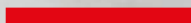




IMPACT REPORT

2020





"We have decided to include in the company's by-laws the commitment to perpetuate the business model of the stakeholder company to reaffirm our business philosophy, which is that of being a social institution that pursues its stakeholders' quality of life".

Andrea Illy, *Chairman of illycaffè*

"We want to contribute to achieving a sustainable future by implementing organisational and strategic solutions that integrate the well-being of people and the environment through the approach of continuous improvement that has characterised us for more than 80 years".

Massimiliano Pogliani, *Chief Executive Officer of illycaffè*



Introduction and objectives of the document

In 2019, the adoption of the status of "Benefit Company" (as per Italian Law 208 of 28/12/2015, paragraphs 376-384) was a step desired by illycaffè to crystallise its guiding principle of doing business: operating as a stakeholder company based on a model of sustainable development that, through the sharing of the value generated (**economic sustainability**), harmoniously pursues its own growth and a positive impact (**social sustainability, environmental sustainability**) on the communities it operates in.



With this evolution, illycaffè confirms its choice of growing by operating in a responsible, transparent and sustainable manner for the communities it interacts with. It promotes a different way of doing business oriented towards the **common good** and capable of giving the company competitive advantages, combining economic and income objectives with social and environmental objectives to be pursued over the long term.

Benefit Companies have two fundamental characteristics:

a) MEASURE WHAT MATTERS:

They measure their results in terms of **positive impact on society and the environment** with the same completeness and with the same rigour used for economic and financial results. They report annually on their activities through an impact report, which describes both the actions taken and their plans and commitments for the future.

b) PROTECT AND ALIGN THE MISSION:

They express their **attention** to all **stakeholders** in the corporate purpose of their by-laws, balancing the interests of shareholders and the interests of the community.

Following are the common benefit goals arising from compliance with the aforementioned Italian Law 208/2015 on Benefit Companies, and specifically paragraph 382: *"...the benefit company prepares an annual report concerning the pursuit of common benefits, to be annexed to the company financial statements..."*. This Impact Report includes a description of the specific objectives achieved during the year and the new objectives to be pursued in the following year. Measurement of the positive impact generated by the business through the **B Corporation®** model and tools is under way.

■ illycaffè Benefit Company: the specific purposes of common benefit

The company has incorporated three areas of focus into its by-laws:

- **The chain responsible for value and sustainable agriculture**, which is achieved through analysis and the improvement of impacts throughout the coffee supply chain, field research and knowledge transfer, as well as support for integrated agriculture to preserve and improve coffee's sustainable quality.
- **Pursuit of happiness and quality of life**, through the principles of economic, social and environmental sustainability and also fostering global partnerships suitable for achieving this objective.
- **Circular economy and innovation** for the benefit of the planet, which envisages the improvement of energy efficiency and resource consumption in order to progressively reduce emissions throughout the supply chain.

These three action areas perfectly complement **the path that will lead the company** to carbon neutrality by 2033, the centenary of the company's founding, and with the 2030 objectives of the illycaffè strategy for the pursuit of sustainability. They also demonstrate that the transition to a Benefit Company is the natural evolution of the approach taken so far by the company.

Again in 2020, illycaffè described how it contributed to the achievement of the purposes described above through its practices and actions. Some objectives were re-adapted or postponed in light of the year's complex operating environment created by the global COVID-19 pandemic.



SUPPLY CHAIN RESPONSIBLE FOR VALUE AND SUSTAINABLE AGRICULTURE

Goal 1

Contribute to the improvement of knowledge and analysis of impacts along the coffee supply chain.

To improve a process, it is first necessary to have a thorough knowledge of the starting point and then define a plan to achieve the desired result. It is precisely with this in mind that illycaffè has initiated the creation of a plan to reduce its impacts, aimed in particular at **reducing CO2 equivalent emissions** from all operations, including the supply chain.

