





# Annual Report 2022

The images of the cups signed by the Cameroonian artist Pascale Marthine Tayou constitute the leitmotif that distinguishes the 2022 Annual Report. In this way, illycaffè wants to celebrate 30 years of the illy Art Collection, with a tribute to the beauty and the diversity of cultures in the context of adding value to the coffee cup, as an object capable of enhancing the coffee experience on multiple sensory levels.



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## About this report

The 2022 Annual Report consists of three documents.

### MANAGEMENT REPORT

It illustrates the operating performance and situation of the illycaffè Group (hereinafter also "the Group" or "illycaffè") supplementing the financial and non-financial information referring to the year ended as at 31 December 2022.

### CONSOLIDATED FINANCIAL STATEMENTS

It refers to the financial year ended as at 31 December 2022 and prepared in accordance with IFRS/IAS accounting standards.

### IMPACT REPORT

Referring to the year ended as at 31 December 2022 and prepared in compliance with Italian Law 208/2015 on Benefit Corporations.

The Group Management Report combines economic and financial with sustainability information.

The evolution towards integrated reporting, already undertaken on a voluntary basis in 2021, reflects the growing correlation between strategy, governance, financial performance and the social, environmental and economic context in which the Group operates.

The approach adopted in drafting the Management Report also reflects the Group's commitment to increasingly broad and transparent communication, also in view of future regulatory obligations, in particular, of the European directive that establishes the new principles for corporate sustainability reporting (Corporate Sustainability Reporting Directive, "CSRD").

The Group's Strategy & Investor Relations Department has coordinated the drafting of the Management Report.

The Management Report contains all the information envisaged by Article 40 of Italian Legislative Decree No. 127/1991 and Article 2428 of the Italian Civil Code.



Annual Report 2022

# MANAGEMENT REPORT





The illycaffè  
Group

## Since 1933, the dream of offering the best coffee to the world

The illycaffè Group is engaged in the production and distribution of coffee and derivative, similar and complementary products, as well as food and ancillary products, in Italy and abroad. It is also engaged in the development, design and sale of machines for the coffee market.

The Group operates in the premium segment of the market through a multi-channel business model. In addition to its historical presence in the Ho.Re.Ca. channel, illycaffè products are distributed in the Modern Trade channel (large scale retailing) and in the direct-to-consumer channels through e-Commerce (both directly and via e-Tailers) and directly operated and franchise single-brand stores ("illy Caffè").



### MISSION

Delight those passionate about goodness and beauty in the world with the best coffee nature has to offer, enhanced by technology and art.

### VISION

We want to be a reference point for coffee culture and excellence around the globe. An innovative company that offers the best products and places for consumption and, thanks to this, grows and becomes a leader in the high-end sector.

### VALUES

Ethics understood as building long-term value through sustainability, transparency and valuing people.  
Excellence understood as a love of beauty and that which is well-made.

Since its foundation in 1933, illycaffè has directed its strategies towards a sustainable business model, integrating economic and financial objectives with social and environmental aspects.

For illycaffè, the virtuous circle of sustainability starts in producing countries through a sustainable procurement strategy focused on four fundamental pillars:

- select and work directly with the best Arabica coffee producers;
- transfer knowledge to them, investing in an ongoing training program and also through visits to the plantations by technicians and agronomists;
- acknowledge, including economically, the superior quality achieved and encourage a continuous process of improvement;
- build a community based on solid and lasting human relationships, aimed at fostering a culture of excellence.

In 2019, illycaffè strengthened its commitment as a stakeholder company by adopting the status of Benefit Corporation, expressing in its corporate purpose the commitment to operate in a responsible, sustainable, inclusive and transparent manner, pursuing specific purposes of common benefit in the following three areas:

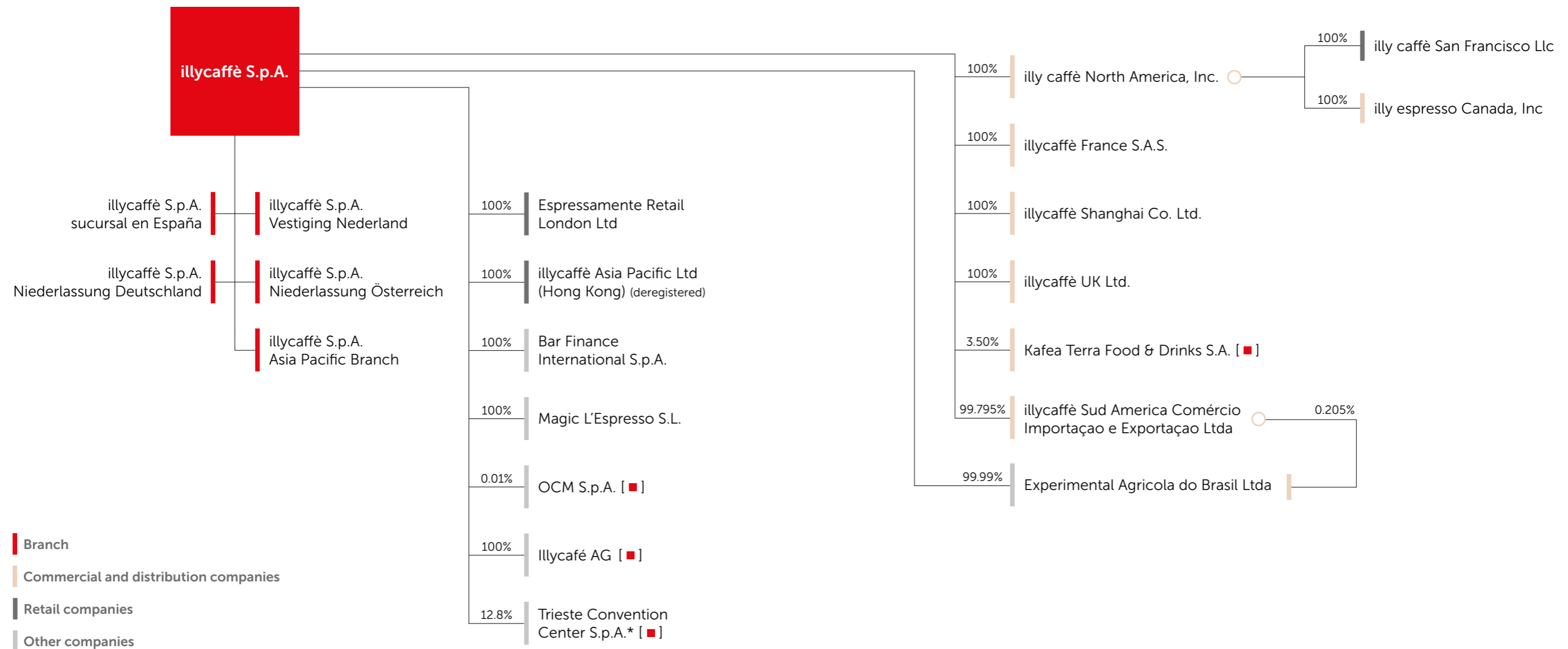
- the creation of economic value for stakeholders: contributing to reducing the risks in the coffee supply chain linked to climate change, also through sustainable investments from a socio-economic point of view and global initiatives and partnerships;
- the pursuit of well-being, understood as health and happiness: promoting the improvement of quality of life and social development in the areas where coffee is grown, fostering a virtuous circle between those who produce it and those who consume it;
- the circular economy and the regeneration of the biosphere: minimizing the consumption of natural resources and promoting regenerative agronomic practices aimed at the conservation of biodiversity and the renewal of ecosystems.

Consistent with its sustainable business model, illycaffè has set itself the goal of becoming carbon neutral by 2033, reducing company emissions of CO<sub>2</sub> equivalent through reduction, removal or offsetting actions along its supply chain.

In 2021, illycaffè was the first Italian company in the coffee sector to obtain the B Corp® certification, assigned to companies that are committed to respecting strict social and environmental performance standards, advocating an inclusive, fair and regenerative economic system.

## Structure and composition of the Group

| GRI 2-1 | GRI 2-2 |



With the aim of strengthening its coverage of the Swiss market, on 15 November 2022, the Group acquired 67% of the shares of Illycafé AG, reaching 100% ownership, of which 33% in full ownership and 67% in bare ownership.

[■] Companies not falling within the scope of line-by-line consolidation of illycaffè S.p.A.

(\*) On 16 December 2022, a share capital increase for Trieste Convention Center S.p.A. was carried out.

## Shareholders

il.lycaffè S.p.A. (hereinafter also the "Parent Company") is 80% owned by Gruppo Illy S.p.A.

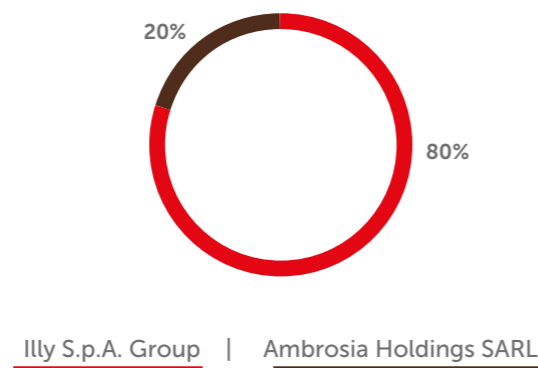
In 2021, Rhône Capital, a global private equity company focused on European and transatlantic investments, acquired a 20% stake in il.lycaffè S.p.A. through Ambrosia Holdings SARL.

Rhône was chosen by the entrepreneurial family as a strategic partner to support il.lycaffè in its international growth path, with particular attention to the US market.

Pursuant to and by effect of Article 2497 et seq. of the Italian Civil Code, Il.lycaffè S.p.A. is not subject to management and coordination.

SHAREHOLDERS OF IL.LYCAFFÈ S.P.A.<sup>1</sup>

2022



## Group companies

At 31 December 2022, the Group comprised the companies listed below.

### il.lycaffè S.p.A.

The Parent Company, which owns the "il.lycaffè" and "il.ly" brands, is engaged in producing and distributing coffee and derivative products under the il.ly brand.

il.lycaffè S.p.A. was founded in 1933 by Francesco Illy. In the late 1940s, his son Ernesto, a chemistry graduate, joined the firm. He gave impetus to scientific research and technology and created an in-house chemistry lab.

