

Consolidated Non-Financial Statement 2020

Introduction

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

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

In accordance with Decree 254, the Consolidated Non-Financial Statement 2020 provides a description of the non-financial qualitative/quantitative performances of the De’ Longhi Group relative to a group of topics deemed material for the Group and its stakeholders.

Information on the material topics is included in this report: scenario and risks, policies and objectives, organizational and business models, performance indicators (for more information on the material topics and how they are defined please refer to the Note on Methodology).

Description of the business model

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

De’ Longhi S.p.A. (hereinafter also referred to as the “Company” or “Group”), listed on the screen based exchange (Mercato Telematico Azionario or MTA) managed by Borsa Italiana, is the holding company of a group of companies active in the manufacture and distribution of coffee making products, food preparation and cooking machines, air conditioners and heaters, as well as home care products.

More in detail, the Group operates in international markets through 4 main brands (De’Longhi, Kenwood, Braun and Ariete) and regional commercial structures.

At the end of December 2020, the product range was increased thanks to the acquisition of Capital Brands Holding Inc., an american company active in the personal blenders segment with the Nutribullet and Magic Bullet brands.

The impact of Covid-19 and management by the Group

2020 was undoubtedly characterized by the very unstable global market conditions caused by the economic and health crisis (still underway at the beginning of 2021), which influenced the way the Group's activities were managed.

In this uncertain environment, the De' Longhi Group always had two priorities; on the one hand, maximum protection of its people and, on the other, business continuity. With regard to the former, the experience acquired at the beginning of 2020 managing the pandemic at the Chinese plants, the first ones forced to face and implement preventive measures, as well as manage Covid-19, proved very useful; these measures, applied subsequently in the Group's other branches, allowed De'Longhi to react quickly to an unprecedented global scenario. The mandatory use of PPE, temperature readings, the installation of hand sanitizer dispensers and the sanitization of the workplace, social distancing, a continuous communication and surveillance, restrictions on travels and on access to the Group sites by external personnel, were a few of the measures introduced in both the offices and the production facilities. With regard to the latter, other steps were taken which will be described in other sections of this Report. When possible, work was done remotely.

All of these measures aimed at guaranteeing the safety and health of the employees created the foundation needed to guarantee the continuity of the Group's operations which, overall, did not experience significant shutdowns. The brief national lockdowns in a few European countries (including Italy) were offset by the lack of shutdowns in other parts of the world. The ability to react quickly to the difficulties allowed the Group to respond to the growing market demand, resulting in double-digit growth in revenues and confirming the Group's leadership in the core markets and product segments. In light of the results, at the end of the year the Group's people were awarded a special bonus in recognition of their commitment and dedication.

The Group also supported the community and donated €3.1 million to the anti-Covid 19 measures. Approximately €2 million of this amount was given to the Veneto Region in order to support its efforts, as well as the front-line structures dedicated to battling the coronavirus, and around €1 million went to the Ca' Foncello Hospital in Treviso.

The Group succeeded in reacting to this unprecedented year with agility, demonstrating that it has a resilient business model, capable of protecting the health and safety of its people, as well as guaranteeing business continuity: testimony to all of this is the limited number of cases recorded by the Group's personnel during the year, as well as the manufacturing and sales results achieved worldwide.

De' Longhi's sustainability path

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.

Beginning in 2019 the Control, Risk and Corporate Governance Committee added sustainability to its area of responsibility and changed the name to the **Control, Risk, Corporate Governance and Sustainability Committee**, the **Sustainability Steering Committee**, a corporate governance body comprised of top management, reports to this Committee. The Steering Committee is responsible for defining the Group's strategy for sustainability and provides guidance in this regard.

In 2019 "**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. The result of this activity and the point of departure for future steps was the definition of three "pillars" of sustainability, based on which the sustainability strategy is defined. 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 product design. These activities are shared across the Group and are carried out by the technical offices based on product line, together with the Marketing and Design Divisions, R&D works transversely (namely by product line) and not only by brand. In the Hong Kong branch, there is also a technical office responsible for research projects developed in partnership with local providers.

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. In 2020 the Group acquired a fifth production facility in Salonta, Romania. The Group also counts on qualified partners, selected based on their quality, namely the "Original Equipment Manufacturers" (hereinafter also referred to as "OEM").

Based on the Group's local for global approach, manufacture of products is plant specific.

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

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

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

The Group's stakeholders

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, shaped by the Group's Code of Ethics, in order to foster the ability to make informed decisions. The main topics related to business activities that emerged through the 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, Contact centers (voice channels, e-mails, chats and social media), 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 ethics and compliance risks, as well as the relative risk management, please refer to the section “Risk factors for the De’ Longhi Group”, specifically paragraphs 18 (Compliance and corporate reporting risks) and 19 (Related parties).

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

Business and organizational model

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 Financial Reporting Officer and the Control, Risk, Corporate Governance and Sustainability Committee.

The Group, as in the past, 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 Financial Reporting Officer. As part of this project, in 2020 a number of activities were carried out in order to integrate the ERM matrix with the risks perceived in each area by local and international management, and, more generally, the country of operation. In 2020 work also continued on the creation of a dynamic Risk Management platform which will be used by the Group's legal entities. A roll-out plan has been finalized and approved for the platform which is scheduled to begin early 2021. This platform will allow the personnel involved to identify the risks in a timely and independent manner, under the strict supervision of Internal Audit and the Group's Officer Responsible for preparing the Company's Financial Report, as well as make changes to the risk map based on the user profile in order to guarantee the utmost control and separation of roles. The new risk platform was also integrated directly with SAP Success Factor for organizational purposes. A specific e-learning module was also created so that all individuals subject to assessments receive adequate training in advance.

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

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

Lastly, 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 which was last updated and revised in 2018. 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**, updated on 31 July 2018, defines the ethical standards that must be adhered to by employees and in the course of all the relationships between the company and third parties, which aspire to legality, transparency, fairness, integrity and professionalism, as well as protection of privacy. In 2020 the training relating to the Code of Ethics and 231 Model slowed due to the spread of the pandemic, but during the year short induction sessions were held with new hires who received these documents. Currently, a project which would call for all Group employees to provide signed confirmation of having received and read the Code of Ethics is being considered.

As part of the **Anti-Fraud Program** defined based on the guidelines of the Association of Certified Fraud Examiners (ACFE), in 2019 the Group was already focusing 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 most important news in this regard is the adoption of an external platform dedicated to whistleblowing which was first tested in 2019. This platform was finalized and is officially operative. Each employee, supplier and customer may use it to send a report. In order to protect the identity of the whistleblower, the source of all the information provided remains anonymous; in order to do this, a domain outside the company systems was created which sends the encrypted information directly to the Whistleblowing Committee, a body comprising four Group members charged with analyzing and carrying out any further investigations of the reports received. When the Whistleblowing system was implemented and published on the Group's Corporate website¹, the CEO notified all the employees. No significant reports have been received to date.

The other activities carried out in 2020 include the work done by the Supervisory Board relating to the implementation of health checks and the definition of a master policy on data protection prepared by the Legal Division.

¹ Use the following link to view De' Longhi's Whistleblowing page on the website: <https://www.delonghigroup.com/it/governance/whistleblowing>

Key figures

No violations of the anti-corruption laws were recorded in the three-year reporting period (2018-20.)

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 2018-2020, is shown below.