In 2020 illycaffè developed a measurement plan based on progressive goals in order to work towards achieving its maximum objective, **carbon neutrality** by 2033. A first feasibility analysis of the actions was also carried out to reduce the main impact factors. This analysis revealed the temporary non-applicability of some technologies to illycaffè's processes and products (e.g. recycled tinplate, recycled plastic, biogas for roasting, etc.). In light of these first results, it was decided to further explore possible solutions that will develop in 2021, in a version 2.0 of the **decarbonisation roadmap**.

2020 results

Action	Target	Result
Definition of a greenhouse gas emission reduction plan that includes all operations (including the supply chain)	Publication of the measurement plan	Internally shared CO2 equivalent emission reduction plan. Carried out feasibility analysis of the actions identified in the plan and started work to implement further supporting actions

2021 goals

Action	Target
Identification of new actions that can be implemented to achieve the highest carbon neutrality objective by 2033	Identification of actions and finalisation of the greenhouse gas emission reduction plan

Goal 2

Contribute to the development and analysis of the sustainability of the supply chain through research, knowledge transfer, field projects.

Respect for the environment, and in particular protection of the earth and biodiversity in accordance with the principle of integrated agriculture, are key elements of illycaffè’s approach to cultivation. In this context, the exploration of new cultivation methods and techniques is continuous and aims to ensure **sustainable production** both from an environmental and social point of view, involving and developing small farming communities.

There were two main projects carried out in 2020:

- **Kokkere** is a new 360-hectare plantation in the Gurage region of Ethiopia. It is one of the experimental projects of the Loyalty Programme created by illycaffè for coffee growers. About 2,000 families of small producers live near the plantation and, thanks to this

programme, have the opportunity to sell cultivated coffee, receive assistance, technical training and fair compensation, thus promoting a positive economy for the entire area.

- **Jardines de Babilonia** is a new 140-hectare plantation in the Jalapa region of Guatemala. This project is also part of the Loyalty Programme, which includes precision farming experiments, the conversion of the plantation into sustainable production, as well as the implementation of social sustainability actions aimed at reducing specific critical issues such as child malnutrition.

In 2021, new **cultivation models with a higher sustainability profile** will be analysed and validated in a more cross-cutting manner. For example, targeted fertilisation and irrigation and precision farming consists in the application of artificial intelligence algorithms to agriculture as a tool to support agronomic decisions and monitor their results, and as a predictive system for achieving illycaffè’s qualitative targets.

2020 results

Action	Target	Result
Expansion of the Kokkere plantation	Development of 40 hectares of plantation & nursery	Plantation and nursery built
Implementation of precision farming techniques in the Jardines de Babilonia plantation	Installation of climate detection sensors	Project suspended due to hurricanes. Will be incorporated in a broader project

2021 goals

Action	Target
Validation of sustainable agronomic practices (targeted fertilisation and irrigation, early warning of pests and diseases)	Verify the validity of innovative practices through an analysis of the health of the fruits (coffee cherries)
Validation of the precision farming model for medium-sized farms	Collection and processing of data from applied research in Jardines de Babilonia and Rabanales

Goal 3

Support and disseminate the reasons for integrated agriculture to preserve and improve coffee quality and sustainability globally.

In 2000 – together with the establishment of a partnership with PENSA (The Agrobusiness Intelligence Center of the University of São Paulo) and subsequently SENA (*Servicio Nacional de Aprendizaje*) – illycaffè launched **activities to support** small and large coffee producers through training courses on important issues (from responsible cultivation techniques and good agronomic practices – essential to increase productivity, reduce production costs and increase the producer's profitability – to trading, economic-administrative aspects and logistics).

These programmes promote the **direct involvement of producers** and knowledge transfer at a local level.

In 2020, **training sessions on farm management** were planned in Guatemala, Honduras and Colombia,

covering topics such as best agricultural practices and improving the quality of the coffee produced.

Due to the COVID-19 pandemic, the planned farm management training could not be carried out in the field. Nevertheless, some introductory concepts were presented remotely online. In fact, in 2021 a new supply chain verification tool was developed and implemented that allows the sustainability technician to perform checks directly while also providing field training. This new tool includes a large section dedicated to the topic of farm management. It was therefore decided to present the tool directly to the supply chains and to use it during remote checks. This has made it possible to anticipate the salient aspects related to farm management, which will be presented by illycaffè's agronomists during future training sessions in the field. The goal for 2021, as soon as health conditions allow, is to resume this activity in the field and involve all of Tier 1, represented by technicians working with large growers/exporters.

