the manufacturing cycle which reduces initial raw material costs and the amount of waste to dispose of. The results of this activity were excellent and the initiative was also promoted at the plant in Cluj. The metal scrapes, rather, are resold as raw materials. Paper, cardboard and nylon scraps are sent to be regenerated.

In 2019 the Group continued with a few analyses with a view to efficiencies and **the reduction of packaging materials** which produced very satisfying results in both environmental and economic (the purchasing costs for these materials were lower) terms. In 2018, for example, initiatives focused on reducing the size of the cardboard boxes used for kitchen machines were launched which made it possible to reduce the size by around 8%. In 2019 work was done on finding ways to reduce the amount of plastic used in Braun brand handblenders.

The initiatives focused on more efficient packaging also involved internal logistics and the Group's operations. More in detail, at the Chinese plants and the one in Cluj, the goal is to reuse the plastic and cardboard packaging of the components delivered which are otherwise disposed of upon arrival. In Romania, the preference is to use repaired pallets, rather than purchase new ones, which in 2019 made it possible to save more than 5,500 wooden pallets.

Policies and objectives

The environmental policy, applied at the production facilities in Mignagola and Cluj and the Kenwood headquarters supports compliance with all current legislation and the commitment to the steady improvement of environmental performances, optimization in the consumption of resources and energy, the reduction or, if possible, elimination of any form of pollution, as well as the deployment of technologies and processes which minimize environmental risks.

A similar policy has yet to be formalized for the entire Group, although one of the founding principles of the Code of Ethics is the protection of the environment and public safety in accordance with specific legislation. Well aware of the impact of its activities on economic and social development, as well as general wellbeing, the Group strives to achieve a balance between economic initiatives and environmental needs, including with a view to future generations. This commitment ensures that the projects, processes, methods and materials are based on scientific research and development, as well as the best environmental practices, that respect the community, as well as prevent pollution and protect both the environment and the landscape.

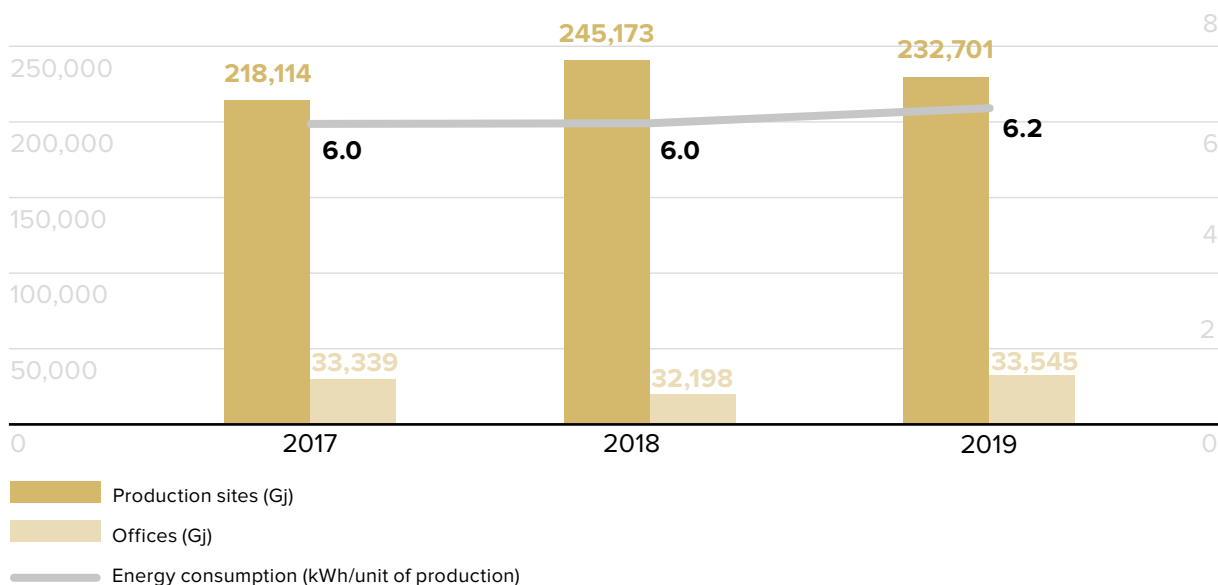
Key figures

In 2019, consumption dropped 7% with respect to the prior year (353,782 GJ in 2019 compared to 380,431 GJ in 2018). The amount of direct consumption for heating and transport, as well as indirect (electricity through district heating and cooling) was basically unchanged in the three-year reporting period.