The 1990s saw a generational change, first with Riccardo and then with Andrea, CEO since 1994 and Chairman since 2008.

The merger by incorporation into il.lycaffè S.p.A. of Mitaca S.r.l., a subsidiary of the Parent Company engaged in producing single-portion capsules used to prepare beverages, and marketing hot drinks machines, selling products in the Office Coffee Service (OCS) and Vending channels both on the domestic market and abroad, took effect on 1 January 2022.

### Commercial, distribution and retail companies

#### il.ly caffè North America, Inc.

A subsidiary of the Parent Company, engaged in the distribution and marketing of the products in the US, Canada (through its own subsidiary in the case of the latter) and in Mexico. The company is also active in the development of il.ly Caffè franchises in the American and Canadian markets.

#### il.ly espresso Canada, Inc

A subsidiary of il.ly caffè North America, Inc., engaged in the distribution and marketing of the products in Canada.

#### il.ly caffè France S.A.S.

A subsidiary of the Parent Company, engaged in the distribution and marketing of the products in France, Belgium and Luxembourg.

### il.lycaffè Shanghai Co. Ltd.

A subsidiary of the Parent Company engaged in the distribution and marketing of the products in China.

### il.lycaffè UK Ltd.

A company that carries out product distribution and marketing activities in the United Kingdom, previously indirectly controlled through il.lycaffè UK Holdco Ltd and directly controlled by the Parent Company from December 2021, following the process for liquidation of il.lycaffè UK Holdco Ltd.

### Espressamente Retail London Ltd

Company in relation to which the business unit was sold to il.lycaffè UK Ltd in 2022 and which will therefore be put into liquidation in 2023.

### il.lycaffè Sud America Comércio Importação e Exportação Ltda

A subsidiary of the Parent Company engaged in the distribution and marketing of the product in Brazil.

### il.ly caffè San Francisco LLC

A subsidiary of il.ly caffè North America Inc. dedicated to the retail channel and engaged in the direct management of flagship stores in the San Francisco area.

### Branches

The Parent Company operates not only through the structure active in Italy, but also through five branches in the markets of Spain, Germany, Austria, the Netherlands and Hong Kong.

### il.lycaffè S.p.A. sucursal en España

Branch active in the distribution and marketing in Spain and Portugal.

### il.lycaffè S.p.A. Niederlassung Deutschland

Branch active in the distribution and marketing in Germany.

### il.lycaffè S.p.A. Niederlassung Österreich

Branch active in distribution and marketing in Austria.

### il.lycaffè S.p.A. Vesting Nederland

Branch active in the distribution and marketing in the Netherlands and in Iceland, Aruba, Curaçao and Bonaire.

### il.lycaffè S.p.A. Asia Pacific Branch

Branch that carries out marketing and retail activities in the Asian area.

### Other companies

#### Bar Finance International S.p.A.

Company controlled by the Parent Company engaged in the disbursement of loans to companies belonging to the same production or distribution chain as the Parent Company.

#### Magic L'Espresso S.L.

A subsidiary of the Parent Company headquartered in Spain (Els Hostalets, Barcelona) engaged in producing professional coffee machines.

#### Experimental Agrícola do Brasil Ltda

A subsidiary of the Parent Company engaged in selecting, analysing and purchasing green coffee in the Brazilian market.

(1) The subscribed and paid-up share capital is equal to €50,000,000.00 and is divided into 4,500,000 class shares, with no expressed nominal value, broken down as follows: Gruppo Illy S.p.A., with registered office in Rome in via Della Mercede 11, holder of 3,600,000 class A shares, with no expressed nominal value; Ambrosia Holdings SARL, with registered office in Luxembourg in rue Edward Steichen 14, holder of 900,000 class B shares, with no expressed nominal value.

## The history of the Group

### 1933-1996

1933

#### THE BIRTH OF ILLYCAFFÈ

Francesco Illy, born in Hungary, moves from Vienna to Trieste, the city of coffee, at the end of the First World War. In 1933 he founds illycaffè based on a dream: to offer the best coffee in the world.



1934

#### PRESSURISATION

illycaffè obtains a patent for its revolutionary pressurization system, still used today for product packaging: coffee can thus travel around the world enhancing its aromas thanks to ageing, and preserving freshness.

1935

#### ILLETTA, THE FIRST HIGH-PRESSURE ESPRESSO MACHINE

Illetta is born, the progenitor of modern espresso machines, thanks to the patented system of separating heating and water pressure.



1957

#### QUALITY AT HOME

With its new production department, the tin for home consumption is born: round, small, even for ground coffee.



1974

#### THE FIRST SINGLE-PORTION SYSTEM ON THE MARKET

illy was the first to industrialise pods - single-dose portions of ground and pressed coffee - that made it possible to produce a perfect espresso in any place and at any time: a radical innovation in the history of coffee, which would pave the way for the company's international expansion.



1980

#### ILLYCAFFÈ IN THE UNITED STATES

illycaffè lands in the United States, the first Italian coffee to export espresso culture overseas.



1982

#### QUALITY IN EVERY SINGLE BEAN

illycaffè patents the coffee digital sorting machine that analyses the colour and shape of the beans to ensure their perfection.



1991

#### AWARD FOR COFFEE QUALITY

First edition of the Premio Ernesto Illy por la Qualidade do Café Sustentável para Espresso in Brazil, established by illycaffè as an integral part of the plan for development of the sustainable quality of coffee of the country.

1992

#### THE ILLY ART COLLECTION

The illy Art Collection project is launched, through which the company transforms an everyday object such as an espresso cup into a blank canvas, inviting contemporary artists to use it to express their creativity. The iconic espresso cup designed by Matteo Thun for illy has been joined over the years by the works of Masters and new talents, becoming the largest collection of common art objects in the world.

1995

#### X1, DESIGN AND TECHNOLOGY FOR ESPRESSOS

Sixty years after Illetta, the X1 machine is launched for making espressos at home, still a style icon today.



1996

#### JAMES ROSENQUIST AND THE NEW LOGO

The art and science of espresso: the legendary American pop artist James Rosenquist creates the new illy logo, conveying the brand's unique character through its graphic design.



## The history of the Group

### 1997-2011

**1997**

#### AROMALAB

AromaLab is born, the laboratory where the chemistry and aromatic profile of coffee are studied, and the quality of green and roasted coffee is evaluated.

**1999**

#### UNIVERSITÀ DEL CAFFÈ

Università del Caffè is founded, a hub of excellence created to spread the culture of quality coffee throughout the world through training, research and innovation activities.

**2002**

#### THE PROJECT WITH SEBASTIÃO SALGADO

The great photographer Sebastião Salgado travels to coffee paradises to pay tribute to the women and men who cultivate it. The project lasts 14 years and touches 10 countries, culminating in the exhibition Aroma of a Dream.



#### THE CREATION OF SENSORILAB, TECHLAB AND BIOLAB

illycaffè creates three new laboratories in which continual research is developed inherent to all aspects of coffee.

**2003**

#### MONO-BRAND STORES

illycaffè launches espressamente illy, the authentic Italian coffee shop project which was transformed in 2015 into illy Caffè.



#### ISO 14001 CERTIFICATION

illycaffè certifies that its management system is suitable to keep the environmental impacts of its activities under control.

**2004**

#### THE EMAS ENVIRONMENTAL MANAGEMENT SYSTEM

illycaffè voluntarily participates in the EU eco-management and audit scheme (EMAS) to promote constant improvements in the environmental efficiency of industrial activities.

**2005**

#### EMAS AWARDS

illycaffè's commitment to improving the environmental aspects of production is recognised internationally.

#### BRC CERTIFICATION - BRITISH RETAIL CONSORTIUM

illycaffè increases its commitment to certifications for safe food and products.

**2006**

#### IPERESPRESSO, THE NEXT GENERATION ESPRESSO

Thanks to the two phases of infusion and emulsion, the Iperespresso system – covered by five international patents – produces a coffee with an intense aroma and a velvety consistency.


**2007**

#### THE IFS CERTIFICATION - INTERNATIONAL FOOD STANDARD

With this certification illycaffè continues its commitment to quality and food safety.


**2008**

#### MITACA

Mitaca, a company specialising in portioned office systems, is acquired.


**2011**

#### THE RESPONSIBLE SUPPLY CHAIN PROCESS

The Chairman Andrea Illy launches the idea of certifying sustainability. Issued by DNV-GL, this certification assesses a company's creation of social, environmental and economic value for all stakeholders in the supply chain.



## The history of the Group

### 2012-2021

2012

#### CARBON FOOTPRINT

In cooperation with the Ministry of the Environment, illycaffè is launching a project to calculate the carbon footprint throughout the product life cycle.



2013

#### WORLD'S MOST ETHICAL COMPANIES

illycaffè is included for the first time in the list of the World's Most Ethical Companies, drawn up annually by the Ethisphere Institute.



2015

#### EXPO MILAN 2015

The biggest celebration of coffee in history: illy becomes an official partner of EXPO Milan 2015 and ICO (International Coffee Organization), coordinates an extraordinary programme of events and curates the Coffee Cluster, the coffee pavilion visited by over 13 million people.



2016

#### THE ERNESTO ILLY INTERNATIONAL COFFEE AWARD

In 2016, Prêmio Ernesto Illy de Qualidade do Café para Espresso went global with the Ernesto Illy International Coffee Award, which pays tribute to the talent and commitment of farmers around the world in the production of sustainable coffee.

2017

#### THE CREATION OF A SUSTAINABILITY COMMITTEE

illycaffè's commitment to sustainability takes shape through the creation of a Sustainability Committee with propositional and advisory functions to the Board of Directors on social and environmental sustainability issues.

2019

#### COMPATIBLE ALUMINIUM CAPSULES

Thanks to a partnership with JDE (Jacobs Douwe Egberts), Nespresso®-compatible illy branded aluminium capsules are marketed.



#### BENEFIT CORPORATION

illycaffè S.p.A. becomes a Benefit Corporation and amends its by-laws accordingly.

#### SUSTAINABLE PROCUREMENT PROCESS

illycaffè evolves its procurement process using the Sustainable Procurement Process protocol, one of the most comprehensive sustainability standards in the coffee procurement process.