2020 results

Action	Target	Result
Training on Farm Management offered by the Green Coffee department	Involvement of three supply chains (one for each country)	On-site activities suspended due to Covid-19. Online/remote sessions organised in preparation for this type of activity

2021 goals

Action	Target
Training on Farm Management offered by the Green Coffee department	Involvement of Tier 1 technicians (large growers/exporters)

Goal 4

Promote respect for the environment as a fundamental principle of the coffee sector throughout the entire value chain.

For illycaffè, promoting a culture of sustainability and respect for the environment is a constant commitment that takes shape through **specific training programmes**

designed to promote and encourage the environmentally responsible conduct of employees and producers.

In 2020 efforts were made to engage green coffee providers on sustainability issues, in particular those in Tier 1, consisting of large growers/exporters. The goal for 2021 is to train the other half of suppliers belonging to this cluster.

2020 results

Action	Target	Result
Training of Tier 1 producers on environmental sustainability issues	50% of Tier 1 green coffee supply chains (large growers/exporters)	Task completed

2021 goals

Action	Target
Training of Tier 1 producers on environmental sustainability issues	Remaining 50% of Tier 1 green coffee supply chains not trained in 2020

Goal 5

Embrace the principles and culture of economic, social and environmental sustainability, as well as their intrinsic link with the aspiration to happiness that is typical of each person.

illycaffè recognises the value of people as the key to a healthy, solid company. The **development of human resources** is based on respect for workers' rights, on their full development and professional and personal growth, but also on the protection of their pursuit of happiness as a primary component of the identity of every person. This pre-condition also ensures a sustainable development of the business, thanks to which the

company becomes a promoter of the improvement of the quality of life of its employees and their families. With this in mind – in particular thanks to the role of international ambassador played by Chairman Andrea Illy – illycaffè actively and periodically promotes **global dialogue** on key issues such as climate change and its effects in order to stimulate the search for a solution involving both companies and the major institutions. Particularly noteworthy is the research that Andrea Illy is conducting and promoting through the Ernesto Illy Foundation and in partnership with illycaffè itself on the concepts of transformation and radical innovation of **Virtuous Agriculture®**, a new model based on the idea that better soil can correspond to better health for humans.

2020 results

Action	Target	Result
Analyse, research and disseminate a new model of sustainable agriculture for coffee production and processing via Virtuous Agriculture®	Spread the Virtuous Agriculture® model internationally in coffee production and processing through events and in international settings	Activity completed. Some of the last events where Andrea Illy presented the topic <ul style="list-style-type: none"> - The Kloster Forum - ESOF 2020 (<i>EuroScience Open Forum</i>) - <i>Conference Innovate4Climate & Regeneration 2030</i> - <i>World Coffee Research</i>

2021 goals

Action	Target
Disseminate research developed in partnership with PENSA (The Agrobusiness intelligence Center of the University of São Paulo) for a first practical version of Virtuous Agriculture® with a focus on carbon efficiency	Identification of key action areas and their dissemination to growers

PURSUIT OF HAPPINESS AND QUALITY OF LIFE

Goal 6

Participate in the international debate on the issues of the pursuit of happiness, well-being and improvement of the quality of life, mainly but not exclusively in the areas where coffee is grown.

Through the Ernesto Illy Foundation, since 2017 illycaffè has been a partner and supporter of the **World Happiness Report** (<https://worldhappiness.report/>). Compiled and published annually by the United Nations Sustainable Development Solutions Network, the survey

measures global happiness and ranks 156 countries according to the "happiness perceived" by their citizens, with a view to promoting well-being and improving the quality of life.

Thanks to the efforts and contribution of the Ernesto Illy Foundation, in 2020 illycaffè actively supported the publication of the World Happiness Report and promoted agricultural models that not only intervene directly on the protection and conservation of the soil, but that consequently also contribute to the creation of greater well-being for people.