Category	Europe*			APA ^{2**}			MEIA ³			De' Longhi Group		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Number of people with whom the company's anti-corruption procedure and policies were shared												
Managers	93	56	187	26	31	75	5	4	8	124	91	270
White collars	424	229	1,805	220	259	821	23	26	51	667	514	2,677
Blue collars	3	-	4,034	282	1,768	3,819	3	-	-	288	1,768	7,853
Total employees	520	285	6,026	528	2,058	4,715	31	30	59	1,079	2,373	10,800
Commercial partners	2	1	-	7	8	-	-	-	-	9	8	-
Employees who received anti-corruption training												
Managers	19	51	35	5	6	8	5	-	-	29	57	43
White collars	174	209	282	103	76	26	23	-	-	300	285	308
Blue collars	1	-	-	5,416	5,280	7,560	3	-	-	5,420	5,280	7,560
Total employees	194	260	317	5,524	5,362	7,594	31	-	-	5,749	5,622	7,911

*The figures for Italy are included in Europe.

** The hours of training for new hires, which addresses business ethics and anti-corruption, are taken into consideration for APA. The statistics for the two-year period 2018-2019 are not available for offices located in Canada.

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

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

In 2020 the Board of Directors did not receive any anti-corruption training or information about policies and procedures in this regard.

No legal complaints relating to anti-competitive, anti-trust and monopolistic practices were filed in the three-year period 2018-20.

As in the two-year period 2018-19, no complaints relating to discrimination were filed in 2020.

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 or in 2020.

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

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**.

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

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

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

Business and organizational model

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

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

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

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

An important Talent Acquisition and Employer Branding initiative introduced in 2019 became fully operational in 2020 which allowed the Group to structure a more integrated recruiting process. A number of initiatives were developed in association with the employer branding strategy focused on increasing the recognition of the Group globally: these include updating the *People and Careers* section of the corporate website and the introduction of a new corporate, global LinkedIn page which substituted the previous pages dedicated to single countries. Toward this end, projects were developed in partnership with Italy's best universities, like Milano's Politecnico and Bocconi University, designed to increase research and training, as well as attract the best talents.

In 2020 the results of the third engagement survey "**Your voice: to make a difference**" carried out in 2019 to gauge the Group's level of employee satisfaction and engagement were shared with all De' Longhi Group employees. Participation in the survey was high with about 91% of the white collars and 85% of the blue collars and the level of engagement was found to be slightly higher than in the prior edition. The key factors that showed the most growth included "Giving Something Back", "My Team" and "Wellbeing", fueled by a number of initiatives offered related to these fields.

In 2020 more work was done on the digitalization of HR processes which, already in 2019, had resulted in the implementation of a variable pay module within the SAP management system SuccessFactors. The PULSE platform, active since 2018, also allows Group employees to create personalized learning plans based on specific needs and access a catalogue of on-line courses available through e-learning: this mode of learning proved particularly vital during a year in which in-person training was largely interrupted.

A digital version of the program weMake, launched in 2019 which was supposed to be rolled out in 2020, was also designed in order to move forward despite the prolonged closure of office spaces. In the latter part of 2020, in person activities, focused specifically on topics related to workplace health and safety, gradually recovered in Italy.

The Human Resources Division also guides the **global performance appraisal process** used to promote personal and professional growth (up to the middle management level), through the use of a dedicated system aimed at facilitating an open and constructive dialogue between the supervisor and the subordinate. The results of the performance assessment make it possible to assign an average score for each key competency and define training priorities, which are then managed locally. In the second half of the 2020, this process was redesigned and will become operative in 2021 when it will be managed using the SuccessFactors system. Similar to 2019, in 2020 the MBO management system was also used in order to monitor the variable compensation of Group employees which is expected to be updated in 2021.

The unprecedented events in 2020 drove the Group to introduce important internal global communication initiatives aimed, specifically, at keeping people up-to-date on the status of the pandemic and the company's decisions which included the "*Stay Safe, Stay Active, Stay Together*" campaign and the activation of a psychological support desk made available to all employees (initially in Italy and then in the other branches worldwide).

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 including with a view to improving the ergonomics of the work stations in the plants and offices. The responsibilities and procedures relating to health and safety are defined 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 2019 during the renovation of the headquarter in Treviso, initiatives relating to the comfort of the workstations, focused on ergonomics, continued with the introduction of a new adjustable desk concept. Investments in the automation of the production lines continued at the Mignagola plant, which reduce the employees' use of force.

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

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

The protection of health and safety in the workplace was crucial in 2020, and was more complex given the need to also guarantee business continuity. The presence of plants and offices in China, where the pandemic spread before it did in the rest of the world, allowed the Group to implement and test protective measures that were adopted in the other Countries in which it operates, often before the local governments.

With regard to the white collar workers, the biggest challenge was the migration of almost all office functions to remote working which meant that laptops had to be found quickly in order to allow people to work from the safety of their own homes for the 100% of the working time during lockdown periods and partially during the rest of the year. At the same time, a policy for this type of work during the months of the health crisis was implemented; remote working was activated globally based on the type of job held and continued for several months; even now, in most of the Group's offices remote working is alternated with on-site working.

As for the production facilities, the Chinese, Italian and Romanian plants experienced a brief shutdown as a result of national lockdowns and local restrictions. All the plants underwent a profound reorganization, with the installation of plexiglass dividers to separate workstations, the mandatory use of PPE (masks and, where mandatory, gloves), the installation of hand sanitizer dispensers, the institution (in agreement with the labor unions) of double shifts which ensured a greater staggering of presences during the day and the reorganization of the cafeteria, all of which was coupled with the need to guarantee operational continuity. If during the initial phases of the emergency, temperatures were taken by Group staff members, in the second phase automatic termoscanners were installed at the Italian sites and tools for rapid 3rd generation COVID tests were acquired in order to test employees. The tests were carried out by specialized personnel targeting symptomatic cases and people in contact with individuals who had tested positive. This made it possible to drastically reduce the time needed to verify infection, limiting the risk of exposure inside the plants and the offices. In 2020 there were no outbreaks inside the plants or the offices, testimony to the fact that the measures implemented by the Group were effective. The only exceptions, with limited transmission, occurred in France and in Romania.

In light of the unprecedented year that just closed and the excellent results achieved, all the employees were awarded a special bonus, which amounted to €9.5 million, in recognition of how much the Group appreciated their work and professionalism during such a complicated period.

With regard, again, to the protection of health and safety, in 2020 further investments were made in improving the comfort and ergonomics of all the offices in Italy, China and Romania. The spread of the pandemic also resulted in increased cleaning and sanitization activities (including the installation of hydrogen peroxide nebulizers in the Italian facilities).

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. Particular attention is paid to the recruitment of personnel which should be done with a view to equal opportunities for all through the professional and personal contribution of its people as part of a relationship based on integrity, fairness and mutual trust. The Code of Ethics also condemns undocumented working relationships, the use of child labor and any and all forms of forced labor and to take advantages of any workers need. The Group also prohibits any form of discrimination in dealings with its employees and partners, 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 relating to a safe and healthy workplace. A health and safety policy was formalized for the Mignagola plant in Treviso, Italy and in Cluj and Salonta, Romania after having adopted an operating system which complies with the international standard, OHSAS 18001.

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

Furthermore, consistent with the process of standardizing processes across the Group, in 2019 a new Group MBO policy was adopted, which aims to further consolidate Group identity through dedicated measures. This policy, as mentioned above, will be revised in 2021.

