

**PROCEDURE FOR RELATED PARTY TRANSACTIONS OF  
THE DE' LONGHI GROUP**

AMENDED ON 30 JUNE 2021

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## 1. PURPOSE AND SCOPE OF APPLICATION

**1.1.** This procedure (the ‘**Procedure**’) has been adopted by De’ Longhi S.p.A. (‘**De’ Longhi**’ or the ‘**Company**’ or the ‘**Issuer**’) in implementation of Article 2391-*bis* of the Civil Code and the Related Party Regulation (as defined below) and it addresses the rules regulating the manner in which related party transactions conducted by De’ Longhi directly, or through its Italian or foreign subsidiaries, are to be concluded in order to guarantee their substantial and procedural transparency and correctness in conformity to the law and regulations in force and the principles laid down by the Corporate Governance Code approved by the Corporate Governance Committee to which the Company adheres (the ‘**Corporate Governance Code**’).

The principles and rules set out in this Procedure shall be applied also taking into account the indications contained in Consob Communication no. DEM/10078683 of 24 September 2010, as subsequently amended, containing ‘*Indications and guidelines for the application of the Regulation on related party transactions adopted by resolution no. 17221 of 12 March 2010, as subsequently amended*’ (the ‘**Consob Communication**’).

## 2. DEFINITIONS

**2.1** Within the context of this Procedure, in addition to the terms defined in the other articles herein, the capitalised terms and expressions listed hereunder (either in singular or plural form), shall have the following meaning:

- **Interested Directors:** directors who have an interest, on their own behalf or on behalf of third parties, in a given Related Party Transaction that conflicts with that of the Company.
- **Independent Directors:** directors who meet the independence requirements set out in Article 148, subsection 3 of the Consolidated Law on Financial Intermediation and Article 2 of the Corporate Governance Code, as adopted by the Issuer. The Independent Directors of De’ Longhi are assessed as such by the Board of Directors immediately after their appointment and during their term of office should circumstances related to their independence arise and, in any case, at least once a year and, as a rule, on the occasion of - or prior to - the Board of Directors meeting called to approve the draft financial statements.
- **Unrelated Independent Directors:** directors other than the counterparty of a given transaction and its related parties;

- **Non-Executive Directors:** directors without management powers, recognised as non-executive under the Corporate Governance Code, as adopted by the Issuer.
- **Market Equivalent or Standard Conditions:** transactions concluded at conditions similar to those usually applied to unrelated parties for transactions of a corresponding nature, amount and risk, or transactions based on regulated rates or imposed prices or those practised for parties with whom the Issuer is legally required to enter into contracts for a pre-determined consideration.
- **Board of Directors or Board:** the governing body of De' Longhi;
- **Control:** the power defined as such in application of the International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of 'Control' and the related definitions given in the International Accounting Standards in force at the time.
- **Joint Control:** the contractually agreed sharing of Control of an agreement defined as such in application of the International Accounting Standards in force at the time of the start of negotiations on a RPT or, where there are no negotiations, at the time when the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of 'Joint Control' and the related definitions given in the International Accounting Standards in force at the time.
- **Key Management Personnel:** the persons indicated as such in application of the International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of 'Key Management Personnel' given in the International Accounting Standards in force at the time.
- **Financial Reporting Officer:** the manager responsible for drafting De' Longhi's company accounts, pursuant to Article 154-*bis* of the Consolidated Law on Financial Intermediation;
- **Entities:** entities other than individuals (including, for example, legal entities, partnerships, unincorporated associations), as well as estates, trusts and partnering arrangements.
- **Independent Consultant:** an individual or Entity meeting the requirements of professionalism, integrity and independence required by the nature of the engagement.

Independence shall be assessed beforehand in conformity to the regulatory provisions in force at the time, having regard, in particular, to any economic, capital and financial relations between the Independent Consultant and: (i) the related party counterparty in the RPT, its subsidiaries, the entities that control it and the companies subject to joint control as well as the directors of those companies; (ii) De' Longhi, its subsidiaries, the entities that control it, the companies subject to joint control as well as the directors of those companies. Information on any relations are evidenced by a statement that the Independent Consultant issues at the time of engagement.

- **Significant Influence:** the power defined as such in application of the International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of 'Significant Influence' and the related definitions given in the International Accounting Standards in force at the time.
- **Joint Venture:** the contractual agreement defined as such in application of the International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of 'Joint venture' and the related definitions given in the International Accounting Standards in force at the time.
- **Related Party Transactions or RPTs:** transactions with Related Parties defined in application of the International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of 'Related Party Transactions' and the related definitions given in the International Accounting Standards in force at the time.
- **Minor Transactions:** transactions identified below in paragraph 10.2 of this Procedure, which, in consideration of the size of the group headed by De' Longhi (the '**De' Longhi Group**' or '**Group**'), do not entail any appreciable risk for the protection of investors and for the integrity of the Company's capital.
- **Ordinary Transactions:** transactions that form part of the ordinary performance of operating activities and associated financial activities.

- **Transactions of Greater Significance:** transactions with Related Parties that exceed the thresholds of significance laid down by the regulations in force at the time and which, at the time of the drawing up this Procedure, correspond to the ‘Transactions of Greater Significance’ as determined by the criteria in Annex 3 to the Related Party Regulation. However, when a transaction or an aggregate number of transactions, within the meaning of the following articles, are indicated as ‘significant’ according to the indices laid down in regulatory law, and the resulting value seems unjustified in view of the specific circumstances of the case, the Issuer may request Consob to indicate alternative methodologies for calculating the foregoing indices. For this purpose, the essential characteristics of the transaction and the specific circumstances on which the request is based must be communicated to Consob prior to the conclusion of negotiations;
- **Transactions of Lesser Significance:** Related Party Transactions other than Transactions of Greater Significance and Minor Transactions.
- **Related Parties:** the persons defined as such in application of the International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of ‘Related Parties’ and the related definitions given in the International Accounting Standards in force at the time.
- **International Accounting Standards:** the international accounting standards adopted according to the procedure as per Article 6 of (EC) Regulation No. 1606/2002.
- **Market Abuse Regulation (MAR):** Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, as subsequently amended.
- **Related Party Regulation:** Consob Regulation No. 17221 of 12 March 2010, as subsequently amended.
- **Unrelated Shareholders:** parties defined as such pursuant to the pertinent regulations in force at the time when each operation was decided and at the time of the drawing up of this Procedure, as also parties having voting rights in the Shareholders’ Meeting other than the counterparty in a given transaction and parties related to either the counterparty of a given transaction or the Company.