The goal for 2021 is to confirm illycaffè's support role in the preparation of the **World Happiness Report**.

In 2020 illycaffè was a partner of the **EuroScience Open Forum** (ESOF), the biennial European general conference on science, research and innovation, featuring a specific speech/session with Andrea Illy.

In 2020 illycaffè also participated in the co-design and implementation of the **Regeneration 2030 Summit**, a global summit on Regenerative Economy, Global Happiness and Climate Action of which illycaffè is a partner and sponsor.

During this "first act" of Regeneration 2030, all participants – politicians, entrepreneurs, spiritual leaders, academics, members of NGOs and civil society – signed a commitment document that touches on the three fundamental pillars of the project (Regenerative Economy, World Happiness and Climate Action) on which to build an action plan that allows all stakeholders (from the private sector, public administration, civil

society) to measure and implement their performance and progress over time, in order to develop and evolve this new paradigm day after day.

We have 10 years to address and take concrete action in these three areas, all of which are deeply interconnected. It is critical to initiate a dialogue and build **an alliance between world leaders** from all disciplines, sectors and countries to share ideas, good practices and above all a strong, clear commitment given the global context we find ourselves in.

Hence the creation of this initiative, Regeneration 2030, which brings together companies, institutions and individuals involved in a collaborative effort to shift our economy and humanity to a new paradigm, towards the creation of a **sustainable society**.

Consistent with what was done during 2020, the commitment for 2021 is to continue the support provided by the company to Regeneration 2030 for the development of a regenerative economy.

2020 results

Action	Target	Result
Support the 2020 World Happiness Report, which aims to analyse happiness with respect to the Environmental dimension https://worldhappiness.report	Confirm participation as a partner in the preparation of the 2020 World Happiness Report	Task completed

2021 goals

Action	Target
Support the 2021 World Happiness Report, which aims to analyse happiness with respect to the Environmental dimension	Confirm participation in the preparation of the 2021 World Happiness Report
Continue to support Regeneration 2030 for the development of a regenerative economy	Confirm illycaffè's role in 2021

Goal 7

Encourage global partnerships to promote sustainability and international awareness.

illycaffè wants to raise awareness among its customers on issues related to environmental sustainability and the crucial role that each individual can play in safeguarding our planet.

In 2020 illycaffè inaugurated its **Coffee Capsule Recycling Programme**. The company chose TerraCycle® to create a collection and recycling programme for illy capsules, both plastic (Iperespresso) and aluminium.

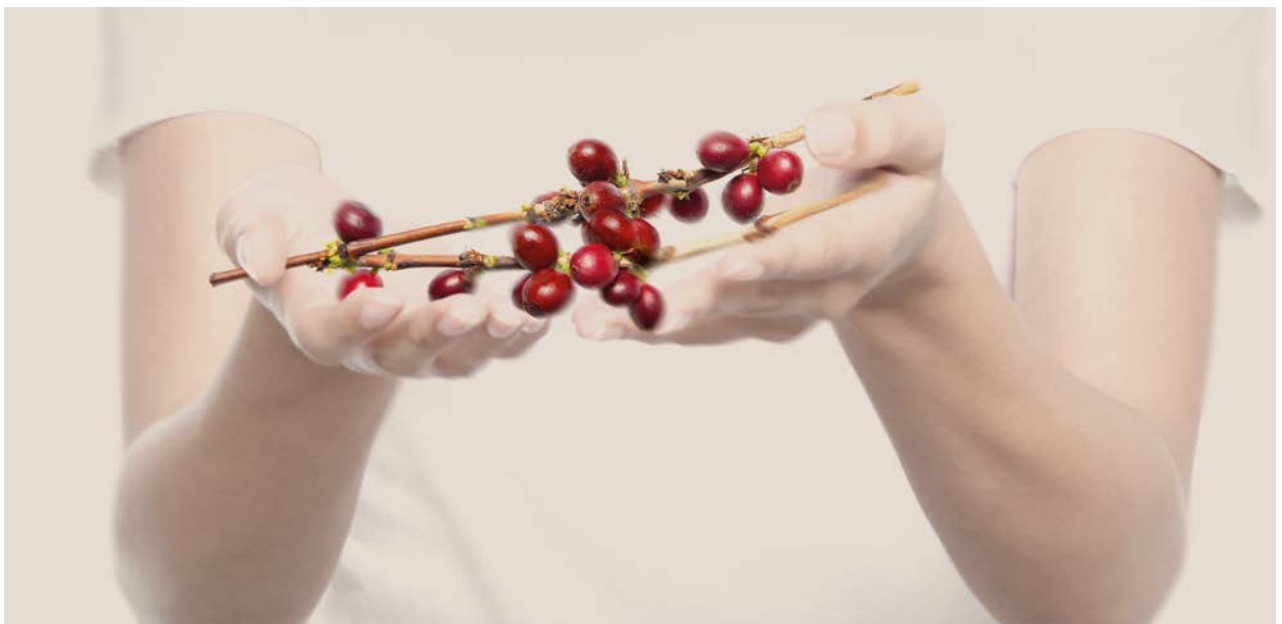
The partnership was launched in France, Spain, the United Kingdom, Austria,¹ the Netherlands and Belgium, where, depending on the country, consumers can have their spent capsules collected at home or they can send them by mail to the TerraCycle® collection point.