Lastly, a policy for remote working, which will govern how the work of white-collars is to be carried out post-Covid, is being drafted and should be finalized in 2021.

Key figures

The Group had 9,378 employees at 31 December 2020, an increase of 19% compared to the prior year. This change is explained by several factors, including the opening of the new plant in Salonta, Romania and the fact that recruiting resumed in the second half of the year. If you consider the average number of employees in 2020, the difference with respect to 2019 is less pronounced. Women represent 52% of the De'Longhi Group's workforce. 92% of the employees have permanent contracts, slightly lower than in the prior year (93%).

Employees, by type of contract	Italy			Europe			APA			MEIA			De' Longhi Group		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Number of employees by contract type															
Permanent positions	1,551	1,577	1,651	3,270	3,084	4,284	2,712	2,551	2,621	62	61	51	7,595	7,273	8,607
women	602	611	646	1,860	1,765	2,617	1,270	1,209	1,250	23	25	22	3,755	3,612	4,535
men	949	966	1,005	1,410	1,319	1,667	1,442	1,342	1,371	39	36	29	3,840	3,661	4,072
Temporary positions	84	14	34	33	26	131	697	536	605	-	1	1	814	577	771
women	48	11	17	21	16	76	302	241	273	-	1	1	371	269	367
men	36	3	17	12	10	55	395	295	332	-	-	-	443	308	404
Total	1,635	1,591	1,685	3,303	3,110	4,415	3,409	3,087	3,226	62	62	52	8,409	7,850	9,378

Number of employees by contract type															
Full-time	1,519	1,472	1,567	3,220	3,028	4,302	3,397	3,074	3,214	62	61	51	8,198	7,635	9,134
women	537	506	549	1,811	1,715	2,601	1,562	1,438	1,512	23	25	22	3,933	3,686	4,684
men	982	966	1,018	1,409	1,313	1,701	1,835	1,636	1,702	39	36	29	4,265	3,949	4,450
Part-time	116	119	118	83	82	113	12	13	12	-	1	1	211	215	244
women	113	116	114	70	66	92	10	12	11	-	1	1	193	195	218
men	3	3	4	13	16	21	2	1	1	-	-	-	18	20	26
Total	1,635	1,591	1,685	3,303	3,110	4,415	3,409	3,087	3,226	62	62	52	8,409	7,850	9,378

Number of employees by gender															
Total women	650	622	663	1,881	1,781	2,693	1,572	1,450	1,523	23	26	23	4,126	3,879	4,902
Total men	985	969	1,022	1,422	1,329	1,722	1,837	1,637	1,703	39	36	29	4,283	3,971	4,476

During the year the Group availed itself of approximately 1,523 contract workers at the production plants.

Breakdown of the workforce		Unit of measure	De' Longhi Group 2018	De' Longhi Group 2019	De' Longhi Group 2020
Manager					
Men	< 30 years	%	-	-	-
	> 30 < 50 years	%	2.1%	1.7%	1.4%
	> 50 years	%	1.0%	1.3%	1.1%
Total men		%	3.1%	3.0%	2.5%
Women	< 30 years	%	-	0.1%	-
	> 30 < 50 years	%	0.8%	0.7%	0.5%
	> 50 years	%	0.1%	0.2%	0.1%
Total women		%	0.9%	0.9%	0.7%
TOTAL		%	4.2%	3.9%	3.2%
White collars					
Men	< 30 years	%	2.4%	2.1%	1.5%
	> 30 < 50 years	%	12.9%	13.3%	10.8%
	> 50 years	%	3.1%	3.8%	3.4%
Total men		%	18.4%	19.2%	15.8%
Women	< 30 years	%	2.9%	2.6%	2.1%
	> 30 < 50 years	%	10.0%	10.8%	9.1%
	> 50 years	%	1.6%	2.3%	2.1%
Total women		%	14.5%	15.6%	13.2%
TOTAL		%	32.9%	34.9%	29.0%
Blue collars					
Men	< 30 years	%	8.9%	6.4%	7.4%
	> 30 < 50 years	%	16.2%	15.8%	15.5%
	> 50 years	%	4.4%	6.0%	6.5%
Total men		%	29.5%	28.3%	29.5%
Women	< 30 years	%	7.3%	5.7%	7.3%
	> 30 < 50 years	%	22.7%	21.9%	23.7%
	> 50 years	%	3.6%	5.3%	7.4%
Total women		%	33.6%	32.9%	38.4%
TOTAL		%	63.1%	61.2%	67.8%

In 2020, the De'Longhi Group's BoD comprised 8 men and 4 women, of which around 83% over the age of 50.

Composition of the Parent Company's BoD		Unit of measure	Italy		
			2018	2019	2020
Men	< 30 years	n	-	-	-
	> 30 < 50 years	n	1	1	1
	> 50 years	n	7	5	7
Total men		n	8	6	8
Women	< 30 years	n	-	-	-
	> 30 < 50 years	n	2	1	1
	> 50 years	n	2	3	3
Total women		n	4	4	4
TOTAL		n	12	10	12

The success of the De'Longhi Group's products lies with its people. In order to foster their knowledge and expertise, as well as ensure adequate training in terms of health and safety, in 2020 the De'Longhi Group provided an average of 23.7 hours of training to each employee (+ 15% compared to 2019) for a total of approximately 221,847 hours, about 36% higher than in the prior year. This increase is explained by the fact that for a few weeks it wasn't possible to provide in-class training because of the pandemic, so all employees were offered training online through an e-learning platform.

Training	Unit of measure	De' Longhi Group		
		2018	2019	2020
Average hours per employee	h	18.2	20.6	23.7

Training	Unit of measure	De' Longhi Group		
		2018	2019	2020
Training by job level				
Average hours for managers	h	14.8	19.9	15.2
Average hours for blue collars	h	17.7	23.2	10.3
Average hours for white collars	h	18.6	19.2	29.8
Training by gender				
Average hours for women	h	13.3	18.1	25.9
Average hours for men	h	23.0	23.1	21.2

With regard to health and safety, the Group recorded a total of 50 injuries over a total of more than 20 million hours worked. These include, 4 injuries sustained in transit, using means organized by the company, and 16 while commuting using the employee's own means.

The Group's rate of injuries fell noticeably, coming in at 2.5 in 2020 versus 3.5 in 2019.

Injuries and rate of injury by geographic area		Italy			Europe			APA			MEIA		
		2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Total hours worked	h.000	2,702	2,657	2,527	5,457	5,218	6,256	11,006	10,255	11,125	51	116	109
Injuries	n.	20	12	10	19	28	6	40	23	34	1	-	-
<i>In transit using means organized by the Group</i>	n.	-	-	-	-	15	4	-	2	-	-	-	-
Serious injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Fatal injuries	n.	-	-	-	-	-	-	-	-	-	-	-	-
Occupational disease	n.	2	2	4	1	1	-	-	-	-	-	-	-
Accident rate	-	7.4	4.5	4.0	3.5	5.4	1.0	3.6	2.2	3.1	19.5	-	-
Rate of serious accidents	-	-	-	-	-	-	-	-	-	-	-	-	-
Rate of mortality	-	-	-	-	-	-	-	-	-	-	-	-	-
Rate of occupational disease	-	0.7	0.8	1.6	0.2	0.2	-	-	-	-	-	-	-