2020

#### OPENING UP THE CAPITAL

Rhône Capital, a global private equity firm, acquires 20% of the share capital of illycaffè to contribute to its international growth plans.

2021

#### B CORP® CERTIFICATION

illycaffè becomes the first Italian coffee company to receive B Corp® certification, which identifies those companies that operate according to the high social and environmental performance standards.





## 2022 Highlights

## Main events of 2022

### CONTEMPORARY ART



#### 30 years of the illy Art Collection

*illycaffè celebrated the 30<sup>th</sup> anniversary of the illy Art Collection together with the great protagonists of contemporary art present at the Venice Biennale Arte with an exhibition in*

*the Giardini Reali stretching over three months. The exhibition included 114 collections and 459 different cups, which represent one of the largest collections of contemporary art in the world.*



- **illy Art Collection signed by Tayou:** presented at the international Frieze London fair, the new illy Art Collection was designed by Pascale Marthine Tayou, one of the most important contemporary artists, who wanted to reflect the great issues of our time into his works of art: conflicts, environmental sustainability, globalisation, immigration.
- **59<sup>th</sup> Venice International Art Exhibition:** illycaffè confirmed its support for the 59<sup>th</sup> International Venice Art Exhibition, curated by Cecilia Alemani, entitled "The milk of dreams" and celebrated it with the new illy Art Collection designed by Cecilia

Vicuña, awarded with the Golden Lion for Lifetime Achievement, Felipe Baeza, Giulia Cenci, Precious Okoyomon, Alexandra Pirici and Aki Sasamoto.

- **Frieze Los Angeles:** illycaffè presented the illy Art Collection and its matching jars, designed by the Lebanese artist Mona Hatoum, in the United States for the first time.
- **ARCOMadrid:** illycaffè was present with the new collection of Mona Hatoum cups and the emerging artist Ana Navas was awarded the prize for young artists from coffee producing countries at the 15<sup>th</sup> edition of illy Sustain Art.





- **54<sup>th</sup> edition of the Barcolana:** illycaffè entrusted Matteo Thun with the realisation of the Manifesto of the 54<sup>th</sup> edition of the Barcolana, the greatest regatta in the world, which takes place every year in the Gulf of Trieste and of which the company is a partner. The manifesto, presented to the press in Milan, aims to convey positive emotions and celebrate the importance of connections, reproducing the values of the regatta founders.
- **Eataly Art House - E.ART.H.:** illycaffè was the main sponsor of Eataly Art House - E.ART.H., the new Foundation dedicated to open art in the old Stazione Frigorifera Specializzata (Specialised Cooling Station) in Verona, through which illycaffè promotes the values of sustainability, quality and beauty.
- **22<sup>nd</sup> edition of illy Present Future:** Peng Zuang won the 22<sup>nd</sup> illy Present Future prize, awarded in Turin at the international contemporary art fair Artissima, of which the company is a partner.



- **Milan Design Week:** on the occasion of Milan Design Week, illycaffè set up an exhibition in the central spaces of the Around Gallery through which it told the story of the iconic espresso cup collection and unveiled the genesis of the creative process that led to its conception. This occasion also saw the launch of the book illy Art Collection - 30 Years of Beauty, which shows all of the illy Art Collections and their patterns through texts, explanations, anecdotes and a rich array of images.
- **60<sup>th</sup> edition of the Salone del Mobile:** at the Rho exhibition centre, illycaffè was reconfirmed as the official partner of the 60<sup>th</sup> edition of the Salone del Mobile in Milan, where it was also present with a tasting session in the showrooms of some of the best known and loved design brands, such as Kartell, Lissoni & Partners, Molteni, Moroso, Poltrona Frau and UniFor, and in the INTERNI Design Re-Generation exhibition.

## SUSTAINABILITY



- **Ernesto Illy International Coffee Award 2022:** Ethiopia, with Elias Omer Ali of Tracon Trading, won the 7<sup>th</sup> edition of the Ernesto Illy International Coffee Award, the recognition that celebrates the company's daily work alongside producers to offer coffee of the highest sustainable quality.
- **31<sup>st</sup> Prêmio Ernesto Illy de Qualidade do Café para Espresso do Brasil:** the 31<sup>st</sup> edition of Prêmio Ernesto Illy de Qualidade do Café para Espresso do Brasil, which brings together the best producers of sustainable coffee in the country, was held in São Paulo.
- **International Coffee Day:** on the occasion of the International Coffee Day, which has been celebrated on 1 October every year since 2015, illycaffè proposed the #cupsidedown communication campaign, represented by an inverted espresso cup, an illy Art Collection designed in collaboration with the artist Matteo Attruia and which symbolises the need to change our views on certain daily behavioural patterns, such as having a coffee, with the aim of promoting a virtuous and more sustainable attitude for the planet.



- **X1 Anniversary ECO MODE machine:** the new X1 Anniversary ECO MODE machine with the Iperespresso capsule system, designed according to environmental sustainability criteria capable of ensuring energy savings of 53% compared to the previous generation of this model, was introduced at global level.
- **World's Most Ethical Companies:** for the 10th consecutive year, illycaffè is the only Italian company in the World's Most Ethical Companies list drawn up by Ethisphere Institute, indicated as a model in defining and advancing international standards of ethical business practices.
- **World Happiness Report:** for the sixth year, illycaffè and the Ernesto Illy Foundation supported the World Happiness Report, the annual ranking of over 150 countries assessed on the basis of the perception of their citizens' happiness.
- **Best ESG Ratings Award:** Standard Ethics awarded illycaffè the highest level of compliance with the international sustainability guidelines established by the European Union, OECD (Organization for Economic Cooperation and Development) and the United Nations, recognising it as the best among the 30 Italian companies making up the SE Food & Beverage Italian Sustainability Benchmark index.
- **Partnership with Kartell:** Milan Design Week was an opportunity to communicate the launch of a partnership with Kartell, which aims to contribute to the strengthening of circular economy production models. The first product, the result of the research and innovation of the two brands, is Re-Chair, originating from the creativity of Antonio Citterio and made with recycled Iperespresso capsules.





## HIGH GASTRONOMY AND CHEF AMBASSADORS



- **illy Montenapoleone flagship store (Milan):** in June, the illy flagship store in via Montenapoleone in Milan reopened, offering visitors a redesigned space. The project, led by the architect Antonio Citterio, is based on an all-round experience of the illy universe, made of quality, sustainability, art and design.
- **The World's 50 Best Restaurants:** the partnership with The World's 50 Best Restaurants, which has reached its 20<sup>th</sup> edition and concluded with the award ceremony in London, is renewed.
- **Massimo Bottura:** the new illy chef ambassador who has joined the list of current star chefs is Massimo Bottura, owner of Osteria Francescana, a three Michelin-star restaurant in the historic centre of Modena, twice recognised as the best restaurant in the world by The World's 50 Best Restaurants. Since 2015, Bottura has been committed to the fight against food waste through the foundation of Food for Soul and the creation of numerous community projects.
- **Maestri dell'Espresso Junior:** Niccolò Mattei, of the Ricasoli Institute in Siena, won the Maestri dell'Espresso Junior prize competition, dedicated to Professional Hotel and Catering Institutes, promoted by illycaffè and by Cimbali Group to support the importance of training and which this year saw the participation of 49 schools from all Italian regions.



## 2022 performance highlights



### Financial highlights

in € million

<b>567.7</b> REVENUES	<b>78.2</b> ADJUSTED EBITDA	<b>25.9</b> EBIT	<b>14.2</b> NET PROFIT	<b>154.3</b> NET FINANCIAL POSITION
+13.6% vs. 2021	+10.6% vs. 2021	+24.8% vs. 2021	+18.9% vs. 2021	+25.0% vs. 2021



### Key financial ratios

<b>8.9%</b> ROI	<b>9.5%</b> ROE	<b>4.6%</b> ROS	<b>2.0x</b> NFP/EBITDA ADJUSTED	<b>1.0x</b> NFP/ EQUITY
+1.4 PP vs.2021	+1.0 PP vs.2021	+0.4 PP vs.2021	+0.2 vs. 2021	+0.2 vs. 2021



### Markets and Channels

**147** COUNTRIES IN WHICH ILLY IS PRESENT

**3** STRATEGIC CLUSTERS in Europe

France, Benelux and the Netherlands | Spain and Portugal | Germany and Austria

**190** ILLY CAFFÈS IN 34 COUNTRIES

**171** in franchising | **19** under direct management

**49.1%**  
Home

**50.9%**  
Out-of-Home


### People

<b>1,230</b> EMPLOYEES IN 2022	<b>45.3%</b> WOMEN EMPLOYEES	<b>61.9%</b> EMPLOYEES IN THE AGE BRACKET 30-50	<b>91.3%</b> GLOBAL PAY INDEX <sup>1</sup>
-5.7% vs. 2021	+0.4 PP vs. 2021	-3.2 PP vs. 2021	-0.9 PP vs. 2021



### Environmental sustainability

<b>28.1%</b> ENERGY FROM RENEWABLE SOURCES	<b>76.3%</b> ELECTRICITY FROM RENEWABLE SOURCES	<b>6.2 GJ / t</b> ENERGY INTENSITY <sup>2</sup>	<b>11.4 t CO<sub>2</sub>eq/t</b> EMISSIONS INTENSITY <sup>3</sup>
-0.7 PP vs. 2021	-3.0 PP vs. 2021 100% for the Trieste headquarters	-10.1% vs. 2021	-9.3% vs. 2021



### Superior quality

<b>5,300</b> SAMPLES OF GREEN COFFEE TESTED <sup>4</sup>	<b>114,800</b> CUPS OF COFFEE TASTED <sup>5</sup>	<b>379</b> AUDIT FROM PLANT TO CUP <sup>6</sup>	<b>135</b> QUALITY CONTROLS
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(1) The Global Pay Index refers only to employees of the Italian branch of the Parent Company (accounting for 66% of Group employees) and was calculated as the ratio between the average basic remuneration of female workers compared to those of male colleagues, expressed by professional category. In order to obtain a standardised basis for calculation, the base salary considered corresponds to the Gross Annual Salary (G.A.S.) and does not include variable quotas such as premiums, benefits, bonuses and other company contributions.

