

De'Longhi

Modern Slavery Statement



De'Longhi



1 – Introduction

De'Longhi Australia Pty Ltd (De'Longhi Australia) 's statement on modern slavery pursuant to the Australia Modern Slavery Act 2018 (Commonwealth)

This statement sets out the actions taken by De'Longhi Australia to address modern slavery and human trafficking in our operations and supply chain, for the financial year ending 30th June 2020.

This statement has been approved by our Head office and Board of Directors.

2 – Organisation Structure, Operations and Supply Chain

De'Longhi Australia Pty Ltd (De'Longhi Australia) is part of The De'Longhi Group of Companies, headquartered in Treviso, Italy and was founded by the De'Longhi family in 1902 when they opened an industrial component production workshop.

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. The Group operates in international markets through 4 main brands (De'Longhi, Kenwood and Braun) and regional commercial structures.

The Group is present worldwide through numerous direct commercial branches and a network of distributors in 120 markets around the world; it also has 4 factories and some stores in Italy, France, China, Japan, and Korea.

De'Longhi Australia have been in operation since 2003. We have 103 staff, and our turnover is in excess of \$190 million.

Our operations in Australia mainly consist of;

- Sales and marketing of our Group's products including coffee machines.
- Procurement of our Group's products from overseas for Australian clients.
- Warehousing and distribution of our Groups products before placing on the market.
- After sales services through technical support.



3 – Risks of modern slavery in our supply chain.

Supply chain management

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

The De'Longhi Group do not have full control of the manufacture of our products and there is therefore a risk of modern slavery in both the companies that supply our own manufacturing plants with raw materials and components, and an added risk in the factories that manufacture on our behalf.

However, The De'Longhi Group have a high degree of control over our exposure to risks such as modern slavery in the manufacturing and assembly of finished products that is carried out at four of our own manufacturing plants located in Italy, Romania and China which covers 60% of sales, and by a group of qualified partners or "Original Equipment Manufacturers" which develop, manufacture, and distribute products.

Our suppliers and partners are fully aware of our position in relation to Modern Slavery and human trafficking, and the expectation that they will implement our policies in this area, specifically our Code of Ethical Conduct and our Social Code of Conduct.

Our Social Code of Conduct specifically mentions the key areas of risk in our supply chain that are encompassed by modern slavery and human trafficking including but not limited to;

- Underage Labour and Juvenile Employment – Any worker who is younger than the minimum age in accordance with the law, is considered to be an illegal underage employee.
- Bonded Labour – Labour must be a free opportunity and a free choice, with no coercion or rules that might limit their free choice.
- Discrimination – All employees shall be treated with respect; and
- Disciplinary Measures – Any form of corporal punishment, psychological, sexual, or verbal harassment or abuse, intimidation or violence is prohibited.

4 – Actions taken to assess and address these risks, including due diligence and remediation.

Responsible Supply Chain Management

Suppliers are a key element for the De'Longhi Group's activities and, therefore, the management of the supply chain is aimed at promoting best practices in terms of product quality, respect for human rights (including the condemnation of the use of child labour, forced labour and compensations that do not meet the minimum wage conditions of each country and, in any case, the dignity of workers) and work conditions, health and safety and environmental responsibility.

In this regard, the Quality office conducts periodic audits on suppliers of finished products aimed at ensuring compliance with human rights, the values and guiding principles contained in the Group's Code of Ethics. Social audits are mainly conducted at the premises of the finished product suppliers of the Chinese plants, in line with international standard SA 8000 (Social Accountability).

In addition, as of 2019, suppliers operating in China are required to sign, not only the Code of Ethics, but also the Code of Conduct of the De'Longhi Group, provided in both English and Chinese, in further proof of the commitment undertaken. Of no less importance is the requirement demanded of first-level suppliers that are required to also share the Group's Code of Ethics with the subcontractors with which they collaborate.

Specifically, the audits carried out enable an investigation into various aspects of a social nature, such as freedom of association and collective bargaining, working hours and conditions, health and safety, child labour and forced labour, discrimination and staff training.

The Code of Ethical Conduct

To be transparent about the actions the De'Longhi Group are making to assess and address risks around modern slavery, we have made our Code of Ethical Conduct public. This document covers several areas related to the topic of modern slavery including, but not limited to;

Dealing with suppliers

In dealings with suppliers, the selection processes must be based on an objective competitive comparison (in terms of expertise, competitiveness, quality, fairness, respectability, reputation, price, guarantees of execution and assistance) avoiding any form of favouritism or discrimination.