Group injuries and accident rates		De' Longhi Group		
		2018	2019	2020
Total hours worked	h.000	19,216	18,246	20,017
Accidents	n.	80	63	50
<i>In transit using means organized by the Group</i>	n.	-	17	4
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
Occupational disease	n.	3	3	4
Accident rate	-	4.2	3.5	2.5
Rate of serious accidents	-	-	-	-
Rate of mortality	-	-	-	-
Rate of occupational disease	-	0.2	0.2	0.2

Accidents and accident rates for contract workers at the production facilities		De' Longhi Group		
		2018	2019	2020
Total hours worked	h.000	2,234	1,377	2,644
Accidents	n.	4	2	4
<i>In transit using means organized by the Group</i>	n.	-	-	-
Serious accidents	n.	-	-	-
Fatal accidents	n.	-	-	-
Accident rate	-	1.8	1.5	1.5
Rate of serious accidents	-	-	-	-
Rate of mortality	-	-	-	-

Product quality and innovation

Scenario and risks

In order to maintain consumer confidence and the brands' reputation in all of its markets the De' Longhi Group works constantly to guarantee the highest product quality. This is key to ensuring long-term profitability and business continuity. In a year severely impacted by the Covid-19 pandemic, business continuity was also a function of compliance with safety regulations and product disclosure. As the Group works in different realities worldwide, it must continuously address a complex and varied regulatory environment which requires that particular attention be paid to compliance with the product quality standards applied in the different jurisdictions. Toward this end, based on the local for global approach adopted by the De'Longhi Group, the products are to be developed in accordance with the most stringent standards applicable in the numerous countries where they are distributed. Examples include EU Regulation n. 1907/2007 or REACH (Registration, Evaluation, Authorization and Restrictions of Chemicals) and the RoHS (Restrictions of Hazardous Substances) directive 2002/95/EC, both of which the Group's companies comply with even though the scope of application is strictly European.

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

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

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

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

Business and organizational model

Through its Regulatory Affairs team, the Quality Division, comprised of more than 500 people Group-wide, supervises all the legal aspects of the current laws and regulations relating to product and food safety, 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 and food safety 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 charged with developing well designed products that are easy to use, multifunctional and with a distinctive design. The designs should combine several elements, like the use of recycled materials, in order to provide ergonomic, silent, reliable, energy efficient products, made to last over time, based on technologies that encourage healthy food patterns. Moreover, the Group has always invested in the research and development of long lasting products, with easy to disassemble and clean components.

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

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

More in general, the guidelines for new product development are shared by the entire De’Longhi Group based on specific NPD (New Project Development) procedures monitored by both 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 in which the Group’s solutions are distributed.

The development of innovative products is also promoted and supported by the commercial partnerships developed by the Operations and Technology Division based on which the De’Longhi Group designs and manufactures a collection of coffee products, as well as with a few Italian and foreign universities which focus on product design and improving the user experience. Toward this end, despite the obvious limitations imposed by the unprecedented year that just ended, in 2020 the Group held an innovation management conference at LIUC - Cattaneo University and was awarded a prize by the University of Padua as recognition for open innovation partnerships.

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

Policies and objectives

One of the Group’s founding values is 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, approved by the BoD in 2018, the Group commits to guaranteeing that consumers and clients will be provided with high quality. More in detail, product design and production must take into account product efficiency and durability, as well as the maximum environmental compatibility. The Group wants to be a reliable and safe partner for its clients and intends to develop its markets based on this principle, providing top-tier quality products and services.

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

Key figures

The 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 2018–2020, the overall FTQ was stable confirming the Group's excellent performance. A second indicator, used to monitor product quality is the Service Call Rate (SCR) which measures the machines repaired in the first two years under warranty as a percentage of total yearly sales. The overall decrease of SCR in 2020 and the constant improvement over the three-year period confirm the De'Longhi Group's commitment to designing and producing high quality products.

In 2020 (as was the case in 2018) no significant instances of noncompliance relating to health and product safety were reported. In 2019 there was an instance of noncompliance with the European Directive 2014/35/EU, the "Low Tension Directive" that resulted in an administrative sanction that was, however, not significant.

In 2020 in Italy there was one instance of noncompliance relating to product information and labeling stemming from an Ariete brand product that did not include the name and address of the manufacturer in the label. There were two instances of noncompliance in 2019 and only one in 2018 (relating in both instances to the above-mentioned European directive). 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 2020, as in prior years, the Group continued with its investments plans and research and development in order to enhance its capacity for innovation (please refer to the section "Research and development – quality control" for more information).

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

Connected products

As in prior years, in 2020 the Group continued to invest in the development of solutions which guarantee connectivity and ease-of-use through digital technologies like Wi-Fi, Bluetooth and touch screens. Every year, these technologies make it possible to improve product personalization, as well as prevent malfunctions and, consequently, improve efficiency and customer care.

More in detail, in 2020 distribution of Primadonna Soul began. This is the first fully automatic machine that can be connected via Wi-Fi and managed through an application on the user's smartphone, similarly to a line of portable air conditioners that can be adjusted remotely thanks to Bluetooth technology.

Already in 2018, several food preparation and comfort product lines featured innovative user interfaces and connectivity including a series of Apple HomeKit products for heaters distributed in Japan, as well as a dehumidifier which can be connected via Wi-Fi that is sold in Europe.

Durable and detachable products

During the development phase, coffee machines are subject to numerous tests relating to the durability of components and the finished products. More in detail, thousands of drinks are made under standard conditions in order to verify product reliability and durability. There are a few models like, for example, *la Maestosa* and *La Specialista* for which different initiatives are underway focused on further increasing durability which, already today, is optimal. For example, in 2020 a project focused on modifying the frame of the *La Specialista* coffee machine was begun with a view to making it easier to repair and substitute parts; generally, the ability to repair all of the Nespresso brand machines is already monitored during the design phase. Similar projects were also launched for the Kenwood brand kitchen machines as part of a larger project to standardize internal parts and drastically reduce the use of new parts in favor of simpler and more effective repairs, as well as simplify a few key product parts and increase the interchangeability of parts across different models. Similarly, in 2019 the number of whisks included in the *Kenwood Chef* sets was lowered from 13 to just 2, which helps repairability and promotes the use of materials that are more resistant over time.

In addition to quality and durability, it is clear that one of the De'Longhi Group's objectives is to make products that are easier to repair, by rendering them not only simple to take apart, but also by increasing the ability to interchange parts across products from the same family.

As already noted in previous years, the fully automatic coffee machines are equipped with patented systems which facilitate washing with water, without having to use detergents and lubricants, while the milk system is cleaned using steam and hot water at the end of each use so that any remaining milk can be stored in the refrigerator and used again.

Energy efficient products

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

With regard to coffee, in 2020, as was the case in 2019, 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 *Dedica* machine. The most important news of 2020 is the fact that Nespresso platform machines were also rated A+ thanks to a decrease in the use of aluminum which made it possible to make a lighter, more energy efficient boiler. Also, as of 2018 all the fully automatic machines are also available in "Eco-mode" which makes it possible to save energy during the warm-up phase of the fully automatic machines; this function, along with the stand-by function available for all product families, guarantees energy consumption that is lower than regulatory limits. In addition to what was already done in 2019, in 2020 further improvements were made to these functions while maintaining 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 2020 the migration of the whole range of European portable air conditioners to refrigerant propane gas was completed and stabilized. This refrigerant has significant environmental advantages as it is a natural gas which has a lower impact on global warming. This activity was the continuation of what was done already beginning in 2018 to substitute the refrigerant gas, which has high global warming potential, used in the refrigerant circuits of products for the European market with propane gas in accordance with EU regulation n. 517/2014 of the European Parliament and of the Council of 16 April 2014 on fluorinated greenhouse gases.