- **Close Family Member:** the close family members of a person, defined as such in application of the International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken. For ease of reference, the Appendix to this Procedure contains the definition of ‘Close Family Members’ given in the International Accounting Standards in force at the time.
- **Consolidated Law on Financial Intermediation:** Legislative Decree No. 58 of 24 February 1998, as subsequently amended.

**2.2** The interpretation of the definitions of Related Party and Related Party Transaction and of the other related definitions is carried out by referring to the set of International Accounting Standards in force at the time negotiations on a RPT are initiated or, where there are no negotiations, at the time the decision is taken (see the Appendix to this Procedure).

**2.3** In examining each relationship with Related Parties, attention is directed to the substance of the relationship and not merely the legal form.

### **3. RECOGNITION AND ACQUISITION OF INFORMATION FROM RELATED PARTIES. REGISTER OF RELATED PARTIES. REGISTER OF RELATED PARTY TRANSACTIONS**

**3.1** In order to apply this Procedure, Related Parties shall be recognised by the Company in accordance with the International Accounting Standards in force at the time.

The appendix to this Procedure (the ‘**Appendix**’) contains the definition of Related Parties and Related Party Transactions and the related definitions given in the International Accounting Standards in force at the time (see (EC) Regulation No. 1126/2008).

**3.2** In order to allow the Company to easily recognise the Related Parties, the Issuer establishes the ‘*Register of Related Parties*’ (the ‘**Register of Related Parties**’) kept on electronic medium, and prepared, managed and updated by the Corporate Affairs department, in agreement with the Financial Reporting Officer and the Financial Reporting and Consolidated Financial Statements department.

The Register of Related Parties is drafted and implemented, in compliance with the personal data protection regulations in force at the time, based on:

- (i) the register of shareholdings of the De’ Longhi Group;
- (ii) the declarations that the individuals indicated in point 1(a) (i) and (ii) of the Appendix to this Procedure, as well as the directors and regular statutory auditors of the Issuer, as well

as the other Key Management Personnel of the De' Longhi Group identified as such by the Board of Directors, periodically provide as regards the identification of Related Parties connected to them;

(iii) the declarations that the Entities that directly or indirectly control the Issuer, or exert considerable influence over it, issue to the Company as regards the identification of Related Parties connected to them;

(iv) any other information that the De' Longhi Group may have.

**3.3** In order to draw up and update the Register of Related Parties, the Corporate Affairs department informs the parties indicated in points (ii) and (iii) above (the '**Direct Related Parties**') that they have been entered in said register, at the same time requesting the issue of a declaration containing data and information about themselves and about parties related to them ('**Indirect Related Parties**') so that the latter can be identified and also entered in said register. This notification is repeated should any substantial amendments be made to this Procedure.

**3.4** Direct Related Parties are required to promptly notify the Company, and in particular the Corporate Affairs department, of any change that may occur with respect to the information previously provided about themselves or about their Indirect Related Parties. For reasons of simple prudence, and without prejudice to this obligation, the Issuer also reserves the right to send a periodic communication to the Direct Related Parties whereby the latter shall be requested to update – where necessary – the foregoing data and information previously provided.

**3.5** The Corporate Affairs department, with the assistance of the Financial Reporting and Consolidated Financial Statements department, shall compile the Register of Related Parties and update this information whenever necessary and in any case on 30 June and 31 December of every year, taking due account of the information requested of Related Parties and the information they submitted to the Company in conformity to the provisions of Article 4, subsection 8, of the Related Party Regulation and the provisions laid down in this Procedure.

**3.6** The Issuer shall also establish the '*Register of Related Party Transactions*' (the '**RPT Register**') kept on electronic medium, which is prepared, managed and updated by the Financial Reporting and Consolidated Financial Statements department in agreement with the Financial Reporting Officer and with the support of the Corporate Affairs department.

The RPT Register records all Related Party Transactions entered into by the Company, directly or through its subsidiaries, including: (i) Transactions of Lesser Significance and Transactions of Greater Significance, highlighting those transactions that have been exempted from application of this Procedure and giving evidence of the relevant reasons, especially with regard to Transactions of Greater Significance which, since they are Ordinary and at Market Equivalent or Standard Conditions, benefit from the exemption under paragraph 10.1(f) below; (ii) all other Related Party Transactions falling within the exclusion cases under article 10 below, highlighting the specific exemption applied and the relevant reasons, also taking into account any framework resolutions as per article 9 below.

**3.7** The Financial Reporting and Consolidated Financial Statements department updates the RPT Register on the basis of information received from Company and Group departments in compliance with the Group policies in force at the time, also taking into account information received from the Company under paragraph 3.8 below.

**3.8** Each Direct Related Party - by signing this Procedure - is hereby required and undertakes, also with reference to any Indirect Related Parties referring to it, to inform De' Longhi immediately upon the commencement of any negotiations with the Issuer or its subsidiaries for purposes of concluding a transaction either with the same Direct Related Party or with one of the Indirect Related Parties referring to it, as also in every case of any act or fact that may entail the application of the regulations in force at the time on related party transactions.

**3.9** The infringement of disclosure obligations, as set forth under Related Party Regulation and under this Procedure, by Related Parties shall give rise to liability before the law.