(2) Energy Intensity is the ratio between all of the Group's energy consumption and tonnes of roasted coffee.

(3) Emission Intensity is the ratio between all the Group's CO<sub>2</sub>eq consumption and tonnes of roasted coffee. In 2022, the calculation scope was expanded by taking into account all the Group's scope 1, scope 2 and scope 3 emissions.

(4) In 2022, tests carried out directly by illycaffè laboratories were considered.

(5) The figure includes both tastings on the purchased batches of green coffee and tastings linked to production quality control.

(6) The figure includes both audits along the green coffee supply chain and internal audits relating to quality, hygiene, environment, energy and occupational safety issues.



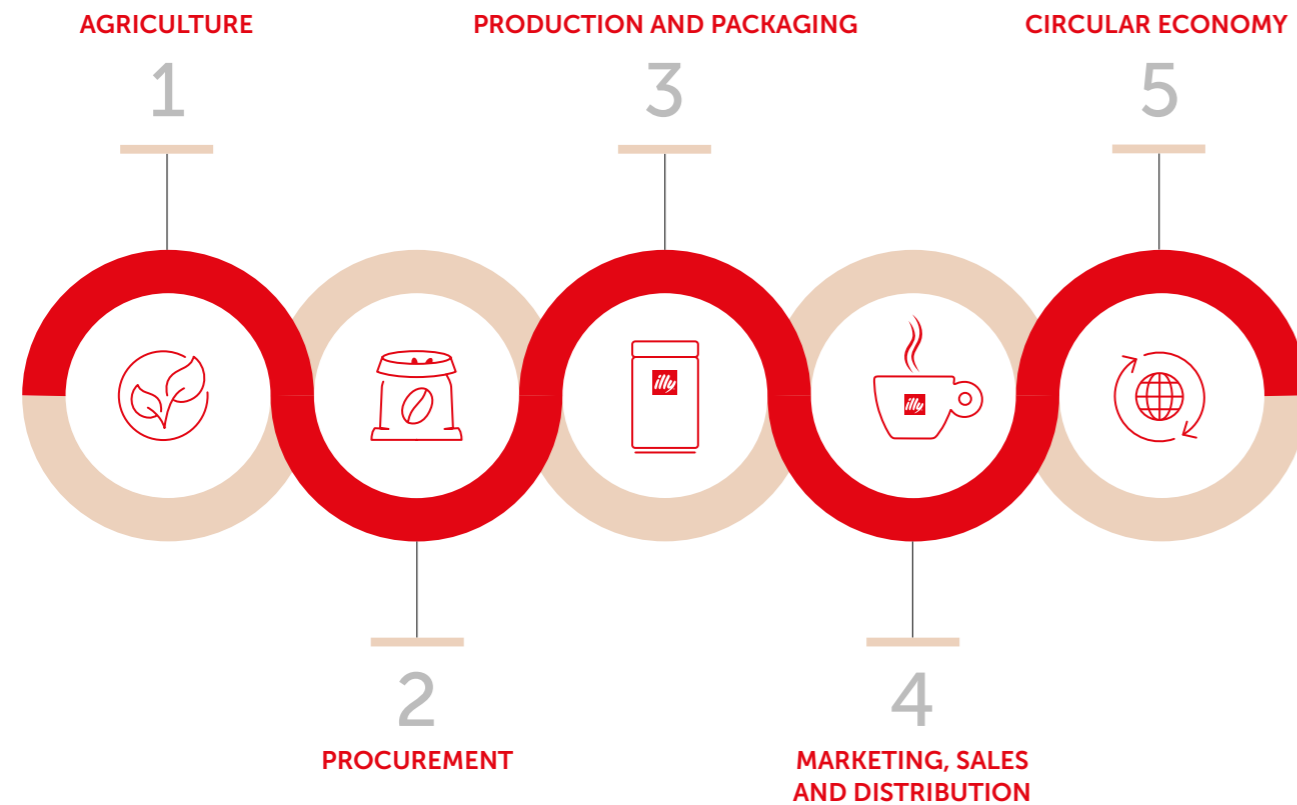
Value chain  
and stakeholders

## The value chain

| GRI 2-6 |

The Group's sustainability strategy extends to every phase of its value chain, in line with its commitment to operating sustainably, from bean to cup. To achieve the best sustainable quality, the Group collaborates closely with all the key players in the supply chain, starting with the countries where the finest Arabica is grown.

During 2022, the Group continued to pursue this strategy, oriented towards the creation of long-term value in all five phases of its value chain.



## 1. AGRICULTURE



Superior coffee quality starts from the first step of its value chain: cultivation. illycaffè works with coffee producers, supporting the adoption and improvement of sustainable and regenerative farming practices, promoting numerous projects in support of local communities, interpreting and responding to their specific needs.

Climate change mitigation activities and respect for biodiversity play a fundamental role in this phase and, also in collaboration with the Ernesto Illy Foundation, the company conducts scientific research projects in this area.



## 2. PROCUREMENT



Promoting the respect and protection of human rights, fighting child labour and guaranteeing the sustainable quality of the materials used have always been among the founding values of illycaffè. Each supplier plays a fundamental role in the sustainable procurement process pursued by the Group, be it raw materials, other goods or services.

Over the years, collaboration with the communities of the green coffee supply chain has been consolidated through a system of direct relations with producers, to whom the company recognises also financially the guaranteed superior quality.

Logistics and transport of raw materials, in particular coffee from producing countries, are also optimised with a view to reducing their associated environmental impacts.



## 3. PRODUCTION AND PACKAGING



The distinctive illycaffè blend is the result of the union of nine different varieties of the finest 100% Arabica coffee, expertly selected to ensure the unmistakable flavour that characterises the blend. The pursuit of excellence in the quality of its products is closely linked to environmental protection. illycaffè pursues this aim through conscious management of resources during all stages of production, from roasting to pressurised packaging, patented in 1934 and able to preserve and enhance the coffee aromas in every can. The Group is also constantly engaged in the search for materials with a reduced environmental impact.



## 4. MARKETING, SALES AND DISTRIBUTION



The Group distributes its products through a multi-channel model (mainly through Ho.Re.Ca., Modern Trade, on-line, single-brand retail, OCS/Vending), both directly, through its own sales network, and indirectly, through a network of distributors, reaching 147 markets worldwide.

The product portfolio developed by illycaffè extends to multiple consumption opportunities.

The core products for consumption at home are mainly coffee beans, ground coffee and capsules (Iperespresso and Nespresso® compatible), as well as ESE (Easy Serving Espresso) pods.

With reference to the Out-of-Home channel, the offer mainly revolves around coffee beans in the iconic 3 kg and 1.5 kg tin formats, dedicated to bars and restaurants, Iperespresso professional capsules and capsules for the office channel. Through its products, appreciated by consumers for their high quality standards, the Group wants to act as spokesperson and promoter of a culture of coffee excellence throughout the world. In pursuit of this vocation, of which the company has always been a thought leader, Università del Caffè was founded in 1999 to spread the culture of quality coffee throughout the world through training, research and innovation.



## 5. CIRCULAR ECONOMY



The principles of circular economy and eco-design, focused on a design based on the efficient use of resources and materials, guide strategic choices along all phases of the illycaffè supply chain, from procurement of materials to their disposal. This is also achieved through the use of methodologies such as LCA (Life Cycle Assessment), which makes it possible to assess and quantify the environmental impacts associated with a product and its life cycle, helping to reduce the amount of waste generated.



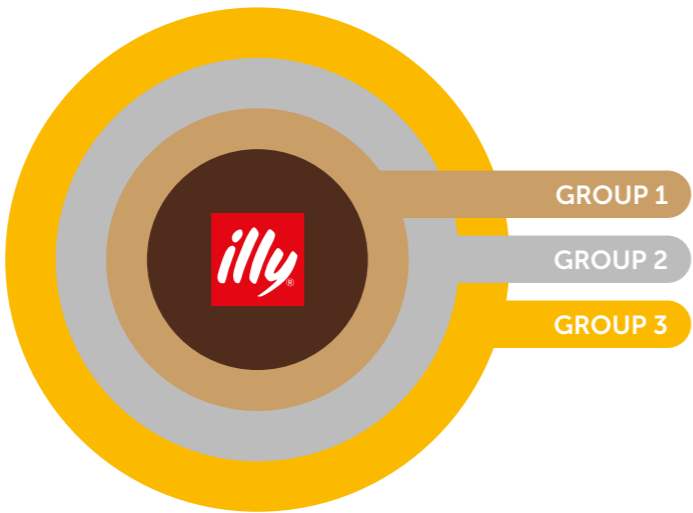
Stakeholders

| GRI 2-29 |

illycaffè has always promoted the proactive involvement of the stakeholders it interfaces with along its value chain and who can influence or be influenced by company activities.

The sustainable growth of the Group in the long term also reflects the evolution of the relationship with its stakeholders and the attention that illycaffè pays to their expectations and needs. The involvement of the various stakeholders, based on open dialogue and transparency, makes it possible to build relationships capable of generating mutual benefits and shared value.

The Group has also identified its stakeholders by analysing their degree of proximity, according to three criteria: parties illycaffè most interacts with, parties the company’s operations depend on and parties located near the company sites<sup>1</sup>.



GROUP 1

- Employees and other collaborators
- Shareholders and lenders
- Green coffee suppliers
- Consumers (B2C)
- Clients (B2B)

GROUP 2

- Local communities
- Suppliers of goods and services
- Ernesto Illy Foundation

GROUP 3

- Certification and control bodies
- Advocacy groups and NGOs



(1) "The Stakeholder Engagement Manual" of AccountAbility, United Nations Environment Program, Stakeholder Research Associates.



illycaffè attributes fundamental importance to respect for the principle of stakeholder inclusiveness and with this awareness, it conducted specific engagement, listening and dialogue initiatives in 2022. The main methods of involvement and the main topics covered are described below.