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 +++.

Healthy lifestyle products

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

All the De'Longhi brand coffee machines, fully automatic and manual, meet these needs perfectly; thanks to the electronically controlled boiler temperature these machines maintain the brewing temperature within the limits recommended in international sector standards. 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 two particularly important projects: a coffee machine that can make drinks using vegetable milk in order to meet consumers' new food needs and a structured "vibro-chemical" system which allows for an even flow of ground coffee which provides optimal flavor and aroma.

The 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 at the beginning of the three-year reporting period, including the Multifry fryers which cook food using hot air. This reduces the use of vegetable oils (and, therefore, fat) and the environmental impact related to the disposal of the cooking oils used.

Consumer relations

Scenario and risks

The De' Longhi Group's brand reputation is based on the loyalty of end consumers and the key requisite of quality products. Both of these aspects are managed and addressed in different ways which go from clear and honest communication before the purchase to post-sales assistance capable of understanding and quickly responding to the end consumers' needs, particularly with regard to the protection of the customer's information. 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

The De' Longhi Group's external communication is 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 for an optimal customer journey.

Due to the Covid-19 epidemic and its implications for mobility and access to the workplace, with temporary closings of offices and the subsequent reorganization in order to comply with health regulations, 2020 was a challenging year for the contact centers which recorded a noticeable increase in the number of calls from consumers (sometimes 100% higher than in previous years). In light of this situation, during the year outsourcing of contact center personnel increased, as did the internal personnel dedicated to the pick and packing initiative.

In 2020, a CRM management system (an extension of SAP) which allows for integrated and efficient management of consumer information was used again. This system covers consumers representing around 80% of the Group's sales, generates feedback and analyzes the information gathered. This system was renewed in this reporting period; an important customer care and customer simplicity initiative was, in fact, completed in 2020, which today makes it possible for the CRM to provide an integrated pre- and post-sales service and a new cloud customer communication system.

During the year, VoC management (Voice of Customer) tools were also used through Wonderflow, a software which collects structured feedback from the websites of the main retailers selling the Group's products, in 14 countries worldwide, and makes it possible for the reviews to be unified with the clients' direct feedback collected using the internal CRM. The use of this tool, based on Big Data Analysis, allowed for further improvement in listening strength; the function also provides "actionable feedback" on hundreds of thousands of communications relative to the Group's different product categories.

2020 also fueled new challenges for technical assistance services, comprised of approximately 1,800 service centers worldwide (of which 300 in Italy), the majority of which in outsourcing: as a result of the Covid-19 pandemic many of these centers were, in fact, closed temporarily (with the exception of Germany, where work continued uninterrupted) and operations were limited which caused an increase in the average response time, due also to the noticeable increase in the Group's sales in the same period. Despite this, the system demonstrated great resilience, relying on the German hub without ever interrupting the repair service, leveraging once again on its flexibility and ability to adapt to changing circumstances.

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. In 2020 scheduled inspections were interrupted by the months of national lockdown, to then resume as soon as it was feasible. The training in classrooms of employees and specialized external support service providers was effectively substituted by e-learning and online training through a platform which was updated and modified in order to increase speed, access and reliability.

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

In accordance with the consumer codes developed in the different countries of operation, the De' Longhi Group is constantly striving to improve the services and customer support services provided. While a specific policy has yet to be formalized, the Group has given itself a series of targets which aim to improve its analysis and understanding of the consumers' most common requests, paying particular attention to product information, as well as after sales assistance. In addition to big data analysis and the business intelligence already carried out in prior years, 2020 ended with an important project focused on analyzing customer feedback: the new internal data driven platform, in fact, allows for intuitive text analytics, text mining, sentiment analysis and rating breakdown, analyzing the online channels of the main retailers in Europe and worldwide, while also gathering information about Group products and the competition's products. In this way, the Group can investigate different competitive aspects, reaching a deep level of detail.

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

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

Key figures

With regard to the processing and protection of data, there were no instance of noncompliance in 2020. In 2019 there was one instance of noncompliance involving a Group company in Germany due to a potential data breach. The authorities were informed of the issue immediately, in accordance with the law, and the issue was resolved. In 2018 there was a loss of data which affected the information relative to three consumers.

Looking at the service provided to end consumers, as mentioned above the average service time in 2020 was higher than in previous years, after falling consistently through 2019, due to the spread of the Covid-19 pandemic. 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 2020 the FTF was unchanged with respect to 2019, coming in at 95%; also because this indicator is not linked to the speed of repairs and, therefore, was not impacted by COVID, which indicates that almost all products received adequate, quality repairs.

Looking at the instances of noncompliance in marketing and communications, in 2020 no instances were reported, while 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, particularly during a year like the one that just ended. The Group encourages its suppliers to adhere to the best practices for product quality, working conditions, human rights, health, safety and environmental responsibility.

The De'Longhi Group's value chain comprises five plants located in Italy, Romania and China where the manufacturing and assembly of finished products is done. This activity covers 60% of sales and supported by a group of qualified partners or "Original Equipment Manufacturers" which develop, manufacture and distribute products (above all coffee machines).

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

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

Business and organizational model

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

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

Management of the materials for components (quantity and logistics) needed for production in Europe is entrusted to two teams of the Supply Chain Division, one in Italy and one in Romania. Management of materials 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 make it possible to investigate a multitude of different social aspects including, for example, freedom of association and collective bargaining, work hours, work conditions, health and safety, child labor, forced labor, discrimination and training of personnel; the audits are typically carried out every two years. In addition to the social accountability audits already carried out, as of 2020 environmental audits are also performed. Environmental criteria were, therefore, added to the checklist of the Social Accountability audits which include: verification that the supplier has a system in line with the ISO 14001 standard, that identifies the supplier's best practices with regard, in particular, to issues like emissions, and waste management. In this way, every time a supplier is subject to a social accountability audit, an environmental audit will also be carried out.

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

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

1. Technical Factory Audit (TFA): measures the effectiveness of the 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 the checklist for this type of audit included a section dedicated to environmental issues.

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

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

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

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

Policies and objectives

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

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

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

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

Actions taken to ensure continuity

In 2020 there was an acceleration in e-commerce activities, focused on delivery to the client, while skipping the transfer to the retailer's warehouse. In this way, the Group aims to further improve the efficiency of its deliveries by reducing the number of steps, which will also be beneficial in terms of environmental impact. In 2020 maintaining continuity in supply chain management was the top priority in the wake of the different measures implemented by national governments which limited mobility and, in a few instances, closed borders. Despite all of this, there were only a few slowdowns in distribution, which was almost never interrupted, thanks to the creation of a task force charged with planning the activities during the crisis and finding alternative sources for materials and parts.

The supplier audits were interrupted during the peak months of the crisis and each supplier was responsible for the inspection of finished products based on the checklists used for this type of self-assessment.