#### **4. CONTROL AND RISKS COMMITTEE, REMUNERATION AND APPOINTMENTS COMMITTEE, INDEPENDENT COMMITTEE**

**4.1** The Board of Directors of De' Longhi has established from among its members the 'Control and Risks, Corporate Governance and Sustainability Committee' (the '**Control and Risks Committee**' for short), the 'Remuneration and Appointments Committee (the '**Remuneration and Appointments Committee**') establishing that both are made up of Non-Executive Directors, the majority of whom are Independent Directors.

Provided the composition of these committees remains unchanged, where no grounds for exclusion under article 10 of this Procedure apply, the role and significant responsibilities that the Related Party Regulation attributes to a committee wholly made up of Non-Executive Directors with a majority of Independent Directors (i.e. those referred to in article 5 of this Procedure) have been attributed to:

- (i) the **Control and Risks Committee**, with the exclusion of Related Party Transactions which fall within the remit of the Remuneration and Appointments Committee under point (ii) below;
- (ii) the **Remuneration and Appointments Committee**, limited to Transactions of Lesser Significance concerning the remuneration of directors and other Key Management Personnel.

**4.2** The Board of Directors of De' Longhi has also established from among its members the 'Independent Committee' (the '**Independent Committee**') consisting of exclusively Independent Directors who are attributed the role and significant responsibilities that the Related Party Regulation attributes to the committee made up exclusively of Independent Directors, and namely those provided for by article 6 and paragraph 14.2 of this Procedure, as well as those provided for by paragraph 10.1(f) of this Procedure.

**4.3** The Control and Risks Committee, the Remuneration and Appointments Committee and the Independent Committee are established and operate in compliance with the rules of each committee in force at the time, approved by the Board of Directors, upon the proposal of the committee to which those rules refer.

**4.4** Members of the Control and Risks Committee, of the Remuneration and Appointments Committee and of the Independent Committee must be Unrelated Directors in terms of the specific Related Party Transaction being scrutinised as part of their reciprocal responsibilities. If such a conflict of interest arises, the following principles shall apply.

- (a) In the event that one or more members of the Committee in question are found to be Related Independent Directors, the remaining members shall replace them with one or more Unrelated Independent Directors.
- (b) If there are not enough Unrelated Independent Directors in the Board of Directors to supplement the Committee, the latter's functions shall be performed by the remaining Unrelated Independent Directors or, if necessary, by the sole remaining Unrelated Independent Director.

- (c) If within the Board of Directors there are no Unrelated Independent Directors, the committee's functions shall be performed by the Board of Statutory Auditors – to whose members the provisions stated under Article 2391, subsection 1, first sentence of the Civil Code shall apply – or, alternatively, by an Independent Consultant appointed by the Board of Statutory Auditors.
- (d) In the event that only two Unrelated Independent Directors remain and their opinions are divergent, an opinion shall be given by the Board of Statutory Auditors – whose members shall be subject to the provisions under Article 2391, subsection 1, first sentence of the Civil Code – or, alternatively, by an Independent Consultant appointed by the Board of Statutory Auditors.

## **5. PROCEDURE FOR ASCERTAINING AND APPROVING TRANSACTIONS OF LESSER SIGNIFICANCE WITH RELATED PARTIES**

**5.1** The procedure set out in this article applies to all Transactions of Lesser Significance with the exception of those to which the circumstances laid down in the following article 10 apply, and are, thus, exempt from the procedural process laid down herein.

**5.2** When the Company initiates negotiations entailing a Transaction of Lesser Significance that does not fall within the exclusions provided for by article 10 below, the following principles must be observed.

- (a) The Control and Risks Committee and the body with power to approve the transaction (Board of Directors, Executive Committee, where established, or Chief Executive Officers) must be apprised of the Transaction of Lesser Significance in a timely, complete and adequate manner and furnished with appropriate documents.
- (b) The information provided must put the Control and Risks Committee and the body with powers to pass resolutions on the transaction in such a condition as to enable them to conduct a full and comprehensive examination, at the due diligence and deliberative phases, of the grounds for the transaction and the advantages and substantial correctness of its attendant conditions. The documents provided must, whenever the conditions for the Transaction of Lesser Significance are deemed Market Equivalent or Standard, contain objective elements to ascertain that this is the case.

- (c) A Transaction of Lesser Significance can only be approved by the body with the powers to do so, with the necessary abstention of the Interested Directors in the transaction, after the issue of a reasoned and non-binding opinion by the Control and Risks Committee regarding the Company's interest in performing the transaction and the advantages and substantial correctness of the transaction's conditions. The opinion is attached to the minutes of the Committee's meeting at which the opinion was delivered.
- (d) The Control and Risks Committee shall be entitled to request expert advice, at the cost of the Company, of one or more Independent Consultants of its own choosing who have no direct or indirect interest in the transaction, subject to verification of their independence, in accordance with the relevant definition in paragraph 2.1 above.
- (e) If the transaction falls within the remit of the collegiate body, the Interested Directors in the transaction shall abstain from voting on the transaction; these Directors contribute to the constitution quorum, but are excluded from the resolution quorum required to pass the resolution, without prejudice to the provisions of Article 2391 of the Civil Code.
- (f) The delegated bodies shall provide full information to the Board of Directors and Board of Statutory Auditors on the performance of Related Party Transactions at least once every quarter.
- (g) In the event that the Control and Risks Committee's opinion as per point (c) is negative, the competent body may still approve the transaction. In this case, and without prejudice to all other obligations of law, especially those under Article 114 of the Consolidated Law on Financial Intermediation, the Company is required to make public – within 15 days from the closure of each quarter of the financial year, and in the manner laid down by law and regulatory provisions – a disclosure document containing the following information on Transactions of Lesser Significance approved against the opinion of the Control and Risks Committee: the identity of the counterparty, the nature of the relationship to which the transaction refers, the subject matter of the transaction, the consideration and the reasons for its decision not to accept the opinion of the Control and Risks Committee. Within the same period, the opinion is made available to the public by attaching it to the disclosure document or publishing it separately on the Company's website.
- (h) If any Related Party Transactions are influenced by management and coordination activities over the Issuer, the opinion as per point (c) must state the reasons and the advantages of the

transaction, where appropriate in the light of the overall result of the management and coordination activity or of transactions designed to remove all damage deriving from the single Related Party Transaction.