While Italian legislation does not allow organising a collection process following the approach provided by TerraCycle®, illycaffè has begun a dialogue with

other players operating in the local market to establish a partnership in 2021 for the recycling of aluminium capsules.

At the same time, in 2021 illycaffè will continue its commitment to encourage **global partnerships** to promote sustainability and international awareness. In fact, the company:

- Will participate as a sherpa² in the "sustainable production and sourcing" and "living prospering-income" technical workstream³ promoted by the ICO (**International Coffee Organization**). The goal is to improve the resilience and sustainability of the coffee sector. For this reason, a roadmap has been defined that illycaffè has followed, and specific working tables have been established.
- Will play the role of promoter of **Italy for Climate**, an initiative for sustainable development promoted by a group of companies and business associations that are particularly sensitive to the issue of climate change. The goal is to promote the implementation of an Italian Climate Agenda in line with the objectives of the Paris Agreement by mobilising and influencing all non-governmental actors to achieve carbon neutrality.



¹ In Austria, only Iperespresso capsules will be recycled to begin with. Compatible aluminium capsules will be accepted in the future

² Role as an operating actor within a specific workstream

³ Mechanisms developed by ICO (International Coffee Organization) to implement a solution.

2020 results

Action	Target	Result
Development of an international capsule recycling partnership	Establishment of a partnership	Partnered with TerraCycle®, a world leader in the hard-to-recycle waste industry, to launch the Coffee Capsule Recycling Programme. Thanks to this initiative, consumers in France, Spain, the United Kingdom, Austria, the Netherlands and Belgium can take use this collection and recycling service for spent capsules.

2021 goals

Action	Target
Establishment in Italy of a partnership for the recycling of aluminium capsules	Establishment of a partnership
Participation in technical workstreams on the topics of "sustainable production and sourcing" and "living prospering-income" organised by ICO - International Coffee Organization.	Participation as an operating actor
Italy for Climate	Participation as promoter of the initiative

CIRCULAR ECONOMY AND INNOVATION

Goal 8

Consider products and systems also according to criteria consistent with the principles of sustainability and the circular economy for the benefit of the planet.

The circular economy is a key issue for illycaffè and its stakeholders, the central focus of the corporate sustainability strategy. In 2016 the company carried out a **LCA (Life Cycle Assessment)** study on the entire product portfolio, from the production of raw materials through the manufacturing process to the use and disposal of all the product components.