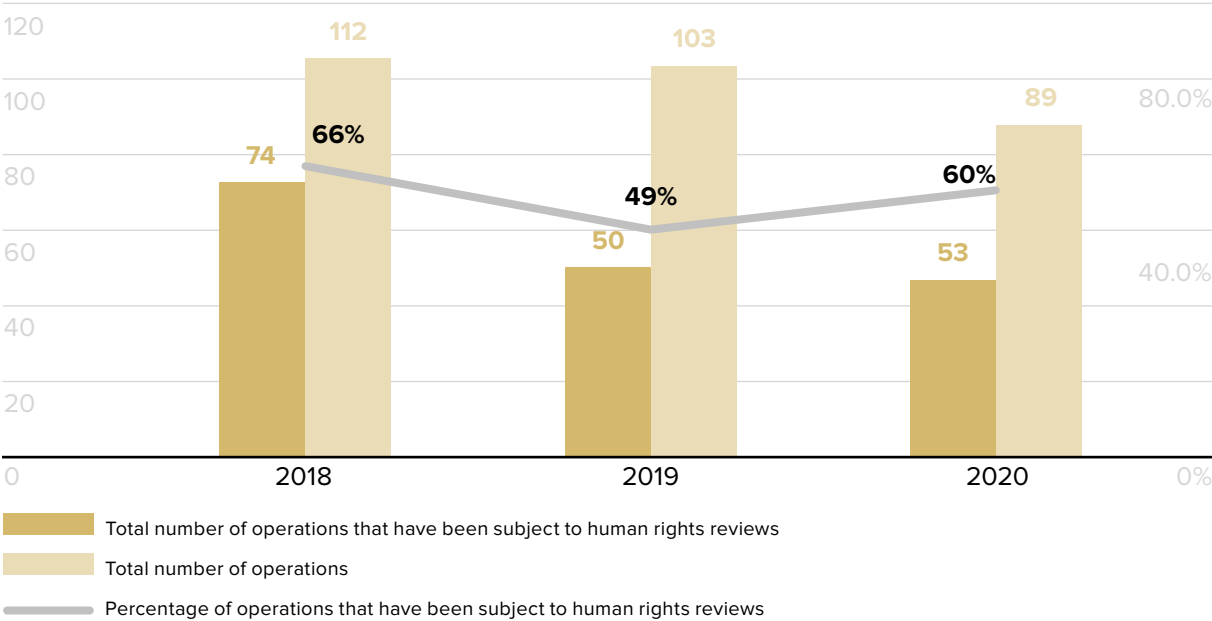
Key figures

In 2020, all the new suppliers of finished products were subject to a social accountability audit, in accordance with standard SA 8000 (100%). To date none of the SCOC (Social Accountability Code of Conduct) audits had a “zero tolerance” outcome and, therefore, resulted in the termination of the relationship with the supplier.

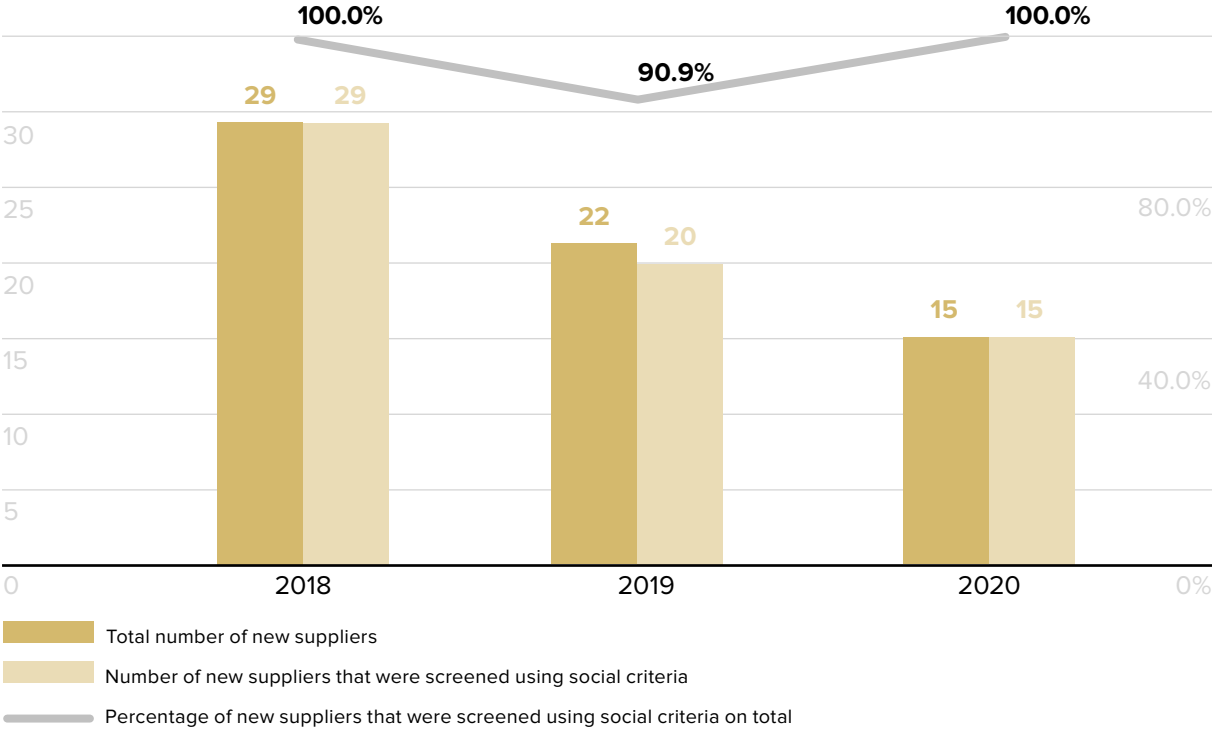
With regard to environmental aspects, in 2020 environmental audits of 15 or 100% of the new suppliers of finished products were carried out, higher than in 2019 (81.8%) also because the environmental audits only started in the second half of the year.

Lastly, in 2020 a total of 53 audits were carried out in order to verify that no human rights violations had occurred at 51 supplier plants and 2 Group plants, which covered almost 60% of the Group’s operations, noticeably higher than in the previous year (49%).

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

The De' Longhi Group, which operates daily in an international environment of continuous change, pays constant attention to the proper management of its manufacturing processes. Consistent with this constant change, the Group's environmental regulations are updated continuously, forming a crucial part of correct business management and the impact they could have on the latter.

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

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

Business and organizational model

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

As of a few years ago solar panels had already been installed at the Mignagola plant. In 2020 these allow for the self-production of 990,794 kWh, about 7% of the electricity consumed which lowers the environmental impact linked to the production of electricity considerably. At the recently expanded Treviso headquarters, large glass panels were used for which the energy efficiency is still being gauged, but the initial findings suggest that heat loss is very limited. In 2020 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 reduced annual energy consumption by around 288 MJ. Due to the unprecedented nature of the year that just ended, the installation of a cogenerator at the Mignagola plant was delayed. This is an important part of the Group's energy saving plan. In the same plant, toward the end of 2020 a new design for the system used to distribute compressed air was finalized which calls for the compressors to be replaced with better performing models that are also more energy efficient.

In 2019 a heating system for the warehouses was installed at the Cluj plant that uses the heat generated in the plant's drying facilities which reduces the use of natural gas for traditional heating.

In China, where over the past few years part of the plastic stamp machinery was renewed, in 2020 further work was done on improving the energy efficiency of manufacturing resulting in specific improvements to increase energy efficiency and productivity. The partnership with the local government relating to energy savings also continued: as part of the energy saving plan, meters were, in fact, installed which makes it possible to monitor the consumption of electricity and find the areas and functions which consume the most energy. Thanks to these meters, the Group has been able to periodically map the consumption in the different areas and, based on the results, find ways to reduce energy consumption and improve energy efficiency at 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 the Group's products when used by consumers. These initiatives, which target mainly 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 2020 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 in 2019 was also launched at the plant in Cluj. The metal scrapes, rather, are resold as raw materials. Paper, cardboard and nylon scraps are sent to be regenerated.