- (i) Where applicable, the minutes of deliberations approving the Transaction of Lesser Significance must give an appropriate account of the Company's interest in carrying out the transaction as well as the advantages and substantial correctness of the associated conditions.
- (l) In the case of Transactions of Lesser Significance concerning the remuneration of directors and other Key Management Personnel, if none of the cases of exclusion envisaged in article 10 of this Procedure apply, any reference to the Control and Risks Committee contained in this article 5 shall be understood as referring to the Remuneration and Appointments Committee.

## **6. PROCEDURE FOR ASCERTAINING AND APPROVING RELATED PARTY TRANSACTIONS OF GREATER SIGNIFICANCE**

**6.1** The procedure set out in this article applies to all Transactions of Greater Significance with the exception of those to which the circumstances laid down in the following article 10 apply, and are, thus, exempt from the procedural process laid down herein.

**6.2** When the Company initiates negotiations entailing a Transaction of Greater Significance that does not fall within the exclusions provided for by article 10 below, the following principles must be observed.

- (a) The approval of the Transaction of Greater Significance is the exclusive remit of the Board of Directors, which shall make its deliberations after receiving a reasoned and favourable opinion of the Independent Committee. The Interested Directors in the transaction shall abstain from voting on the transaction; these directors contribute to the constitution quorum, but are excluded from the resolution quorum required to pass the resolution, without prejudice to the provisions of Article 2391 of the Civil Code.
- (b) From the commencement of the negotiation and due diligence phases of the transaction, it must be guaranteed that the Independent Committee – or one of its members with specially delegated powers – shall receive complete, adequate, timely and up-to-date information on the Transaction of Greater Significance.

- (c) During the negotiation and due diligence phases the Independent Committee – and/or one of its members with delegated powers – can request supplementary information with respect to that provided and submit its observations to the delegated bodies and the parties tasked to conduct the negotiations or due diligence.
- (d) The information provided must be complete and up-to-date and must enable both the Independent Committee and the Board of Directors to conduct a full and comprehensive examination of the documents on the negotiation and due diligence phases, the reasons for the Transaction of Greater Significance and the advantages and substantial correctness of its conditions. Whenever the transaction's conditions are defined as Market Equivalent or Standard Conditions, the documents provided must contain objective elements to verify that this is the case.
- (e) A Transaction of Greater Significance is only approved by the Board of Directors, with the necessary abstention of the Interested Directors in the transaction, after the issue of a reasoned and favourable opinion by the Independent Committee addressing the Company's interest in performing the transaction, as well as the advantages and substantial correctness of the transaction's conditions, unless the provisions stated under (l) apply. The opinion is attached to the minutes of the committee's meeting at which the opinion was delivered.
- (f) In the case of any Related Party Transactions influenced by management and coordination activities over the Issuer, the foregoing opinion must state the reasons and the advantages of the transaction, where appropriate in the light of the overall result of the management and coordination activity or of transactions designed to remove all damage deriving from the single Related Party Transaction.
- (g) The Independent Committee shall be entitled to request expert advice, at the cost of the company, of one or more Independent Consultants of its own choosing who have no direct or indirect interest in the transaction, subject to verification of their independence, in accordance with the relevant definition in paragraph 2.1 above.
- (h) The delegated bodies shall provide full information to the Board of Directors and Board of Statutory Auditors on the performance of Related Party Transactions at least once every quarter.

- (i) The minutes of deliberations approving the Transaction of Greater Significance shall provide an appropriate account of the Company's interest in carrying out the transaction as well as the advantages and substantial correctness of the associated conditions.
- (l) In the event that the Independent Committee as per point (e) is negative, the Board of Directors can still approve the transaction on condition that:
  - (i) its conclusion is approved by the Shareholders' Meeting pursuant to Article 2364, subsection 1(5) of the Civil Code;
  - (ii) the authorisation is deliberated in conformity to the provisions of the following article 12, designed to prevent the conclusion of a transaction whenever the majority of Unrelated Shareholders votes against it. In this case, the Company must provide a detailed and appropriately argued account of the reasons why it does not accept the negative opinion of the Independent Committee in a disclosure document in conformity to the following article 7.
- (m) The provisions of this article shall not apply to individual transactions concluded in implementation of a framework resolution referred to in article 9 below. Transactions with Related Parties concluded in implementation of a framework resolution constituting the subject of a disclosure document published in accordance with paragraph 9.4 below are not included in the aggregate value referred to in paragraph 7.2 below.

## **7. DISCLOSURES REQUIRED FOR TRANSACTIONS OF GREATER SIGNIFICANCE**

**7.1** In the event of Transactions of Greater Significance, to be carried out by Italian or foreign subsidiaries, the Issuer shall draw up and publish a disclosure document in conformity to the regulatory law in force ('**Disclosure Document**').

**7.2** The Company shall draw up the foregoing Disclosure Document even if, in the course of a financial year, it carries out *vis à vis* the same Related Party, or parties related to the latter or the Company, the same kinds of transactions or transactions forming part of a single project, which although not individually classifiable as Transactions of Greater Significance, exceed, in aggregate terms, the thresholds of significance laid down by the regulatory law in force at the time of the last of these transactions. For this purpose, also transactions conducted with Italian or foreign subsidiaries are recognised, while transactions pursuant to either the following article 10 or the framework

resolutions constituting the subject of prior information disclosure pursuant to paragraph 9.4 below shall not be taken into account.

**7.3** Subsidiaries must immediately provide the Issuer with the information necessary to draw up the Disclosure Document. De' Longhi's delegated bodies shall make suitable provision so that the subsidiaries are given adequate and immediate instructions, and, in particular, shall disseminate this Procedure so that it can be rigorously complied with at Group level.