Stakeholders	Description	Engagement activities carried out in 2022
<b>Employees and other collaborators</b>	All direct employees and all external collaborators who, despite being employed by third-party companies, carry out their work on a permanent basis at the Group's operating sites.	<ul style="list-style-type: none"> <li>Global process for the mapping and management of talent;</li> <li>Sharing the Code of Conduct and the Code of Ethics;</li> <li>Intranet and internal communication tools (e.g. podcasts);</li> <li>Plenary meetings with the CEO to share company results and objectives;</li> <li>On-boarding path for new employees;</li> <li>Continuous online training;</li> <li>Participation in ELIS - School4life, a corporate volunteering project in Italy.</li> </ul>
<b>Shareholders and lenders</b>	Providers of both risk and debt capital.	<ul style="list-style-type: none"> <li>Constant dialogue with the financial community;</li> <li>Investor relations activities.</li> </ul>
<b>Suppliers of green coffee</b>	Green coffee suppliers include: farmers, who work small plots of land; producers, i.e. companies (consortia, cooperatives and medium and large growers) that process the coffee harvested such as separation, washing, drying; exporters, who purchase green coffee from cooperatives or select it directly from producers and form commercial batches based on their customers, resellers or roasters.	<ul style="list-style-type: none"> <li>Compliance with the principles of the ILO (International Labor Organization) and the Global Compact of the United Nations.</li> <li>Sharing the Code of Ethics;</li> <li>Audits (virtual and in the field), periodic monitoring, continuous improvement programs, mutual transfer of knowledge and training;</li> <li>Circolo illy and Clube illy do Café;</li> <li>Prêmio Ernesto Illy de Qualidade do Café para Espresso do Brazil and Ernesto Illy International Coffee Award.</li> </ul>
<b>Consumers</b>	End consumers of illycaffè products.	<ul style="list-style-type: none"> <li>illy Caffè;</li> <li>Social network;</li> <li>Marketing campaigns (e.g. #cupsidedown);</li> <li>Mobile App;</li> <li>Training through the Coffee University;</li> <li>Customer Care;</li> <li>Events and demonstrations.</li> </ul>

Stakeholders	Description	Engagement activities carried out in 2022
<b>Clients</b>	Clients are represented by all players operating in the distribution channels mainly represented by Modern Trade, online ("Home Channels") and Ho.Re.Ca., illy Café, OCS Vending ("Out-of-Home" channels).	<ul style="list-style-type: none"> <li>Events, exhibitions and fairs;</li> <li>Prospect tour, roadshow;</li> <li>Customer Care;</li> <li>Mobile App;</li> <li>Training through Università del Caffè;</li> <li>Retail network;</li> <li>Visits to the production plant.</li> </ul>
<b>Suppliers of goods and services</b>	All suppliers used by the company for the procurement of goods (semi-finished products, technologies, equipment, etc.) or services (logistics services, consulting activities, etc.).	<ul style="list-style-type: none"> <li>Procurement Portal;</li> <li>Pre-qualification and qualification survey;</li> <li>Sharing the 231 Organisational Model, the Code of Ethics and the Code of Conduct.</li> </ul>
<b>Ernesto Illy Foundation</b>	Corporate foundation, an expression of the Illy family that carries out philanthropic activities to supplement the company's sustainable business model.	<ul style="list-style-type: none"> <li>Appointment of the CEO of illycaffè to the Board of Directors;</li> <li>Continuous collaboration in areas such as scientific research, educational projects, advanced training, global surveys and volunteer programs for employees.</li> </ul>
<b>Local communities</b>	The social context of the territories influenced by all the activities of the illycaffè value chain. This category includes, among others, the families of employees and suppliers, schools, research institutes and trade associations.	<ul style="list-style-type: none"> <li>Continuous training, dissemination and transfer of knowledge;</li> <li>Ad hoc projects to support well-being, health and education;</li> <li>Participation in conferences and events;</li> <li>Partnerships with universities and research institutions;</li> <li>Participation in working groups.</li> </ul>
<b>Certification and control bodies</b>	Entities that certify and verify the compliance of management systems or products with specific reference standards.	<ul style="list-style-type: none"> <li>Audit for certifications;</li> <li>Compliance audits;</li> <li>Networking meetings with the B Corp Italia community.</li> </ul>
<b>Advocacy groups and NGOs</b>	NGOs and advocacy groups illycaffè collaborates with for projects of both international and local relevance.	<ul style="list-style-type: none"> <li>Partnerships (e.g. Foundation for Sustainable Development and Italy4Climate);</li> <li>Institutional meetings;</li> <li>Global surveys (e.g. World Happiness Report);</li> <li>Participation in working groups.</li> </ul>

Material topics

| GRI 3-1 | GRI 3-2 | GRI 3-3 |

In line with the provisions and requirements of the GRI Standards (Global Reporting Initiative Sustainability Reporting Standards), the Group has identified its material topics, i.e. those areas of economic, environmental, social and governance sustainability that are relevant and priority in the development of illycaffè's strategy, focusing on stakeholder expectations.

During 2022, the Group carried out a materiality analysis to define the most relevant issues, following a process divided into the following phases:

- analysis of global and national macro-trends in the field of sustainability<sup>1</sup> and the main challenges and risks of the sector in which the Group operates, considering the various sector standards available<sup>2</sup>;
- analysis of feedback received from stakeholders, mainly through projects to support local communities, training activities and continuous improvement programs aimed at suppliers in the supply chain,

training dedicated to employees, suppliers and customers (distributors, retailers, etc.), interaction within the Circolo illy, on-site coaching by experts and lecturers from Università del Caffè and feedback from customer care activities.

- benchmark analysis, which examined a cluster of companies operating in the coffee sector, both in Italy and abroad, as well as best in class companies in terms of non-financial reporting, whose main material topics were investigated on the basis of public information sources;
- sharing and validation by the Leadership team of the material topics identified, allowing further topic clustering within the Group's activities;
- sharing and discussion with the Risk & Compliance function for an assessment of the material topics with respect to the mapping of ESG risks that emerged in the Enterprise Risk Assessment;
- sharing and validation of the material topics identified by the Sustainability Committee.

Material topic <sup>3</sup>	Description of the topic
Ethics and governance	Pursuing economic activities through ethical and responsible conduct, in constant compliance with applicable laws, regulations and conventions.
Business continuity & business resilience	Ensure business continuity, i.e. the organisational capacity to continue to provide products and services. Similarly, business resilience models benefit from the organisational ability to adapt to a constantly changing market.
Sustainable quality	Develop an approach towards total quality of products and production processes integrated with the logic of sustainability.
Innovation and development	Implement new business processes and strategies in order to keep the organisation competitive and sustainable in the long term, also through research and continuous innovation of new products and services.

(1) Global and national macro-trends in the field of sustainability considered include the World Economic Forum (WEF), Global Risks Report 2022; AON, Global Risks Management Survey 2021; Sustainable Development Goals (SDGs); Italian Legislative Decree 254/2016.  
(2) The sector standards considered include the Non-Alcoholic Beverages of SASB; Soft Drinks of MSCI ESG Industry Materiality Map; Beverages of S&P Global; Agriculture, Aquaculture, and Fishing, GRI 13; Hub Report, Sustainable Coffee challenge, 2021; MSCI, 2022 ESG Trend to Watch, 2022.  
(3) The material topics included in the table do not follow a priority order, an activity that will be carried out by the Group during 2023.

Material topic <sup>3</sup>	Description of the topic
Energy and climate change	Ensure careful use of energy resources, and the consequent reduction of greenhouse gas (GHG) emissions, by optimising the use of resources in all phases of the value chain. The issue also refers to the Group's commitment to pursue a decarbonisation process through specific targets and precise monitoring of emissions along the entire value chain.
Biodiversity	Adopt regenerative and integrated farming practices, promoting and favouring the protection and conservation of biodiversity.
Management of materials	Efficiently manage the use of materials, preferring those with a reduced environmental impact, certified and originating from recycled materials and/or renewable sources.
Management of water resources	Efficiently manage water resources, minimising water consumption and promoting its reuse.
Waste management	Efficiently manage the entire waste process, from its production to its final destination, involving the phase of collection, transport and treatment up to the reuse of waste materials or their disposal. The topic also refers to the circular economy and the eco-design of products, facilitating their disposal and disassembly.
Working conditions	Promote a culture of safety in the workplace through the development of an effective risk management system, preventive safety measures and the promotion of safe conduct among employees. The topic also refers to the promotion of initiatives linked to the well-being of workers that allow a better balance between work and private life and to the attention paid to employment, to the skills and professional growth of its employees.
Human rights, diversity and equal opportunities	Ensure equal employment opportunities and professional growth to all employees on the basis of merit, professional skills and performance, without any discrimination and in full respect of the rights of the individual. The topic also refers to the set of policies and actions to protect human rights along the entire value chain (prohibition of child and forced labour, fair wages, etc.).
Responsible sourcing	Implement a supplier selection process that considers the principles of sustainable development and the company's social responsibility in procurement policies and practices, promoting the qualification and monitoring of suppliers not only on economic, but also environmental and social aspects.
Responsibility towards customers and consumers	Promote communication with customers and consumers based on constant dialogue, through multiple communication channels and a collaborative and highly professional relationship, in order to guarantee the highest standards in terms of quality, excellence and transparency, as well as to establish long-lasting relationships with a view to promoting loyalty.
Involvement of communities	Contribute to the development of local communities by encouraging collaboration and the creation of shared value.

With the aim of integrating the requirements of the new European directive (Corporate Sustainability Reporting Directive, "CSRD") and aligning itself with the requirements of the 2021 GRI Standards, in 2023

illycaffè will continue its integrated reporting process, further developing the materiality analysis process, in line with its strategic approach integrating sustainability factors.

(3) The material topics included in the table do not follow a priority order, an activity that will be carried out by the Group during 2023.



## Governance

The governance model

| GRI 2-9 | GRI 2-10 | GRI 2-11 | GRI 2-12 | GRI 2-22 | GRI 405-1 |

The composition of illycaffè’s governance meets the effectiveness and efficiency criteria and integrates a shared value creation model. The Shareholders’ Meeting, the Board of Directors and the Board of Statutory Auditors work to ensure the sustainable development of the business, which was further strengthened in 2019 with the transformation into Benefit Corporation, by means of an independent, family-controlled and management-led business model.