Procurement processes are founded on the search for the best value for the Group and providing equal opportunities for each supplier as well as on transparency, loyalty, and collaboration during the pre-contractual and contractual stages.

The same suppliers, when engaging in any kind of relationship with the Group, are obliged to fully comply with the provisions of law and with this Code.

The Group's suppliers must ensure that their employees' working conditions comply with fundamental human rights, international conventions and the laws in force.

In particular:

1. the use of child labour is absolutely prohibited and is considered unacceptable. The age of workers engaged in production must not be below the minimum age legally permitted in each country;
2. the exploitation of child labour or adult labour, the use of forced labour, physical or psychological abuse or corporal punishment are considered absolutely unacceptable and will entail the immediate cessation of any and all relations between the supplier and the Group;
3. pay and benefits for workers engaged in production must comply with local regulations, the law and be in line with international conventions on this issue.

Suppliers must ensure that any form of production is carried out using processing that protects the health of workers appropriately and is suitable for the production processes actually used.

Suppliers are obliged to send this Code to their subcontractors.



Employment Relationship

Respect for the freedom and personal dignity of all workers and collaborators is one of the Group's fundamental values.

Staff are hired using a normal employment contract. Irregular employment of any kind is not tolerated. Relations between the various hierarchical levels (related to the different levels of responsibility in each Group company) must be founded on loyalty, equality, and fairness, according to the principles mentioned above.

The use of child labour is absolutely prohibited and is considered unacceptable. The age of workers must not be below the minimum age legally permitted in each country where the Group is active.

The exploitation of child labour or adult labour, the use of forced labour, physical or psychological abuse or corporal punishment are considered absolutely unacceptable.

The Group rejects any form of exploitation of or profiting from workers in need and refrains from any dealings with intermediaries who are even suspected of recruiting their workforce by exploiting people in need.

Where foreign staff are employed on a visa, they are only eligible to work whilst their visa remains valid for the purpose of work.

When establishing the employment relationship, each worker receives accurate information on:

- the characteristics of the job and the tasks to be performed, also taking into account any health or safety risks associated with the work;
- regulatory and wage aspects, as regulated by the national collective labour agreement;

This information is provided to the worker so that their acceptance of the job is based on proper understanding.

Personnel Management

The Group avoids any form of discrimination against its employees and collaborators, offering equal opportunities in terms of work and career advancement.

In the personnel management and development processes, as in the selection stage, all decisions taken are based on how the profiles of employees and collaborators match expected profiles (in the case of promotion or transfer, for example) and/or on considerations of merit (in the awarding of incentives for results achieved, for example).

Access to roles and positions is also established based on expertise and ability. Moreover, where compatible with the general efficiency of the work, preference is given to flexible work organisation which facilitates maternity, paternity, and childcare arrangements.

Personnel performance evaluations are carried out widely and are documented, involving managers, the relevant HR department and, where possible, people who have worked with the person under evaluation.

The Group undertakes to strictly comply with the regulations in force regarding working hours, rest periods, weekly rest, compulsory leave, and holidays.

The Group also undertakes to give workers' wages that are proportionate to the quality and quantity of work produced and in any case in line with the applicable collective labour agreement.

The Group condemns degrading or potentially hazardous working conditions, surveillance methods or accommodation, which it considers are absolutely unacceptable.

Health and safety at work

The Group offers working conditions that respect the individual's dignity and physical and psychological integrity and working environments that are safe and healthy, in compliance with the laws in force and workers' rights.



De'Longhi Group Social Code of Conduct for Enterprises in the South China Region

Our business partners, their suppliers, and sub-contractors, as well as any other entity directly or indirectly belonging or being related, in any way, to the supply chain involved in the manufacturing of our products and/or of their parts, attachments and components, are requested to observe and to protect the rights of the Employees at any time and under any circumstances under the principles set out in this De'Longhi Group's Social Code of Conduct.

This rights safeguarding activity shall be performed both in observance of the local laws and of the SA 8000 principles, and it shall be applied regardless of whether the Employees are directly or indirectly employed by our business partner. Therefore, unless it is otherwise specified, it is implicitly understood that our business partner is consequently bound to vouch for his suppliers and/or for his sub-contractors for the observance of the aforesaid, with reference to what is covered in our Social Code of Conduct.