**7.4** The Disclosure Document, together with additional and relevant documents, shall be made available to the public within the timescale and in the manner laid down by the regulations in force at the time.

**7.5** In conformity to the regulations in force, the Company shall make the opinions, if any, of the Independent Directors or, if necessary, of the Board of Statutory Auditors, as well as those of the Independent Consultants which the Independent Directors or the Board of Directors or the Board of Statutory Auditors may have engaged, or at least the essential elements of any opinions of Independent Consultants available to the public either as an annex to the Disclosure Document or through its own website.

**7.6** Without prejudice to the exemption cases, if the Transaction of Greater Significance constitutes an extraordinarily significant transaction for which the regulations in force require the preparation of a disclosure document (mergers, spin-offs, share capital increases by a contribution in kind, acquisitions or disposals) the Company can draw up and publish a single disclosure document containing all the information required by law applicable at the time. In this case the document shall be made available to the public, at the Company's registered address, and with the arrangements indicated in the regulations in force at the time, observing the shortest of the terms indicated in pertinent regulations. If the Company publishes the information indicated in this subsection in separate documents, it can make reference to already published information.

**7.7** In compliance with the law in force, the Issuer must provide information in its interim management and annual report on:

- individual Transactions of Greater Significance concluded in the reference period;
- additional individual Related Party Transactions concluded in the reference period that have had a relevant impact on the financial situation or operating results of the Company;

- any modification to or development in related party transactions described in the latest annual report that have had a significant effect upon the financial situation or the operating results of the Company in the reference period.

Information on single Transactions of Greater Significance can be provided by making simple reference to previously published Disclosure Documents and providing significant updates.

## **8. 'PRICE SENSITIVE' RELATED PARTY TRANSACTIONS**

**8.1** Related Party Transactions that are assessed as being privileged in nature pursuant to Article 7 of the Market Abuse Regulation (MAR) are subject to the obligations provided for in Article 17 of the MAR, regardless of their relevance or exemption from the application of this Procedure.

**8.2** In compliance with the provisions of Article 6 of the Related Party Regulation, if a Related Party Transaction is disclosed by means of a press release pursuant to Article 17 of the MAR, that press release shall contain, in addition to the other information to be published pursuant to the foregoing regulation, at least the following information:

- description of the transaction;
- indication that the transaction counterparty is a Related Party and a description of the nature of that relationship;
- the company name or name of the counterparty to the transaction;
- whether or not the transaction exceeds the thresholds of significance set out in the definition of 'Transactions of Greater Significance' contained in paragraph 2.1 above and an indication of whether or not the Disclosure Document referred to in paragraph 7.1 will be published subsequently;
- the procedure that has been or shall be followed to approve the transaction and, in particular, if the Company has availed itself of an exemption case provided for in article 10 below;
- whether the transaction is approved despite the contrary opinion of the committee called upon to express its opinion on the transaction pursuant to this Procedure.

## **9. FRAMEWORK RESOLUTIONS**

**9.1** 'Framework resolutions' can be passed for a series of homogeneous transactions with the same Related Parties or certain Related Party categories if they comply with the principles and observe the

procedural process set out in the foregoing articles 5 and 6, which apply to foreseeable maximum aggregate values, but vary according to whether the transactions are of greater or lesser significance.

**9.2** Framework resolutions shall remain valid for one year from approval and state the foreseeable maximum amount of the transactions forecast, as well as all information relevant to the cases in question.

**9.3** The delegated bodies shall give the Board of Directors and the Board of Statutory Auditors a comprehensive disclosure document on the implementation of framework resolutions at least every quarter.

**9.4** Where framework resolutions make provision for a maximum value, in respect of transactions to be carried out, that exceeds the threshold of Transactions of Greater Significance, the Company shall publish a disclosure document pursuant to paragraph 7.1 and, in this case, the transactions shall not be included in the aggregate value referred to in paragraph 7.2.

## **10. EXCLUSIONS AND DEROGATIONS**

**10.1** The provisions of this Procedure shall not apply to:

- a)* Minor Transactions, as identified in paragraph 10.2 below;
- b)* resolutions of Shareholders' Meetings concerning remuneration due to members of the Board of Directors and the executive committee, where established, pursuant to Article 2389, subsection 1, of the Civil Code, members of the Board of Statutory Auditors and resolutions on remunerative matters referring to directors vested with special responsibilities that come within an overall amount previously fixed by the Shareholders' Meeting pursuant to Article 2389, subsection 3 of the Civil Code;
- c)* resolutions, other than those indicated in the point *b)*, on matters of the remuneration of directors vested with special responsibilities and other Key Management Personnel, on condition that – without prejudice to the periodic disclosure obligations as required by the foregoing paragraph 7.7 – the following conditions are observed:
  - the Company has adopted a remuneration policy that has been approved by the Shareholders' Meeting;
  - a committee made up exclusively of Non-Executive Directors, the majority of whom are Independent Directors, was involved in defining said remuneration policy;

- the remuneration awarded is identified in conformity to this policy and quantified on the basis of criteria that do not involve discretionary assessments;
- d) transactions deliberated by the Company and addressed to all shareholders on equal terms, including:
- capital increases under option, including those servicing convertible bonds, and free capital increases as provided for by Article 2442 of the Civil Code;
  - full or partial spin-offs in the strict sense of the term, with proportional share allocation criteria;
  - capital reductions by means of reimbursement to shareholders pursuant to Article 2445 of the Civil Code and purchases of treasury shares pursuant to Article 132 of the Consolidated Law on Financial Intermediation;
- e) compensation plans based on financial instruments approved by the Shareholders' Meeting pursuant to Article 114-*bis* of the Consolidated Law on Financial Intermediation, without prejudice to periodic disclosure obligations as required by the foregoing paragraph 7.7;
- f) Ordinary Transactions concluded at Market Equivalent or Standard Conditions, but without prejudice to the disclosure obligations as required by the foregoing paragraph 7.7. In these cases, whenever Transactions of Greater Significance are involved and the publication obligations referred to in paragraphs 7.1 to 7.6 above are waived, without prejudice to the disclosure obligations pursuant to Article 114 of the Consolidated Law on Financial Intermediation and the preceding paragraph 7.7, the Company shall inform Consob, within the timescale and with the arrangements indicated in the regulations in force at the time, as to the counterparty, the subject matter of and the consideration for the transactions that benefited from the exclusions, as well as the account of the reasons why the Ordinary Transaction is considered as being concluded at Market Equivalent or Standard Conditions, providing objective elements verifying that this is the case, and also specify the transactions concluded that took advantage of this exclusion in the reports as per paragraph 7.7. The foregoing disclosure is sent in advance to the Independent Committee before the transaction is carried out, so that the Committee can verify that the exemption conditions of the transactions are correctly applied and express its opinion on it in good time in order to make the decisions on the transaction;
- g) transactions with or between subsidiaries, including joint transactions, and transactions with