Composition of Parent Company corporate bodies

The governance of illycaffè was renewed by resolution of the Shareholders’ Meeting of 20 June 2022 and will remain in office until the approval of the Financial Statements as at 31 December 2024.

The Board of Directors of the Parent Company consists of 11 members, including the Chairman, of whom seven are independent<sup>1</sup>.



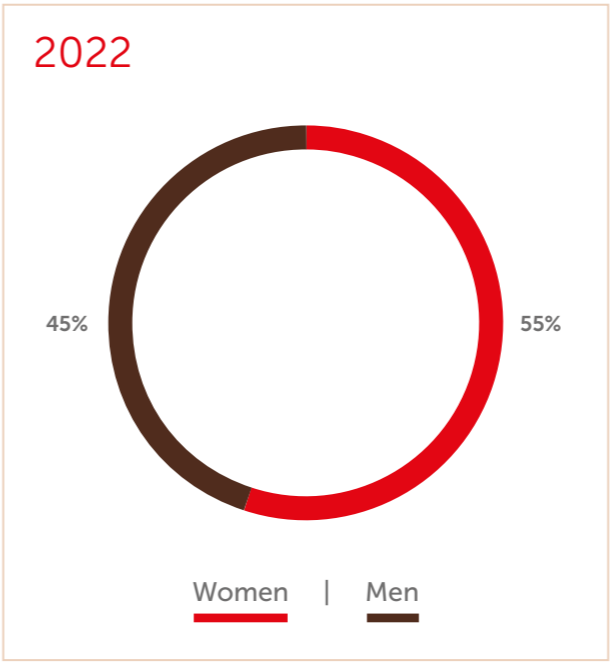
The Board of Directors guides the company in the creation of sustainable value over the long term. The illycaffè’s Board of Directors is composed of members with diversified skills and complementary professional experience, consistent with the identified strategic objectives: acceleration of the international development of the illy brand in the super-premium segment of the coffee market, achieved, in line with its distinctive positioning linked to superior quality, by a world-class organisation.

(1) Independent director  
(2) Anna Illy, as Chief Ethics Officer, represents the point of reference for the promotion of the ethical values in the company.  
(3) Raffaele Jerusalemi, as Lead Independent Director, represents the point of reference and coordination of the independent directors’ requests and contributions.

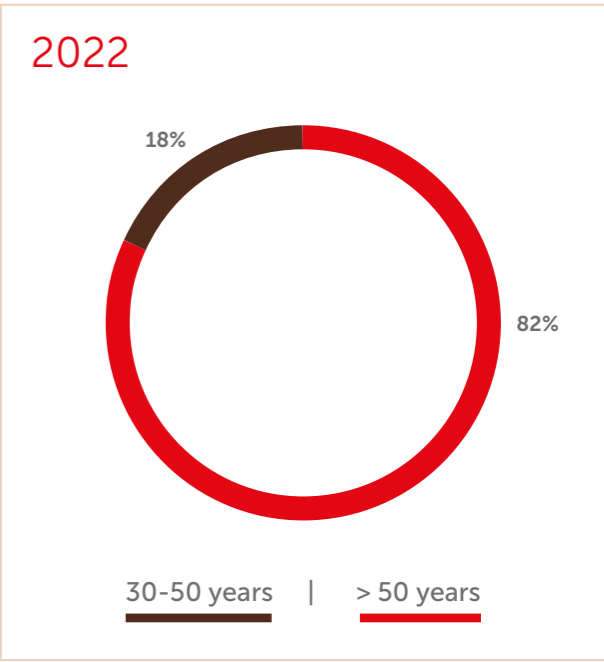
In line with the importance that stakeholders attribute to effective and transparent governance, even though it is not obliged to comply with the regulations contained in Circular CRD IV no. 285 Part One, Section IV, Chapter 1, in 2017 illycaffè already implemented a self-assessment process for the Board of Directors and its optimal composition (Board Evaluation) in relation to 2016. In 2022, the assessment concerned the qualitative and quantitative composition of the Board, its functioning and its incisiveness in exercising its company management and supervision role.

In 2022, the average attendance at meetings of the Board of Directors was 100%.

COMPOSITION OF THE BOARD OF DIRECTORS OF ILLYCAFFÈ S.P.A. BY GENDER



COMPOSITION OF THE BOARD OF DIRECTORS OF ILLYCAFFÈ S.P.A. BY AGE GROUP



<b>Board of Statutory Auditors<sup>4</sup></b>	Joram Bassan (Chairman)	Pasquale Debidda Alessandra Stabilini
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<b>Internal Control and Risk Committee<sup>5</sup></b>	Carolyn Dittmeier (Chairperson)	Marianne Kirkegaard Raffaele Jerusalemi
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It performs investigative, proposal and advisory functions in favour of the Board of Directors with regard to the internal control and risk management system. It is made up of three Directors, the majority of whom meet the requirements of “non-executive and independent director”.

<b>Sustainability Committee<sup>5</sup></b>	Maria Migliorato (Chairperson)	Marianne Kirkegaard Giovanni Zoppas
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It performs investigative, proposal and advisory functions in favour of the Board of Directors with regard to sustainability. It is made up of three Directors, the majority of whom meet the requirements of “non-executive and independent director”.

<b>Appointments and Remuneration Committee<sup>5</sup></b>	Enrico Tommaso Cucchiani (Chairman)	Roberto Frank Agostinelli Paola Cillo
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It performs investigatory, proposal and advisory functions in favour of the Board of Directors with regard to the appointment and remuneration of the CEO, Directors and senior executives. It is made up of three Directors, the majority of whom meet the requirements of “non-executive and independent director”.

<b>231 Supervisory Body and Code of Ethics<sup>6</sup></b>	Daniele Piva (Chairman)	Luca Marmo Miriam Ota
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<b>Independent Auditing Firm<sup>7</sup></b>	KPMG S.p.A.
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(4) Term of office fiscal years 2021-2023 with resolution of Shareholders' Meeting of 25 February 2021.  
(5) Term of office fiscal years 2022-2024 with resolution of the Board of Directors of 20 June 2022.  
(6) Term of office fiscal years 2022-2024 with resolution of the Board of Directors of 20 June 2022.  
(7) Term of office fiscal years 2022-2024 with resolution of Shareholders' Meeting of 20 June 2022.

Incentive Plans

On 2 December 2022, the Board of Directors of the Parent Company, subject to the positive opinion of the Nominations and Remuneration Committee on 29 November 2022, approved the regulations for the “Management Equity Plan 2022-2029” with the following characteristics:

- the plan provides for the assignment free of charge of a maximum number of 600,000 options to the beneficiaries (Chief Executive Officer and executives of the Parent Company or its subsidiaries, identified by name at the sole discretion of the Board of Directors);
- the vesting of the rights and, consequently, the assignment of the related shares is subject to the beneficiary having been employed by the company or one of its subsidiaries for a minimum period of time;
- the options, once vested when the exercise conditions are met, grant the beneficiaries the right to subscribe category G shares (without voting rights pursuant to the Articles of Association) deriving from a share capital increase with the exclusion of the option right approved by the Extraordinary Shareholders' Meeting of 2 December 2022.

The company aims, through this plan, to incentivise and retain the beneficiaries according to the company's value growth in the medium to long term, aligning the interests of the beneficiaries with those of the shareholders of the Parent Company over a multi-year time horizon.

## Sustainability governance

| GRI 2-22 |

The illycaffè's Board of Directors plays a fundamental role in ensuring that the Group's commitment to sustainable development models is constant and widespread along the entire value chain and integrated into its strategic plan and business model, also based on the common benefit objectives pursued as a Benefit Corporation. In particular, the governance system adopted by the company provides for the Board of Directors to be supported by a Sustainability Committee, which plays a strategic role in the dissemination and monitoring of issues related to the environment, company and governance not only in relation to the governance body, but also in the context of the entire organisation. In fact, it supports management in the evolutionary path towards systemic sustainability governance, in order to ensure an increasingly greater integration of sustainability within the Group's strategies.

This direction guides the Group's decision to adopt, at organisational level, a Sustainability Steering

Committee established with the aim of encouraging the constant interaction of all company functions and all the skills necessary to continue in an increasingly effective manner along the sustainability path that has characterised the Group since its foundation. Coordinated by the Total Quality & Sustainability and Strategy & Investor Relations Departments, the Steering Committee is composed of the Chief Executive Officer, all members of the Leadership Team<sup>1</sup> and the Risk & Compliance Office, and will meet periodically, from 2023 onwards, to continuously monitor the implementation of the Group's sustainability plans.

The Total Quality & Sustainability Department is responsible for coordinating and supporting the organisation in the development of the sustainability strategy, identifying the related initiatives and projects to support, in coordination, already from 2021, with the Strategy & Investor Relations Department and in collaboration with the relevant functions.



(1) The Leadership Team includes all managers at headquarters reporting directly to the Chief Executive Officer.

## Ethics, transparency and integrity

| GRI 2-23 | GRI 2-26 | GRI 2-27 | GRI 205-3 | GRI 406-1 |

illycaffè promotes the dissemination of a culture of legality and fairness of conduct as essential elements for the proper functioning of the company and compliance with the principles of business ethics.

The company has developed and adopted its own Code of Ethics, which describes the commitments and responsibilities in the conduct of business and company activities and which consists of:

- general principles on relations with stakeholders, which define the reference values in the company's activities;
- criteria of conduct, which provide the guidelines and rules to be followed for compliance with the general principles and to prevent the risk of unethical conduct;
- implementation mechanisms, which describe the control system for compliance with the Code of Ethics.

The Code of Ethics is translated into seven languages, in addition to Italian, and distributed to all subsidiaries and

branches in order to share the Group's value culture; it is also subject to periodic updating with a view to continuously and constantly fighting active and passive corruption.

illycaffè has also adopted the Organisational and Management Model pursuant to and by effect of Italian Legislative Decree no. 231 of 8 June 2011 (the "Model"), which consists of two parts:

- the first, of a general nature, illustrates the purposes, recipients and components of the preventive control system of the Model itself and, again in line with the provisions contained in Legislative Decree 231/2001, the structure, functioning and duties of the Supervisory Body, which supervises the Model's functioning and observance. The first part of the Model also provides for training and information activities for company personnel on the content of the Model and the disciplinary system in the event of violations of the provisions of the Model;
- the second part of the Model, of a special nature, contains the description of the offences envisaged by Italian Legislative Decree 231/2001 and the related sanctions with reference to the areas of risk of committing the aforementioned offences identified in the Model.