This study led to a higher internal level of awareness of the main impacts of these activities, and laid the foundations for redesigning products by improving their durability and making disposal and disassembly as efficient as possible. Examples of innovations resulting from this study include the ECO (**Easy Capsule Opener**), an accessory for domestic use that allows opening the capsule to empty out the coffee in just a few steps so the two types of waste can be disposed of separately. In 2021 the diffusion of ECOs will be greatly increased thanks to a specific marketing project (an additional 10,000 capsule cutters to direct customers) to facilitate their widespread use.

Partnerships continue with universities, research centres, trade associations and pre-competitive roundtables to find viable alternatives in terms of adopted technologies as well as selected materials, moving towards biodegradable or environmentally friendly materials (e.g. recycled paper packaging and cardboard inner packaging).

In 2020 illycaffè launched the **X1 Anniversary ESE & Ground machine**, designed with aspects like reducing consumption and the circular economy in mind. In particular, the adoption of a **fast-heating** mechanism – applied for the first time on home machines – allows this machine to significantly reduce energy consumption. Every single material used has been chosen to ensure

a longer life of the appliance.

In 2021 illycaffè will continue to work consistently with what has been done so far, with respect to its commitment to reconsider products and systems according to criteria consistent with the principles of sustainability and the circular economy.

The roll-out of the X1 Anniversary ESE & Ground machine will continue in the rest of the world. An important process innovation will be finalised that will see the systematic inclusion of LCA (Life Cycle Assessment) and packaging recyclability in the product development procedure. Finally, we will work towards the goal of each individual illy product being labelled with the information relating to its end of life by the end of 2021.

2020 results

Action	Target	Result
Launch of the X1 Anniversary ESE & Ground machine, built with aspects like reducing consumption and the circular economy in mind	Launch of the X1 Anniversary ESE & Ground machine	Launched in Q4 2020 in Italy and in European subsidiaries

2021 goals

Action	Target
Finalization of the X1 Iperespresso machine with fast-heating mechanism that reduces electrical consumption	Launch of the X1 Iperespresso machine by Q1 2022
Updating of the product development procedure to include LCA (Life Cycle Assessment) and packaging recyclability	Completion by 2021
Addition of product end-of-life and packaging information to each illy product	Completion of the range by 2021

Goal 9

Improve energy efficiency and consumption consumption, taking into account best practices and innovative solutions in the pursuit of progressive emission reductions.

illycaffè has always been committed to monitoring and reducing its environmental impact. Environmental value and the protection of natural resources are in fact key factors to be incorporated into the company's overall approach, for the preservation and **sustainable development** of the local region while respecting the rights of communities and future generations. Consistent with this objective, the company has an environmental management system that complies with ISO 14001 and the European EMAS Regulation (Eco-Management and Audit Scheme), with which it

undertakes to draw up an **environmental statement** communicating the environmental commitments made, with a view to **continuous improvement**.

In 2020, illycaffè strengthened its environmental management system with the aim of **reducing CO2 equivalent emissions** into the atmosphere by 10%, and implementing energy-efficient technologies both for its products and within its production processes.

Consistent with its goal of improving energy efficiency and resource consumption through the exploitation of best practices and innovative solutions, in 2021 illycaffè will work on the progressive introduction of electric cars into its company fleet, finalise a process for the transformation of all plastic waste from the Trieste plant into pallets usable by the company itself and work on the gradual replacement of current plants with new, more **energy-efficient** ones.

2020 results

Action	Target	Result
Consolidation of the environmental management system	Reduction of Total Organic Carbon (TOC) emitted into the atmosphere by 10% (from baseline)	Target achieved (baseline at 31/12/2019 1,708 kg TOC, at 31/12/20 490 kg TOC)

2021 goals

Action	Target
Reduction of emissions from the illy company fleet	Replacement of fleet for short distances with full electric cars
Transformation of all plastic waste from the Trieste plant into pallets usable by the company itself	Completion of the transformation process
Plant efficiency improvements	Replacement of vacuum pumps and compressors in building D (Trieste plant)



Conclusions

With this report we have sought to transparently present illycaffè as a stakeholder company by sharing our values, goals, results achieved and goals for the coming years, oriented as a Benefit Corporation towards the pursuit of the specific goals of common benefit expressed in our by-laws.