Fuel consumption	um	Production facilities			Offices			De' Longhi Group		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
Direct energy consumption from non-renewable sources										
Gas	GJ	2,385	2,801	3,017	14,392	14,664	9,605	16,776	17,465	12,623
Diesel	GJ	6,121	6,885	6,170	23,598	23,374	22,847	29,719	30,259	29,112
Natural gas	GJ	39,846	45,230	36,298	4,281	5,498	5,145	44,126	50,728	41,443
LPG	GJ	585	523	568	113	133	-	698	657	568
Fuel oil	GJ	-	-	-	205	205	203	205	205	203
Total	GJ	48,936	55,440	46,053	42,588	43,875	37,801	91,524	99,314	83,949
Direct energy consumption from renewable sources										
Energy produced from renewable sources and consumed	GJ	3,811	3,709	3,548	45	37	39	3,856	3,746	3,587
Total direct energy consumption	GJ	52,747	59,148	49,601	42,633	43,911	37,840	95,381	103,060	87,536
Indirect energy consumption										
Electricity purchased	GJ	218,114	245,173	232,701	29,087	29,082	31,206	247,202	274,256	263,887
District heating	GJ	-	-	-	3,698	2,718	2,359	3,698	2,718	2,359
Cooling	GJ	-	-	-	554	398	-	554	398	-
Total indirect consumption	GJ	218,114	245,173	232,701	33,339	32,198	33,565	251,453	277,372	266,246
Total consumption	GJ	270,862	304,322	282,301	75,972	76,110	71,405	346,834	380,431	353,782

In the three-year period 2017- 2019, 12.3, 5.5 and 6.5 GJ of electricity produced from renewable sources were produced at the Group's sites, which were then transferred to the national grid. In 2018 the method used to measure the electricity consumed at the Campi Bisenzio offices was changed.

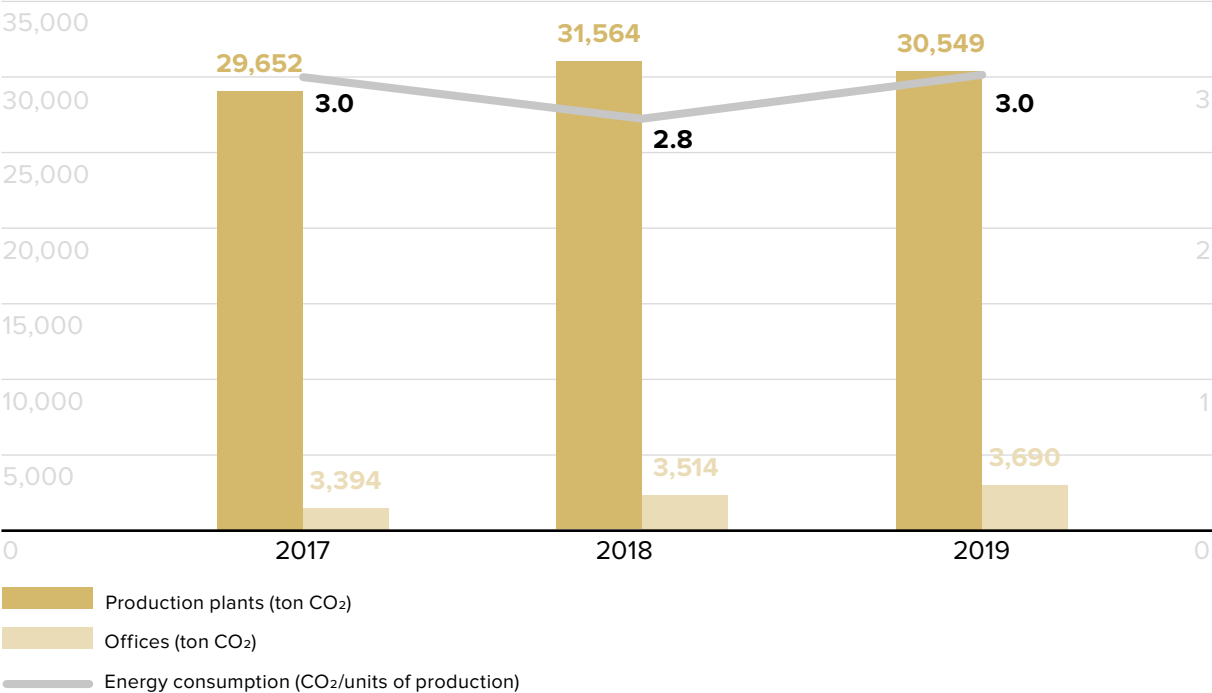
The indirect electricity consumption per unit of production rose slightly from 6.0 kWh in 2018 to 6.2 kWh in 2019 (about +3%).