As in the past, in 2020 the Group continued to analyze efficiencies and ways to **reduce product packaging materials** which produced excellent results in both environmental and economic (thanks to lower raw materials costs) terms. For the Braun brand, in addition to the work done in 2019 work on finding ways to reduce the amount of plastic used in Braun brand handblenders, in 2020 a LCA (Life Cycle Assessment) was carried out relative to the different types of packaging used currently in order to find alternative solutions with a lower CO₂ footprint. Progress was also made on research related to: alternative materials coming from renewable sources to substitute plastic packaging, biodegradable adhesive tapes and alternative sources of energy for the production of EPS. Similar to past years, the packaging efficiency initiatives also involved the Group's internal logistics and operations which, however, slowed due to the spread of the pandemic. 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.

The pallets, used throughout the Group's operations, are worthy of a separate discussion. In Romania, instead of buying new ones, repaired pallets are used which in 2019 made it possible to reuse 5,500 pallets or approximately 1,300 trees⁵. At the Italian plant in Mignagola wooden pallets have substituted with pallets made out of recycled plastic.

Policies and objectives

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

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

⁵ The calculation used can be found at www.palletconsultants.com/blog/pallet-recycling-saves-trees

Key figures

In 2020, consumption increased 6% with respect to the prior year (376,062 GJ in 2020 compared to 353,782 GJ in 2019). This increase is attributable to both the higher number of units manufactured compared to 2019 and the De' Longhi Group's acquisition of the Romanian plant in Salonta. The amount of direct consumption for heating and transport, as well as indirect (electricity through district heating and cooling) was basically unchanged in the three-year reporting period.

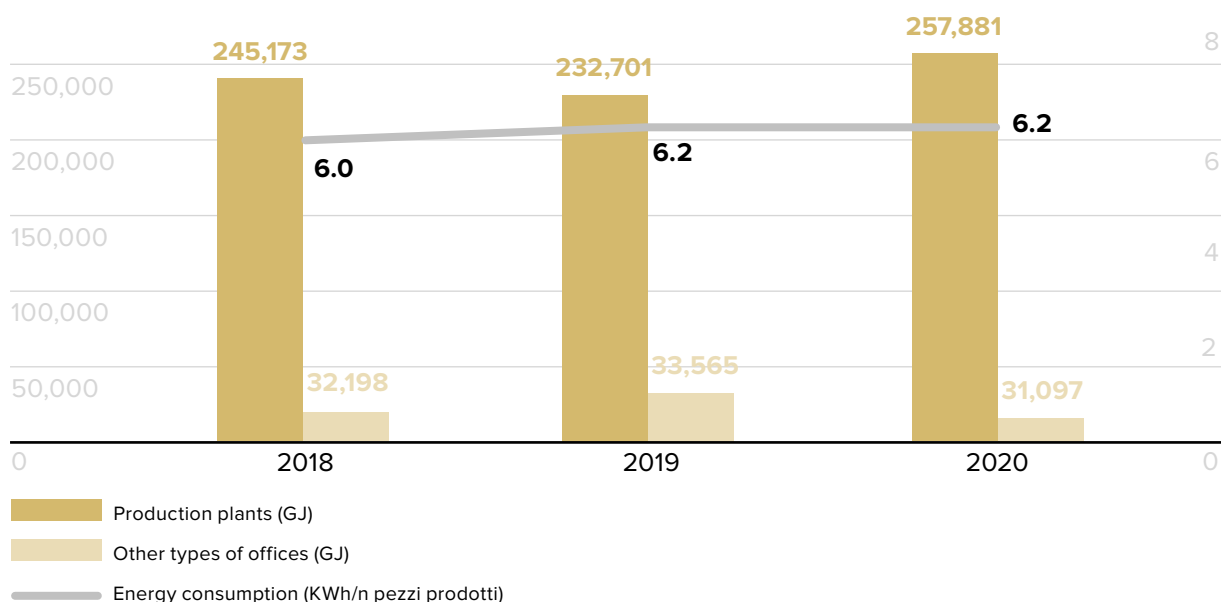
Fuel consumption	u.m.	Production facilities			Other types of offices ⁶			De' Longhi Group		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
Direct energy consumption from non-renewable sources										
Gas	GJ	2,801	3,017	2,824	14,664	9,605	6,646	17,465	12,623	9,470
Diesel	GJ	6,885	6,170	5,180	23,374	22,847	16,010	30,259	29,112	21,189
Natural gas	GJ	45,230	36,298	46,388	5,498	5,145	5,034	50,728	41,443	51,422
LPG	GJ	523	568	587	133	-	667	657	568	1,254 ⁷
Fuel oil	GJ	-	-	-	205	203	142	205	203	142
Total	GJ	55,440	46,053	54,979	43,875	37,801	28,498	99,314	83,949	83,477
Direct energy consumption from renewable sources										
Energy produced from renewable sources and consumed	GJ	3,709	3,548	3,567	37	39	40	3,746	3,587	3,607
Total direct energy consumption	GJ	59,148	49,601	58,546	43,911	37,840	28,538	103,060	87,536	87,084
Indirect energy consumption										
Electricity purchased	GJ	245,173	232,701	257,881	29,082	31,206	28,984	274,256	263,887	286,865
District heating	GJ	-	-	-	2,718	2,359	2,113	2,718	2,359	2,113
Cooling	GJ	-	-	-	398	-	-	398	-	-
Total indirect consumption	GJ	245,173	232,701	257,881	32,198	33,565	31,097	277,372	266,246	288,978
Total consumption	GJ	304,322	282,301	316,427	76,110	71,405	59,635	380,431	353,782	376,062

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

⁶ "Other types of offices" includes the offices, distribution branches, warehouses and, in general, all of the De' Longhi Group's structures not related to production.

⁷ The 2020 figure relative to LPG consumption includes the consumption of a De' Longhi Group asset for which this information was not available in 2019.

The indirect electricity consumption per unit of production was unchanged (6.2 kWh in both 2020 and 2019).