The Whistleblowing Guidelines envisaged by Italian Legislative Decree 231/2001 complete the Model. The company further strengthened the Model, updating the Guidelines for companies and branches which summarise the principles of the 231 Model for the benefit of foreign companies.

The Code of Ethics, the Organisational Model and the Whistleblowing Guidelines are published on the company website.

In 2022, there were no cases of non-compliance with Italian Legislative Decree 231/2001 or episodes of corruption and discrimination.





Risk management  
and policy

## Business risk management policy

The internal control and risk management system adopted by illycaffè defines the principles of transparency, segregation of responsibilities, traceability of the transactions carried out and an adequately structured control system and represents the set of rules, procedures and organisational structures intended to allow sound and correct management of the company consistent with the strategic objectives. In 2017, the Group adopted the “Guidelines for the Internal Control and Risk Management System”, updated by the Board of Directors in 2022.

In particular, the internal control and risk management system of illycaffè has a three-level structure:

- first level includes the “line controls”, aimed at identifying, monitoring, mitigating and reporting the intrinsic risks of ordinary business activities. These controls are carried out, in the first instance, directly by the owners of the individual operating processes and by the IT systems used for this purpose;
- second-level controls are carried out by the corporate functions responsible for managing the risks typical of the Group’s activities, first and foremost the Risk Manager;
- third-level controls are entrusted to the Internal Audit function, called upon to verify the suitability of the controls of the first two levels, through checks on the operations and the suitability of the internal control and risk management system, carried out on the basis of the plan approved by the Board.

The Group has a Risk Management unit, within which the Risk Manager is responsible for developing and updating, with the supervision of the Chief Executive Officer, the risk management framework, making use of the Risk & Compliance unit Office.

The Risk Manager periodically reports to the Internal Control and Risks Committee, which performs proposal, advisory and control functions in favour of the Board

of Directors with regard to the internal control and risk management system.

In 2022, illycaffè completed the Enterprise Risk Management (ERM) framework, adopted for the overall and integrated management of business risks:

- confirming the objectives, the reference standards, the Risk Catalogue, the assessment metrics, the risk management roles and the reporting flow to governance;
- defining the Risk Appetite Map, an expression of governance on the degree of acceptable risk for the organisation in relation to the various types of risk.

With the Enterprise Risk Assessment (ERA) activity, the risk map was updated with a potentially significant impact on the company’s objectives and value:

- consolidating the structural transversal risk identification and assessment methodology across the different functions;
- identifying the managers of each risk (risk owner), who is entrusted with the management of the risk and the implementation or improvement of mitigation actions.

With regard to the identification phase, the risks reported in the risk register may be linked to drivers of change in the external context, such as macroeconomic factors, sector trends and regulatory developments, or in the internal context, including strategic plan objectives, material topics and management elements, and more generally anything that may affect the risk profile of the company in the medium and long term.

In 2022, the outbreak of the conflict in Ukraine, with the consequent tension on the markets and on the supply chains, led to the verification of exposure levels for many of the company’s operational and strategic areas.

To support this phase, the Group Risk Catalogue is used as a guideline, where the risks are divided into four categories (and related sub-categories):

- operational risks related to company operations, organisational structure, information systems and control and reporting processes;
- integrity and compliance risks related to the company’s non-compliance, in conducting its business, with applicable laws and regulations, both nationally and internationally, as well as with the Code of Ethics and internal procedures;
- strategic risks associated with the business and governance model adopted, the market context in which the company operates and the decision-making and strategic direction processes;
- financial risks related to the Group’s financial management, specifically risks involving liquidity, currencies, interest rates and financial counterparts for any financial transactions.

Risks related to sustainability (ESG - Environmental, Social, Governance) apply to all the above subdivisions, since they can present thematic connections in each highlighted category. Given the growing internal and external importance of these issues, at the beginning of 2022, the company carried out, with the support of the Total Quality & Sustainability Department, a specific in-depth analysis of the ESG risk areas to be included in the 2022 Enterprise Risk Assessment. To this end, the assessment metrics were also refined in order to best capture the impacts and systematically incorporate ESG factors into the overall risk mapping. In particular, in 2022, new elements were introduced that integrate the aspects relating to employees, the environment, NS relations with stakeholders.

Identified risks are assessed in terms of impact and probability of occurrence, considering the control system in place. In assessing the impact of risks, various dimensions are assessed, not only of an economic nature, but also of a reputational nature and in relation

to the impacts that certain events can cause to people or the environment.

The results of the measurement of the risk exposures analysed are represented on the Heat Map, which, by combining the variables, provides an immediate view of the risk events deemed most significant in terms of probability and impact.

The Enterprise Risk Assessment process involved, through interviews, the organisational units at various levels (I and II managerial levels) and allowed the collection of information with an updated and comprehensive view of the different risk areas.

The phases of the Enterprise Risk Assessment can be summarised as follows: identification, assessment of risks in terms of impact and probability of occurrence, preparation to the treatment of risks, and reporting at various company levels.

Following the assessment:

- the risk mitigation plans were updated, periodically monitored as they progress;
- periodic analyses have been carried out on the most important Heat Map risks and on those subject to an increase in exposure during the year;
- certain company projects were investigated using the risk methodology, which provides for a structured risk analysis;
- endogenous/exogenous risks were highlighted in the strategic planning phase.

Below are the main risks that emerged from the mapping, divided into the various categories defined, and the description of the management methods.

Operational risks

The main operational risks to which the Group is potentially exposed in achieving its strategic objectives are highlighted.

Raw material availability risk

As regards the risks associated with green coffee, in addition to the risk of changes in price considered under financial risks, the risk linked to the procurement of coffee should be noted, taking into account that the Group has always selected and purchased the best quality Arabica coffee from various origins. To offset this, the procurement policy is planned well in advance and sometimes ongoing agreements are stipulated with its producers in strategic countries, to guarantee product availability and quality. During 2022, periodic checks were carried out on the evolution of activities relating to cultivation, harvesting, processing, tasting and transport of raw material from the different countries, also in relation to the issue of agrochemicals and the limited availability of fertilizers and labour that emerged in progress of the year on some sources.

Coffee is sensitive to increasingly less predictable atmospheric events. The impacts of severe drought or frost, not to mention the development of plant diseases during the different stages of the plant's growth could determine a reduction in the offer as well as triggering a significant price increase. In the most adverse scenarios, it may be difficult to obtain supplies from specific sources. In any case, the Group is actively engaged in the study of plants, their environment, diseases and biodiversity.

In relation to the critical issues experienced in global logistics, particular attention is paid to the management of deliveries, both in terms of purchasing timing and internal and ship transport solutions. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are

associated with the topics "Energy and climate change" and "Biodiversity".

Goods/services supply risk

illycaffè monitors the risks relating to the procurement of packaging components and services, mapped and prioritised in the Procurement area with identification of mitigation measures. This risk on production lines worsened in 2022, mainly in connection to:

- costs of plastic and steel components;
- availability and costs of gas and energy;
- delays in electronic components for coffee machines;
- availability and costs of logistics services (containers, sea routes);

In 2022, supplies of critical goods were continuously monitored, in particular in single source cases, with the introduction of additional mitigation measures. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topic "Energy and climate change".

Production stoppage risk

With regard to operational risks, the risk of production stoppages must be considered. The Group operates on various hubs, but with a high concentration of activities on the Trieste hub with highly specialised and customised production lines: this exposes the Group to the risk of business stoppages in the event of unexpected natural events (climate risk) or incidents. During the year, some measures were introduced in-depth analyses were carried out on possible further mitigations to be introduced, in addition to the existing insurance coverage which is monitored and reviewed annually. 2022 was affected by greater exposure to the risk of gas and energy rationing. The Group took action already in the spring with an analysis of potential scenarios and estimation of impacts on business continuity

and consequently introduced important measures to improve the efficiency and diversification of energy sources. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topics "Business continuity & business resilience" and "Energy and climate change".

Risks relating to IT security

The Group is very sensitive to the issue of the soundness and continuity of its information systems, which it monitors and adjusts with continuous improvements. With respect to potential cyber attacks, it has introduced important measures for the prevention, detection and containment of potential impacts both in terms of operational continuity and with regard to privacy aspects. In addition to dedicated tools, continuous training is provided to employees on these issues and specific insurance coverage, reviewed annually, has been arranged. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topic "Business continuity & business resilience".

Product quality and safety risks

The Group has always been attentive to this type of risk, which it monitors and mitigates with continuous improvement actions, both in relation to the raw material and industrial components, and to the transformation, packaging and storage processes, in order to ensure product compliance and safety in all channels covered. One area of risk is represented by the continuous regulatory changes in the various countries, which entail the need for timely updates of the controls on the product as well as of the information reported on it. illycaffè monitors this risk by monitoring and planning controls and product layout changes. The Group is also sensitive to the issues of voluntary and involuntary contamination potentially present in internal processes and along the distribution chain. To

mitigate these, specific insurance coverage reviewed annually and traceability systems that are continuously improving have been put in place. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topics "Responsibilities with regard to customers and consumers" and "Sustainable quality".

Risks associated with the management of human resources

The Group acknowledges the key role played by its human resources and the importance of maintaining clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by the Code of Ethics adopted by our Group. Working relationships are managed and coordinated in respect of workers' rights and in full acknowledgement of their contribution, with a view to encouraging their professional development. In March 2020, concurrently with the onset of the pandemic, the Group promoted a transition to smart working for all office staff, which is still maintained today in hybrid form. During 2022, particular attention was paid to risks related to staff motivation and retention and, to this end, a new talent assessment process was launched. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topics "Working conditions" and "Human rights, diversity and equal opportunities".

Risks relating to health and safety

The Group has always been committed to health and safety in the workplace improvement projects. Training courses and workshops are frequently organised for staff, particularly on the issue of safety. In 2022, the ISO45001 certification, obtained by the Parent Company in 2019, was renewed for the next three years. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topic "Working conditions".