Associates on condition that no significant interests of other Related Parties of the Company are present in the subsidiary (including jointly) or associates that are counterparties in the transaction, and without prejudice to periodic disclosure obligations as required by the foregoing paragraph 7.7; Interests arising from the mere sharing of one or more Directors or Key Management Personnel between the Company and Subsidiaries or Associates shall not be deemed significant. It is presumed that significant interests pertain when:

- the Related Party – other than a subsidiary or associate of De' Longhi – has a stake equal to or more than 20% of the share capital of the subsidiary or associate;
- the Related Party – other than a subsidiary or associate of De' Longhi – is in any case entitled to received profits equal to or higher than 20% in the subsidiary or associate. If, however, the Related Party holds a stake in or other financial instruments referring to the Issuer, the interest shall only be significant if the 'weighting' of the stake or interest in the subsidiary or associate is proportionally greater than that of its stake in the Issuer;
- the Related Party has a remuneration that is significantly related to the operating results of single subsidiary or associate.

10.2 In order to identify the Minor Transactions, the relevance criteria set out in Annex 3 to the Related Party Regulation are taken into consideration, and to which the absolute amount thresholds apply as identified below.

- a) Index of the relevance of value: minor transactions are those with a value of less than €1,000,000.00 (one million), with the exception of transactions carried out with Related Parties who are individuals, which qualify as minor if the relative value is equal to or less than €300,000.00 (three hundred thousand);
- b) Index of the relevance of assets: minor transactions are those where the value of the net assets of the entity to which the transaction refers is less than €1,000,000.00 (one million).
- c) Index of the relevance of liabilities: minor transactions are those where the value of the total liabilities of the company or the corporate units acquired is less than €1,000,000.00 (one million).

For purposes of determining the amount of minor transactions, the indications, where pertinent, given in Annex 3 of the Related Party Regulation shall be observed. If a Related Party falls into more than one category for which different thresholds for what constitutes a minor transaction are envisaged, the highest of those thresholds shall apply.

Whenever more than one index, of the indices listed above, can be applied to a transaction, the transaction shall be considered minor in value on condition that all the pertinent indices are inferior to the foregoing thresholds.

**10.3** The delegated bodies, supported by the Corporate Affairs department, shall provide the Independent Committee, at least once a year, with a disclosure on the application of the exemption cases set out in paragraph 10.1 above with reference at least to Transactions of Greater Significance.

## **11. TRANSACTIONS TO BE CONCLUDED URGENTLY**

**11.1** When a Related Party Transaction does not fall within the remit of the Shareholders' Meeting and does not need its authorisation, although subject to the specific limits and provisions of the Articles of Association, in cases of urgency, without prejudice to the fact that the Board of Directors retains the power to pass resolutions on Transactions of Greater Significance, Transactions of Greater and Lesser Significance can be conducted in derogation from articles 5 and 6 of this Procedure on condition that the following conditions are observed:

- a)* if the transaction does not fall within the remit of the Board acting as a collegiate body, the Chairman of the Board of Directors of De' Longhi and the Chairman of the Board of Statutory Auditors must be promptly informed as to the conditions of the urgency before the transaction can be conducted;
- b)* the transaction – without prejudice to its validity – must be subsequently approved by a non-binding resolution of the first useful Shareholders' Meeting.
- c)* The Board of Directors is required to draw up for the Shareholders' Meeting as per point *b)* a report setting out the reasons for the urgency and the Board of Statutory Auditors must provide – if necessary in the form of a special report – its own evaluation on the nature of the urgency. These reports and evaluations are made public in the manner and within the terms laid down by regulatory law in force at the time;
- d)* on the day following the Shareholders' Meeting the Company must make public the results of the voting in the manner and within the terms laid down by the regulatory law in force.

## **12. TRANSACTIONS WITHIN THE REMIT OF THE SHAREHOLDERS' MEETING**

**12.1** When the law or the Articles of Association require the Shareholders' Meeting to approve a Transaction of Lesser Significance or when such transactions fall within its remit, the procedure required by article 5 of this Procedure shall, whenever applicable, be applied at the due diligence and approval phases of the draft resolution to be put before the Shareholders' Meeting and, therefore, the Control and Risks Committee (or the Remuneration and Appointments Committee if the RPT falls within its remit) shall provide its own non-binding opinion on the proposal that the Board intends to submit to the Shareholders' Meeting.

**12.2** When the law or the Articles of Association require the Shareholders' Meeting to approve a Transaction of Greater Significance or when such transactions fall within its remit, the procedure required by article 6 of this Procedure shall, whenever applicable, be applied at the due diligence and approval phases of the draft resolution to be put before the Shareholders' Meeting and, therefore, the Independent Committee shall provide its own binding opinion on the proposal that the Board intends to submit to the Shareholders' Meeting.