In 2019 total CO₂ emissions reached 39,674 tons, a decrease of 4% against the 41,482 tons recorded in 2018 (based on CO₂ emissions calculated using the “Location Based” method). The amount of CO₂ emissions is explained primarily by the consumption of electricity (about 86% of the Group’s total CO₂ emissions).

Emissions [ton CO ₂]	Production facilities			Offices			De' Longhi Group		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Direct	2,891	3,276	2,743	3,054	3,127	2,689	5,944	6,403	5,439
Indirect – Location Based	29,652	31,564	30,549	3,394	3,514	3,692	33,045	35,078	34,240
Indirect – Market Based	32,833	36,057	33,852	4,301	4,322	4,616	37,134	40,379	38,465
TOT (Direct + Indirect – Location Based)	32,543	34,840	33,293	6,448	6,642	6,381	38,991	41,482	39,679
TOT (Direct + Indirect – Market Based)	35,724	39,333	36,596	7,355	7,449	7,305	43,079	46,783	43,905

The comparison of Scope 2 CO₂ emission per unit products shows a slight increase of 7% against the prior year, rising from 2.8 kg of CO₂ per unit produced in 2018 to 3.0 kg of CO₂ per unit produced in 2019.



Note on methodology

Reporting scope and standards used

In accordance with the Decree, the reporting scope corresponds with the scope of consolidation used in the consolidated financial statements, namely the continuing operations fully consolidated using the line-by-line method in the financial reports, unless provided otherwise. The information and figures used in this section refer to 2019.

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

Definition of the material topics

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

The De'Longhi Group carried out a materiality analysis in accordance with GRI 101 – Foundation and the disclosure standards GRI 102-46 and 102-47 in order to determine the material topics based on the economic, environmental and social impact of its businesses and their influence on the assessments and decisions of the Group's stakeholders that are focused on in the NFS 2019.

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

- analysis of sector sustainability trends: mapping of the main non-financial topics reported on by the Group's peers;
- analysis of the sector trends: mapping of the main non-financial topics deemed material for the retail sector based on the publications of a few international organizations such as, for example, GRI, RobecoSam, SASB, Dow Jones Sustainability Indexes;
- analysis of company priorities: through interviews of management and analysis of the main corporate documents such as, for example, the Code of Ethics, the Code of Conduct, the 231 Model.

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

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

Reconciliation of De’Longhi’s material topics with the GRI Standards⁵

Decree 254	Macro areas	Material topics	GRI standards	Topic-Specific GRI disclosure	Topic perimeter		Boundaries of the reporting perimeter	
					Internal	External	Internal	External
Fight against corruption	Ethics and compliance	Compliance	GRI 205 – Anti-corruption (2016)	GRI 205-2 (points b,c,e); GRI 205-3	Group	Commercial partners	-	-
			GRI 206 – Anti-competitive behavior (2016)	GRI 206-1	Group	-	-	-
Human resources management Human rights	Personnel management	Talent acquisition and retention	GRI 404 – Training and education (2016)	GRI 404-1	Group	-	-	-
			GRI 405 – Diversity and equal opportunities (2016)	GRI 405-1	Group	-	-	-
		Health and safety of workers	GRI 403 – Workplace health and safety (2016)	GRI 403-2	Group	Suppliers Contact Center	-	Reporting does not involve the Contact Centers
		Human rights	GRI 406 – Non-discrimination (2016)	GRI 406-1	Group	Suppliers	-	Reporting does not involve suppliers
		Product safety	GRI 416 – Customer health and safety (2016)	GRI 416-1	Group	OEM suppliers	-	-
Social aspects Environmental aspects	Quality and product innovation	Product labeling	GRI 417 – Marketing and product labeling (2016)	GRI 412-1; GRI 417-2; GRI 417-3	Group	OEM suppliers	-	-
		Product innovation	-	-	Group	-	-	-
		<i>Eco – friendly design</i>	-	-	Group	-	-	-
		Use of consumer data	GRI 418 – Customer privacy (2016)	GRI 418-1	Group	Contact Center	-	-
Social aspects	Consumer relations	Efficiency of network distribution	-	-	Group	-	-	-
		After sales services	-	[NON GRI INDICATOR] First time fix (FTF) indicator Average time of technical assistance	Group	Contact Center	-	-