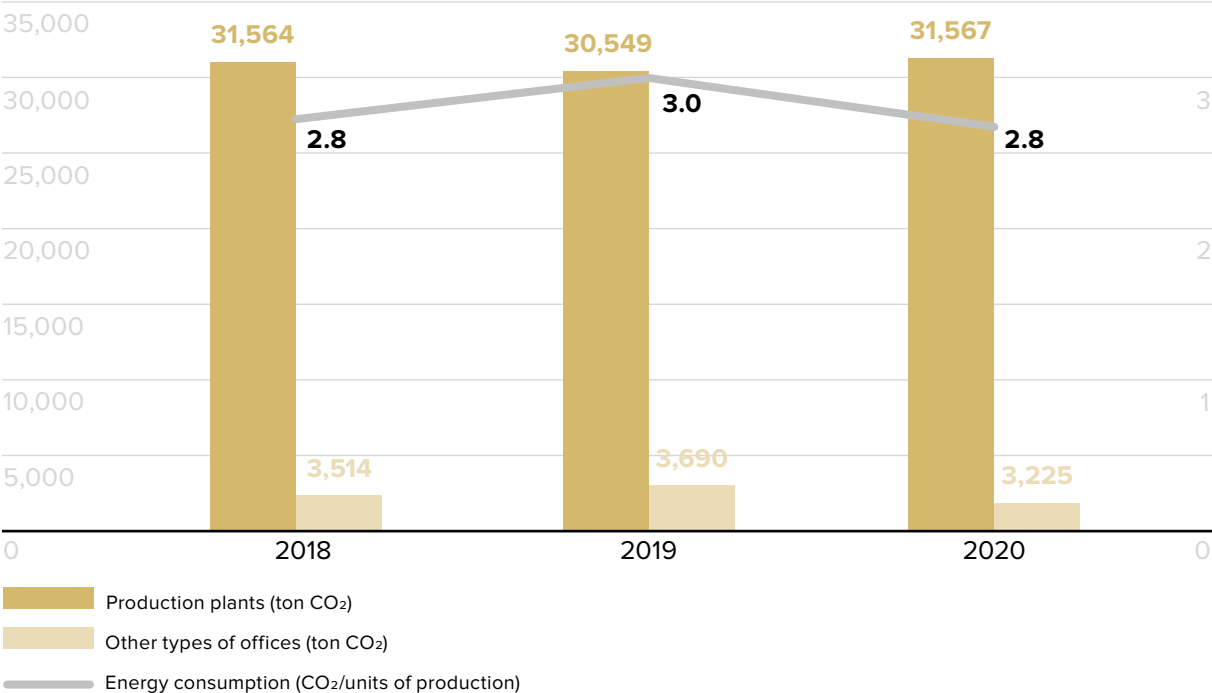


In 2020 total CO₂ emissions reached 40,030 tons, a slight increase (1%) against the 39,679 tons recorded in 2019 (based on CO₂ emissions calculated using the “Location Based” method). The amount of CO₂ emissions is explained primarily by the consumption of electricity (about 86% of the Group’s total CO₂ emissions).

Emissions [ton CO ₂]	Production facilities			Other types of offices ⁸			De' Longhi Group		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Direct	3,276	2,743	3,235	3,127	2,689	2,003	6,403	5,439	5,238
Indirect – Location Based	31,564	30,549	31,567	3,514	3,692	3,225	35,078	34,240	34,792
Indirect – Market Based	36,057	33,852	33,854	4,322	4,616	3,980	40,379	38,465	37,833
TOT (Direct + Indirect – Location Based)	34,840	33,293	34,802	6,642	6,381	5,228	41,482	39,679	40,030
TOT (Direct + Indirect – Market Based)	39,333	36,596	37,089	7,449	7,305	5,983	46,783	43,905	43,072

⁸ “Other types of offices” includes the offices, distribution branches, warehouses and, in general, all of the De' Longhi Group's structures not related to production.

The comparison of Scope 2 CO₂ emission per unit manufactured shows a largely stable trend in the three-year period, characterized by a slight decrease of around 7% against the prior year, falling from 3.0 kg of CO₂ per unit produced in 2019 to 2.8 kg of CO₂ per unit produced in 2020.



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. In 2020 the following exceptions to the reporting scope were recorded:

- the Capital Brands Group companies were not included as the acquisition was finalized at the end of 2020;
- the company De'Longhi Brasil - Comércio e Importação Ltda was excluded as it is currently being liquidated and had no employees at 31.12;
- for the company De'Longhi Bosphorus Ev Aletleri Ticaret Anonim Sirketi only the statistics relating to human resources, health and safety were included as the company is currently being liquidated.

The information and figures used in this section refer to 2020.

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) and **GRI 103 - Management Approach 2016** (103-1, 103-2).

Definition of the material topics

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

In 2017 the De'Longhi Group carried out a materiality analysis in accordance with GRI 101 – Foundation and the disclosure standards GRI 102-46 and 102-47 in order to determine the material topics based on the economic, environmental and social impact of its businesses and their influence on the assessments and decisions of the Group’s stakeholders that are focused on in the NFS 2020. This process was not changed in 2020.

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 Standards ⁹

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
Social aspects Environmental aspects	Quality and product innovation	Product safety	GRI 416 – Customer health and safety (2016)	GRI 416-1	Group	OEM suppliers	-	-
		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	-	-	-

⁹ 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.

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	Consumer relations	Use of consumer data	GRI 418 – Customer privacy (2016)	GRI 418-1	Group	Contact Center	-	-
		Efficiency of network distribution	-		Group	-	-	-
		After sales services	-	[NON GRI INDICATOR] First time fix (FTF) indicator Average time of technical assistance	Group	Contact Center	-	-
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 report.

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 • 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 2020 was prepared by all the relevant company divisions and those responsible for the aspects referred to in the report.

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

- In comparison to what was reported in previous years (2017, 2018 and 2019), in terms of GRI Disclosure 403 (Occupational Health and Safety), the Group used the more updated version issued by the GRI in 2018 and, consequently, the historic figures for 2018 and 2019 were aligned with the new method of calculation. More specifically, as required by the GRI Standards, the number of injuries recorded includes travel on transportation organized by De'Longhi and excludes the other instances. The historical data also reflect an update of the calculation used to estimate the hours worked at one of the Group's production plants and the inclusion of a few injuries suffered at year-end 2019 which were not included as investigations were still ongoing when the DNF 2019 was published.
- **Injury rate** is the total number of injuries expressed as a percentage of the total number of labor hours multiplied by 1,000,000, excluding commuting accidents;
- **Severity rate** is the total number of serious accidents expressed as a percentage of the total number of labor hours multiplied by 1,000;
- the **first-time quality (FTQ) indicator** is the number of products without defects as a percentage of total production for the year;
- the **service call rate (SCR)** is the number of machines repaired in the first year under warranty as a percentage of total yearly sales. This indicator is calculated quarterly on a rolling 12-month basis;
- the **first-time fix (FTF) indicator** is the number of repaired products that did not need further repairs in the six months following completion of the initial repair as a percentage of total product repairs;
- **greenhouse gas emissions** are calculated based on the international standard ISO 14064-1. 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 2018, 2019 and 2020.

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, 2018 version for 2020, 2017 version for 2019, 2016 version for 2018. 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 2017-2019, were used. An average residual mix per NERC Region, calculated based on the residual mixes shown in the document Green-e Energy Residual Mix Emissions Rates for the year 2018, were used for the United States for the years 2018-2019, while for 2020 an average residual mix per eGrid Subregion calculated based on the residual mixes shown in the document 2020 Green-e Energy Residual Mix Emissions Rates was used. An average residual mix per NERC Region, calculated based on the residual mixes shown in the document Green-e Energy Residual Mix Emissions Rates for the year 2018 was used for Canada. As for the countries for which no residual mix figures were available, location based emissions factors found in the above mentioned Terna table were used.

District heating emissions were calculated using the emissions factors found in the document “UK Government GHG Conversion Factors for Company Reporting” published by the Department for Environment Food & Rural Affairs (DEFRA) table for the three-year period 2018-2020.

Subsequent events

There are no significant events occurred after the end of the year.

Outlook

In light of the sales trend of the first weeks of 2021, which suggests growth for the first quarter, the management estimates for the current year revenues growing double digit organically. Furthermore, as regards the margins, the Group will continue its strategy of reinvesting a portion of the operating margin in support plans for product innovation, brand communication and the strengthening of the digital strategy aimed at a sustainable growth, while achieving an EBITDA before non-recurring/stock option costs for the new perimeter substantially in line with 2020 in percentage terms of revenues.

Treviso, 11 March 2021

*For the Board of Directors
Chief Executive Officer
Massimo Garavaglia*