SCoC Discipline Enforcement Procedure

12.1 Our Business Partner shall possess the official and integral copy of the SA 8000 regulations, both in English and in the local language. As for that, our Business partner shall keep a document showing names and signatures of all members of the Managing Staff, stating that every one of them duly read and understood the SA 8000 content. For purpose of this disposition, it is understood that "Managing Staff" is any Employee whose authority superintends one or more other Employees.

12.2 Employees shall be informed about the contents of this SCoC document as well as about the relevant laws. As for that, a legible copy of this document shall be posted in each and every room and venue where the Employees usually stay, both for professional, personal, or recreational purposes.

12.3 Our Business Partner shall guarantee the full enforcement of the dispositions of this SCoC without exception. In particular, our Business Partner shall remove, or refrain to apply, any rule that might prevent such a successful enforcement.

12.4 Our Business Partner shall have a system in place to verify whether its Managing (Executive) Staff periodically carry out internal surveillances and inspections in order to ensure the SCoC requirements are always met without exceptions or failures. Reports and records to demonstrate the compliance with this SCoC document and with its relevant laws as a result of the above said surveillance, shall be kept and available for review.

12.5 - All standards, rules and dispositions as defined by our SCoC document shall be acknowledged by the top management of our Business Partner and shall be absorbed and ratified in its own company policy. Our Business Partner is bound to guarantee, under its own responsibility, that also its sub contractors absorbed and ratified in its own company policy the content and the principles of our SCoC document.

5 – Assess effectiveness of actions.

The De'Longhi Group has a Code of Ethical Conduct that clearly defines the set of ethical principles that the whole Group recognises, accepts, and shares. This will only be successful if we work with our suppliers and partners to address the issue of modern slavery.

The De'Longhi Group bases the performance of its activities on observance of the ethical principles enshrined in our Code of Ethical Conduct, our Group Social Code of Conduct, and on compliance with the laws in force, and is also guided by the corporate values it has developed internally in the development of its business and in pursuit of its Mission.

Monitoring

The De'Longhi Group acknowledges our actions in putting in place codes of conduct and procedures to combat Modern Slavery will only work if these are both implemented and effective. To this end The De'Longhi Group promotes and supports each company in the dissemination of the Code of Ethical Conduct.

Each Group Company identifies the body responsible for monitoring compliance with the code whereas the Group implements and applies procedures and provides specific instructions to ensure the recipients comply with the code.

Infringements of our Code of Ethical Conduct and the associated responsibilities, including compliance with the Modern Slavery Act, will give rise to disciplinary sanctions, including possible termination of the employment relationship and/or cessation of the business relationship.

During 2019, almost all (90.9%) of new finished product suppliers were subjected to an assessment according to social criteria, in line with the provisions of the SA 8000 standard [GRI 414-1]. The deviation from 2018, which presented an indicator value of 100%, is due to the presence of two audits carried out on around 31st December 2019, for which, at the end of the year, only the part relating to quality was finalised (the SCoC - Social Code of Conduct - qualification was duly completed at the beginning of 2020) During the past year, a total of 50 audits were also conducted to verify compliance with human rights at the premises of 47 finished product suppliers and three Group sites, almost half of the Group's Operation.

6 – Other

Training

De'Longhi Australia will work with our peers in the De'Longhi Group to drive Continuous Professional Development (CPD) among our team whereby we will ensure there is a programme of actions in place going forward to ensure that our compliance with the Modern Slavery Act is brought into our working procedures, training, and staff inductions.

The De'Longhi Group, through our Social Code of Conduct will implement a programme of Executive Staff Training to improve their understanding of, and ability to put in place training whereby;

- Our Business Partner shall implement a policy that foresees a suitable training course about SCoC requirements to its Managing (Executive) Staff, to be periodically held; and
- Our Business Partner shall have a system in place to verify whether its Managing (Executive) Staff periodically carry out internal surveillances and inspections to ensure the SCoC requirements are always met without exceptions or failures.



Paolo Albertoni

Chief Executive Office, Australia and New Zealand

De'Longhi Australia Pty Limited

ABN 49 104 012 857

Australian Head Office: Unit 3, 43 Lyn Parade,
Prestons NSW 2170 Australia

Ph:1800 126 659 Fax:1800 007 289