**12.3** In the event that the Independent Committee expresses a negative opinion on the draft resolution concerning a Transaction of Greater Significance, the Board may still submit it to the Shareholders' Meeting for approval but its validity and/or execution shall be subordinate to the approval not only of the legally-required majority vote of the Shareholders' Meeting but also of the majority of Unrelated Shareholders voting in the Shareholders' Meeting. This condition shall be applicable only if the Unrelated Shareholders present in the Shareholders' Meeting comprise at least 10% of the share capital with voting rights.

**12.4** Subject to and within the limits of special provisions of the Articles of Association, in the event of situations of urgency determined by a corporate crisis, Related Party Transactions can be concluded in derogation from the foregoing paragraphs 12.1, 12.2 and 12.3, on condition that the requirements as per Article 11, subsection 5, of the Related Party Regulation or the law in force at the time are observed.

## **13. TRANSACTIONS CONDUCTED BY SUBSIDIARIES**

**13.1** When a Related Party Transaction is conducted by a subsidiary within the meaning of Article 2359 of the Civil Code the following rules shall be observed.

**13.2** Related Party Transactions conducted by Subsidiaries are among those transactions to which disclosure obligations apply pursuant to Article 5 of the Related Party Regulation and article 7 of this Procedure.

**13.3** When a Related Party Transaction conducted by an Italian or foreign subsidiary is a Transaction of Greater Significance pursuant to this Procedure, the directors of the subsidiary must submit it in advance to the Board of Directors of De' Longhi for due scrutiny, and the latter shall examine it after receiving the binding opinion of De' Longhi's Independent Committee. Where pertinent, the provisions laid down under article 6 of this Procedure shall apply.

**13.4** When a Related Party Transaction conducted by an Italian or foreign subsidiary is a Transaction of Lesser Significance, the directors of the subsidiary must submit it in advance to the Chairman of the Board of Directors and/or delegated bodies of De' Longhi or to the Board of Directors itself for examination, whenever - in compliance with the responsibilities laid down in the group procedures in force at the time - and it must also be submitted to the Control and Risks Committee, which shall produce a non-binding opinion. Where pertinent, the provisions laid down under article 5 of this Procedure shall apply.

**13.5** Where pertinent, the provisions of articles 9 and 10 of this Procedure shall also apply to Related Party Transactions conducted through Subsidiaries.

**13.6** In cases of urgency, Related Party Transactions can be concluded in derogation from this article on condition that: (i) the Chairman of the Board of Directors and/or the delegated bodies of De' Longhi, the Chairman of the Independent Committee and/or the Chairman of the Control and Risks Committee, according to their respective remits, and the Chairman of the Board of Statutory Auditors, are immediately informed of the conditions of urgency and, in any case, before the transaction is concluded; (ii) the grounds for the urgency must be illustrated to the Board of Directors of De' Longhi in a meeting after the transaction is concluded.

## **14. APPROVAL, ENTRY INTO FORCE, UPDATING AND REQUIRED DISCLOSURE OF THIS PROCEDURE**

**14.1** This Procedure was adopted by the Board of Directors of De' Longhi on 12 November 2010 after prior approval by a committee exclusively comprising Independent Directors, in conformity to the provisions of the Board dated 27 August 2010. The Procedure was then subsequently amended

by the Board of Directors, most recently on 30 June 2021, with the prior approval of the Independent Committee, and it enters into force on 1 July 2021.

**14.2** The Board of Directors shall approve every further subsequent amendment that may be made to this Procedure after prior approval by a committee exclusively comprising of Independent Directors.

**14.3** As an exception to the provisions in paragraph 14.2 above, any regulatory changes that may be made to the International Accounting Standards in relation to the definitions contained in the Appendix to this Procedure may be adopted in this Procedure by the Corporate Affairs department, subject to verification that the regulatory changes introduced in the International Accounting Standards correspond to those proposed in the Appendix by the Independent Committee, which shall inform the Board of Directors at the first useful meeting.

**14.4** The Board of Statutory Auditors shall ensure that the procedures adopted comply with the principles of the regulatory law in force on transactions with Related Parties, ascertain that they are observed, and report to the Shareholders' Meeting.

**14.5** Without prejudice to the regulations on the transparency and disclosure of related party transactions in force at the time, the provisions set forth in this Procedure regulating the approval process of RPTs come into force as of 1st July 2021. Any subsequent amendments and/or additions, shall apply from the day indicated by the Board of Directors in the approval resolution.

**14.6** The Board of Directors shall assess periodically and whenever necessary, taking into account any regulatory changes and/or any changes in the ownership structure of the Company, and in any case at least every three years, whether to revise this Procedure.

**14.7** This Procedure and its relative amendments shall be immediately published on the Issuer's website, without prejudice to the obligation of disclosure - also through the site in question - in the Company's annual report, pursuant to the provisions contained in Article 2391-*bis* of the Civil Code.

**14.8** For whatever is not foreseen in this Procedure, the pertinent provisions of the law and regulations in force at the time shall apply.

## APPENDIX

### Definitions of Related Parties and Related Party Transactions and applicable definitions pursuant to International Accounting Standards in effect as of 30 June 2021

#### 1. RELATED PARTIES

A related party is a person or Entity that is related to the Entity that is preparing its financial statements (the reporting Entity, i.e. De' Longhi). De' Longhi's related parties, according to IAS 24, paragraph 9 (*'Related Party Disclosures'*), are:

- (a) a person or a 'close family member' of that person, if that person:
  - (i) has 'Control' or 'Joint Control' of De' Longhi; or
  - (ii) has 'Significant Influence' over De' Longhi; or
  - (iii) is a member of the 'Key Management Personnel' of the De' Longhi Group or of one of its parent companies;
  
- (b) an Entity, if any of the following conditions applies:
  - (i) the Entity and De' Longhi are part of the same group (which means that each parent, subsidiary and group company is related to the others);
  - (ii) the Entity is an 'Associate' of De' Longhi;
  - (iii) the Entity is a 'Joint Venture' of which De' Longhi is a member;
  - (iv) the Entity is an 'Associate' or a 'Joint Venture' belonging to a group of which De' Longhi is a member;
  - (v) the Entity and De' Longhi are 'Joint Ventures' of the same third party;
  - (vi) the Entity is a 'Joint Venture' of a third Entity and De' Longhi is an 'Associate' of the third Entity or vice versa;
  - (vii) the Entity is represented by a post-employment benefit plan for the benefit of employees of De' Longhi or of an Entity related to De' Longhi;
  - (viii) the Entity is controlled or jointly controlled by a person referred to in point (a) above;
  - (ix) a person identified in point (a)(i) above has significant influence over the Entity or is a member of the Entity's (or of its parent's) 'Key Management Personnel';
  - (x) the Entity, or any member of a group to which it belongs, provides key management personnel services to De' Longhi or any of its parent companies.