Decree 254	Macro areas	Material topics	GRI standards	Topic-Specific GRI disclosure	Topic perimeter		Boundaries of the reporting perimeter	
					Internal	External	Internal	External
Social aspects Human rights	Supply chain management	Management supply chain risks	GRI 412 – Human rights assessments (2016)	GRI 412-1	Group	Suppliers	-	-
			GRI 414 – Supplier social assessment (2016)	GRI 414-1	Group	Suppliers	-	-
			GRI 308 – Supplier environmental assessment (2016)	GRI 308-1	Group	Suppliers	-	-
Environmental aspects	Reduction of environmental impact	Management of emissions and the fight against climate change	GRI 302 – Energy (2016)	GRI 302-1; GRI 302-3	Group	-	-	-
			GRI 305 - Emissions (2016)	GRI 305-1; GRI 305-2; GRI 305-4	Group	Suppliers, Contact Center	-	Reporting does not involve suppliers or Contact Centers

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

⁵ In addition to the 13 themes reported in the matrix, the following non-material issues were also analyzed: diversity of the Board, information security and patent protection, responsible taxation, local investments, creation of local jobs, waste management, welfare, training and development of soft skills, promotion of sustainable lifestyles, product recyclability and end-of-life management, product durability, packaging.

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

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

Legislative Decree 254	Main risks	Risk management tools
Fight against corruption	<ul style="list-style-type: none"> • Risks connected to administrative liability of legal entities, particularly with regard to Legislative Decree 231/2001 which introduced specific rules relating to liability for a few types of crimes to the Italian legal system • Risks tied to the Group's current or past commercial relationships with related parties • Reputational risk 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • Corporate Governance Guidelines • Procedure for Related Party Transactions
Human resources management Human rights	<ul style="list-style-type: none"> • Risks connected to human resources management, particularly with regard to the Group's ability to recruit, develop, motivate, retain and promote personnel with the attitudes, values, specialized professional and/or managerial skills needed to meet the Group's changing needs. • With regard to the Chinese platform, there are also a few risks related to high turnover of Chinese blue-collar workers • Risks tied to possible instances of discrimination 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • OHSAS 18001 compliant organizational model • Worker safety and health policy in place at European plants • Compensation policy for the BoD and executives with strategic responsibilities • Performance review process • MBO procedure • Employee surveys • For the Chinese plants: incentive schemes to foster staff retention, investment in training and the development of more qualified internal resources, improvements in living and working conditions inside the different plants
Social aspects Environmental aspects	<p>Product quality and innovation</p> <ul style="list-style-type: none"> • Risks connected to the De' Longhi Group's to continue with product innovation • Risks associated with patents and trademarks • Risks connected to product quality and liability for violations of the quality standards applied in the different jurisdictions where the Group • Risks connected with regulatory changes, relating in particular to environmental protection, especially the regulations relating to the safety and energy efficiency of electric household appliances, recyclability and environmental friendliness. 	<ul style="list-style-type: none"> • Group Code of Ethics • UNI EN ISO 9001:2015 certified Quality System • Food safety management model • Quality policy • NPD procedures • Quality audits • Constant monitoring of regulatory changes • Registration of product patents and trademarks

Legislative Decree 254	Main risks	Risk management tools
Social aspects	<p>Consumer relations</p> <ul style="list-style-type: none"> • Risks associated with warehouse size and the timeliness of deliveries; more in detail, in the event the Group doesn't have an adequate quantity of products it could run the risk of not being able to meet customer demand in a timely manner. Another risk stems from potential supply chain issues which could impact the adequacy of the service provided • Risks relating to IT systems: in relation to events which could compromise service continuity and integrity of the data 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Group's internal control and compliance system • GDPR policy (includes policy for the storage of data and procedure for the management of data breaches) • Training of employees in IT safety and privacy • Presence of structures dedicated to monitoring the level of customer satisfaction
Social aspects Human rights	<p>Supply chain management</p> <ul style="list-style-type: none"> • Risks connected to supplier relationships with regard, in particular, to reliable product quality, logistics and timely deliveries, as well as relationships with company employees • Risk of being dependent on a single supplier for certain types of components for strategic products 	<ul style="list-style-type: none"> • Group Code of Ethics • Model of organization, management and control pursuant to Legislative Decree 231/2001 • Procedure for Related Party Transactions • Social accountability audits
Environmental aspects	<ul style="list-style-type: none"> • Risks relating to environmental harm: the manufacturing done by the Group at its plants and facilities could harm third parties, cause accidents or environmental harm if serious breakdown or malfunctions were to occur 	<ul style="list-style-type: none"> • Group Code of Ethics • UNI EN ISO 14001:2015 certified environmental management system for the European plants • Group's internal control and compliance system • Environmental policy applicable also the production facilities in Mignagola and Cluj, as well as the Kenwood plant.

The reporting process and the methods of calculation used

The content used in the NFS 2019 was prepared by all the relevant company divisions and those responsible for the aspects referred to in the report.

The main methods of calculation used are listed below:

- **Injury rate** is the total number of injuries expressed as a percentage of the total number of labor hours multiplied by 1,000,000, excluding commuting accidents;
- **Severity rate** is the total number of work days lost due to injuries expressed as a percentage of the total number of labor hours multiplied by 1,000;
- **Lost day rate** is the number of working days lost due to injury as of the day following the injury;
- **Absentee rate** is the number of work days lost to absenteeism in the reporting period as a percentage of the total number of working days in the same period;
- the **first-time quality (FTQ) indicator** is the number of perfect products as a percentage of total production for the year;
- the **service call rate (SCR)** is the number of machines repaired in the first year under warranty as a percentage of total yearly sales. This indicator is calculated quarterly on a rolling 12-month basis;
- the **first-time fix (FTF) indicator** is the number of repaired products that did not need further repairs in the six months following completion of the initial repair as a percentage of total product repairs;
- **greenhouse gas emissions** are calculated based on the international standard ISO 14064-1. The only greenhouse gas considered was carbon monoxide (CO₂). The self-produced energy from renewable sources was excluded from the calculation of greenhouse gas emissions.

Emission factors used to calculate CO₂ emissions were determined as follows:

Direct emissions (Scope 1): the emissions linked to the consumption of natural gas, diesel heating fuel, gas, diesel fuel and LPG for the company cars was determined based on the emission factors reported in the table of national standards published by the Italian Ministry of the Environment, for the years 2017, 2018 and 2019.

Indirect emissions (Scope 2): indirect emissions are linked to the consumption of electricity and district heating; the emissions linked to electricity were calculated based on a location and market based approach. Location based emissions were calculated by taking into account, for each country, the factors referred to in the most recent version of Table 49 – Primary socio-economic and energy indicators published by Terna (Italian grid operator), in the International Comparison section, based on the most recent Enerdata data used to calculate Scope 2 emissions, version 2017 for 2019, 2016 version for 2018, 2015 version for 2017. In the event a country was not listed in the above table, we used the emission factor for the continent. When there were several branches in several countries, the highest of the emissions factors among these countries was used.

With regard to the market based emissions, when available, the residual mixes found in the “European Residual Mixes”, published by ABI for the years 2016-2018, were used. An average residual mix per NERC Region, calculated based on the residual mixes shown in the document Green-e Energy Residual Mix Emissions Rates, were used for America and Canada for the years 2017-2018. As for the countries for which no residual mix figures were available, location based emissions factors found in the above mentioned Terna table were used.

District heating emissions were calculated using the emissions factors found in the document “UK Government GHG Conversion Factors for Company Reporting” published by the Department for Environment Food & Rural Affairs (DEFRA) table for the three-year period 2017-2018-2019.