## **2. RELATED PARTY TRANSACTIONS**

Under IAS 24, paragraph 9 (*‘Related Party Disclosures’*), a *‘related party transaction is a transfer of resources, service or obligations between a reporting entity and a related party, regardless of whether a price is charged.’*

Such transactions include:

- mergers, spin-offs by incorporation or strictly non-proportional spin-off transactions, when carried out with related parties;
- decisions related to the allocation of remuneration and economic benefits, of any type, to members of the boards of directors, internal auditing bodies and key management personnel.

## **3. DEFINITIONS APPLICABLE TO ‘RELATED PARTIES’ AND ‘RELATED PARTY TRANSACTIONS’ ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS**

**3.1** Under IAS 24, paragraph 9 (*‘Related Party Disclosures’*), the terms *‘control’*, *‘joint control’* and *‘significant influence’* are defined in IFRS 10 (*‘Consolidated Financial Statements’*), IFRS 11 (*‘Joint Arrangements’*) and IAS 28 (*‘Investments in Associates and Joint Ventures’*) and are used in IAS 24 itself with the meanings specified in those IFRSs.

### **3.1.1 - ‘Control’**

Under IFRS 10 (*‘Consolidated Financial Statements’*) *‘an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.’*

*Therefore, an investor controls an investee if and only if the investor has all the following:*

- (a) power over the investee (an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e., the activities that significantly affect the investee’s returns);*
- (b) exposure, or rights, to variable returns from its involvement with the investee; and*
- (c) the ability to use its power over the investee to affect the amount of the investor’s returns.*

*An investor must consider all facts and circumstances when assessing whether it controls an investee. An investor must reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in paragraph 7 (see paragraphs B80-B85).*

*Two or more investors collectively control an investee entity when they must work together to conduct the relevant activities. In such cases, since no investor can conduct the activities without the involvement of the others, no investor individually controls the investee. Each investor should account for its interest in the investee in accordance with the relevant IFRSs, such as IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures, or IFRS 9 Financial Instruments.’*

### **3.1.2 - ‘Joint Control’**

Under IFRS 11 (*Joint Arrangements*) ‘joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.’

### **3.1.3 - ‘Significant Influence’**

Under IAS 28 (*Investments in associates and joint ventures*), ‘significant influence is the power to participate in the financial and operating policy decisions of the investee but not the control or joint control of these policies.’

*If an entity holds, directly or indirectly (for example through subsidiaries), 20% or a higher percentage of voting power in the shareholders' meeting of the investee, it is presumed that it has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (for example through subsidiaries), less than 20% of the voting power in the shareholders' meeting of the investee, it is presumed that the entity does not have significant influence, unless it can be clearly demonstrated that this is not the case. Even if another entity has an absolute or relative majority, this does not necessarily preclude an entity from having significant influence.*

*The existence of significant influence by an entity is usually indicated in one or more of the following circumstances: (a) representation on board of directors or equivalent governing body of the investee; (b) participation in the decision-making process, including participation in decisions about dividends or other forms for distributing profits; (c) material transactions between the entity and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.’*

### **3.2 – ‘Key Management Personnel’**

Under IAS 24, paragraph 9 (*Related Party Disclosures*) ‘key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.’

With Communication no. DEM/10078683 of 24 September 2010, Consob also specified that ‘the category of ‘key management personnel’ also includes the regular members of the internal auditing bodies’.

The Key Management Personnel of the De’ Longhi Group, other than the members of the Board of Directors (executive and non-executive) and the regular members of the Board of Statutory Auditors, are identified by the Board of Directors itself.

### **3.3 – ‘Close Family Members’**

Under IAS 24, paragraph 9 (*Related Party Disclosures*) ‘Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: (a) that person’s children and spouse or domestic partner; (b) children of that person’s spouse or domestic partner; (c) dependants of that person or that person’s spouse or domestic partner.’

### **3.4 – ‘Associate’**

Under IAS 28, paragraph 3 (*‘Investments in Associates and Joint Ventures’*) *‘an associate is an entity over which the investor has significant influence.’*

Under IAS 24, paragraph 12 (*‘Related Party Disclosures’*), *‘in the definition of related party, an associate includes subsidiaries of the associate (...). Therefore, for example, an associate’s subsidiary and the investor that has significant influence over the associate are related to each other.’*

### **3.5 – ‘Joint Venture’**

Under IAS 28, paragraph 3 (*‘Investments in Associates and Joint Ventures’*) *‘a joint venture is an arrangement to jointly control an entity whereby the parties that have joint control have rights to the net assets of that entity.’* The same paragraph 3 of IAS 28 also specifies that *‘a joint arrangement is an arrangement according to which two or more parties have joint control over the economic activity that is the subject of the arrangement’* and that *‘joint control is the contractually agreed sharing of control of an economic activity, which exists only when decisions about the relevant activities require the unanimous consent of all the parties sharing control’.*

Under IAS 24, paragraph 12 (*‘Related Party Disclosures’*), *‘in the definition of related party, (...) a joint venture includes subsidiaries of the joint venture.’*

## **4. INTERPRETATION PRINCIPLES ON THE DEFINITIONS**

Under IAS 24, paragraph 10 (*‘Related Party Disclosures’*), *‘in considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.’*