Integrity and compliance risks

When conducting business, compliance risks are related to non-compliance with nationally and internationally applicable to the company's business and with internal policies, guidelines and procedures. The Group had adopted the Code of Ethics, which lays down the high-level policies on general principles and conduct and an organisational, management and control model pursuant to Italian Legislative Decree No. 231/2001. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topic "Ethics and governance".

Strategic risks

With regard to strategic risks, it is worth mentioning the factors that could influence strategic choices.

Market risk

The global inflationary context, with a consequent reduction in consumer discretionary spending power, could impact coffee consumption and affect the Group's sales performance. The risk is also assessed in the medium-long term, since the volatile trend of economies and the changes in consumer spending choices could be prolonged over time.

Risks on the availability of raw materials in the long term

In relation to the evolution of the climatic and environmental context, both for extreme weather events and for long-term climatic changes, the availability of quality raw materials over the long term could represent a risk in some production areas with the redesign of areas destined for coffee production. The Group carefully and proactively monitors this issue in relation to the various countries from which it sources raw materials and participates in research projects on plants, their diseases and biodiversity, as well as innovative initiatives linked to the regenerative agriculture model.

With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topics "Energy and climate change" and "Biodiversity".

Risks related to increased competition on the market

The coffee sector has been characterised in the last decade by an increase in competition both upstream and downstream of the supply chain, encouraged by a sector consolidation. This element entails greater competition, in particular in terms of access to channels relating to procurement, distribution, qualitative improvement and investments in communication with potential difficulties in maintaining the current market positioning. The company constantly monitors the evolution of the competitive scenario.

Risks relating to the impacts of coffee on health

Coffee is sometimes targeted by press campaigns and articles that highlight the risks that may be associated with highly daily consumption of the beverage. The Parent Company is part of the Scientific Committee of ISIC (Institute for Scientific Information on Coffee), a non-profit organisation founded in 1990 with the aim of further studying and continuously updating studies on the effects of coffee on health. In 2016, IARC (International Agency for Research on Cancer) downgraded coffee to category 3 ("non-carcinogenic for humans"), concluding that there is no evidence that coffee consumption is associated with an increased risk of developing cancer. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topics "Responsibilities with regard to customers and consumers".

Risks relating to the environmental impacts of products

illycaffè adopts a product development process that

considers sustainability aspects, also in light of the growing attention of consumers, trade customers and institutions to the issue of plastics, and is reviewing all disposable materials proposed in the world outside the home and much of its packaging with a focus on LCA (Life Cycle Assessment) and environmental sustainability. In particular, these include the risk linked to Iperespresso plastic capsules, with respect to which the company is implementing mitigation actions with recovery, recycling and reuse initiatives in this sense. In the medium term, the company is working on materials with a lower environmental impact, while safeguarding the quality and safety of the product, all in a highly dynamic context, including in terms of regulations, in relation to materials considered eco-sustainable.

With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topics "Sustainable quality" and "Waste management".

Risks of failure to achieve pre-established CO<sub>2</sub> emission targets

illycaffè is working on the issue of decarbonisation in relation to which it has defined its own roadmap and has launched an intense plan of internal and external initiatives to support it. The changed context and the general uncertainty on some calculation criteria could lead to an update of the intermediate targets and/or an increase in the costs linked to initiatives. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topic "Energy and climate change".

Risks on the sustainability of production processes and of the supply chain

illycaffè operates in a responsible, transparent and sustainable manner. Specifically and with reference to producing countries, the Parent Company annually updates the analysis on environmental, employment, and corporate and product ethics risks, evaluating them

at the level of the individual countries, organisations, and asks suppliers to carry out a risk analysis of their own supply chain. Based on the critical analyses emerging, the action focuses on raising awareness on minimum wages, preventing the use of highly toxic agro-chemical products, supporting the implementation of efficient wastewater treatment systems, and preventing and mitigating child labour risk. illycaffè has launched an engagement process also for the production chain of packaging components and services. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topics "Responsible procurement" and "Human rights, diversity and equal opportunities".

Risks relating to the protection of own brands

illycaffè has always considered innovation an indispensable tool for success and competitiveness in the market and has a very substantial family of patents, trademarks and other intellectual property rights. In order to maintain and protect intellectual property, periodic monitoring is carried out. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topic "Innovation and development".

Reputational risks

Given its premium positioning and awareness, illy remains exposed to the risk of media attacks on traditional and social media. The Group carefully monitors the press and interactions on social media and in any case it has mitigation and crisis management tools at its disposal. With reference to the material topics identified by the Group in 2022, some of the risk scenarios illustrated are associated with the topic "Business continuity & business resilience".

Financial risks

The Group constantly monitors its exposure to financial risks with the aim of stabilising cash flows and ensuring

the alignment of the operating result with what was planned in the budget.

These risks are managed centrally by the Administration, Finance and Control Department, based on the guidelines agreed with senior management. In particular, market risk management with regard to raw materials, exchange rates and interest rates is regulated by a Group policy approved in February 2017 and updated at the end of 2021, which defines the perimeter of exposure, the time horizon, the roles and responsibilities as well as the derivative instruments allowed for hedging.

### Credit risk

Credit exposure is divided among a high number of counterparties and customers.

The Group strives to reduce the risk resulting from the insolvency of customers through procedures ensuring that sales are made to reliable and solvent customers, especially in Italy. These procedures, based on the available information on customer solvency and historic data, combined with exposure limits per individual customer, reduce credit concentration and minimize the relative risk. In the event of changes in the payment terms, guarantee measures are put in place to protect payments.

Positions involving significant amounts for which the Group identifies situations of objective, total or partial, non-recoverability, taking into consideration any guarantees obtained. Also, the Group makes appropriate provisions for receivables that have not been written down individually, taking into account past experience and statistical data, identifying the potential loss expected on receivables.

With regard to the inflation scenario in progress, the Group has monitored receivables performance in a targeted manner, with a focus on the Italian market, assessing whether the measures in place were suitable and sufficient, but finding no critical issues.

### Liquidity risk

This risk could be manifested in inability on the part of the Group to find, at optimal financing conditions, the financial resources needed to sustain operations.

The Group's cash flows, borrowing requirements and liquidity are constantly monitored centrally by the Finance and Treasury department in order to ensure the effective and efficient management of financial resources.

The Group's capacity for generating operating cash flows, its financial debt maturities and the confidence that the banking system has in it mean that this risk is regarded as well-controlled.

### Exchange rate risk

The Group operates in an international context in which transactions are also conducted in currencies other than the euro, exposing it to the risk of fluctuating exchange rates. The exchange rate risk is managed (deriving from changes in the euro values of cash flows in foreign currencies due to an exchange rate that is different from what was defined in the budget) and in some cases also the accounting exchange risk to reduce the impact of changes in the exchange rate between the date of invoicing and the date of collection.

The centralisation in the Parent Company of activities related to the management of such risk allows – where possible – natural hedging between the incoming and outgoing forecast flows. If the net balance is higher than €500,000 per annum, any hedging transactions are decided in accordance with the provisions of the budget/multi-year plan and using the financial instruments defined in the Financial Risk Policy. The translation risk associated with the translation of the assets/liabilities of consolidated companies that prepare their financial statements in currencies other than the euro is not managed.

### Interest rate risk

Borrowing from banks exposes the Group to the risk of changes in interest rates, in particular in the current context of rate increases implemented by central banks. Loans at floating rates determine the risk of an increase in financial charges, whereas fixed-rate loans (including the bond loan issued in 2015) entail a potential change in the fair value of the loans.

Interest rate risk is also managed within the Financial Risk Policy where the use of financial hedging instruments is envisaged, with interest rate swap agreements outstanding for a notional of €14.7 million.

### Commodity price risk

The Group is exposed to the risk of changes in commodity prices, given the extremely volatile nature of the coffee market, which is influenced by environmental (for example, drought and frost), macroeconomic (for example, supply and demand) and financial (including index fund investments, hedge fund investments, etc.) factors.

The objective of commodity risk management is to stabilize the purchase cost of the raw material in order to ensure alignment with the values defined in the budget/multi-year plan as far as is possible. In addition to defining fixed price agreements with producers, derivative financial instruments were used with banks specialised in the agricultural sector, with a time horizon that is at most equal to the multi-year plan, always following the guidelines defined in the Financial Risk Policy. The first part of 2022 was characterised by a continuous increase in stock market values and the economic impact was managed by promoting agreements with producers rather than financial hedging actions.

In March 2022, in relation to the conflict in Ukraine and the geopolitical tensions arising from it, the company launched an analysis to identify and assess which risks the organisation is exposed to in relation to the ongoing conflict, highlighting some aspects of greater importance linked to the availability and related costs of energy supply (gas, electricity) and packaging supplies related to production chains, procurement and costs of logistics services, and the generalised increase in cyber attacks risks, both directed at the organisation and at information system providers.

On these aspects, illycaffè has activated the exploration of solutions and appropriate mitigations. The Group also suspended its commercial activities vis-à-vis Russia, to which it had an overall exposure of less than 1% of the its annual turnover.

## Privacy

During 2022, the illycaffè privacy system was managed and developed to ensure the company's full compliance with European Regulation (EU) 2016/679 through the continuous analysis of business activities and processes that involve data processing.

Audits were also performed to test the effectiveness of the system and assistance to activities between European branches and the head office made it possible to maintain a uniform level of compliance with the regulations in the entire Group.

Particularly important activities carried out during the year include the preparation of information and consents for the new illycaffè app, an application that allows the user to open a mobile account to manage their illy lovers points.





2022  
Economic and  
financial performance

## The macroeconomic landscape

2022 was marked by economic and social tensions: the war in Ukraine, the energy crisis and the difficulties in supplying raw materials significantly contributed to the double-digit increase in inflation rates. The Covid-19 pandemic also continued to impact 2022, especially in Asian regions, where severe restrictions were implemented to contain the infection.

Global financial tensions also worsened with the increase in official interest rates by central banks, weighing on interest-sensitive spending.

According to the forecasts of the IMF (International Monetary Fund) released in January 2023, global GDP in 2022 grew by 3.4%, about half of the growth recorded in 2021 driven by the recovery from the pandemic.

The US economy grew by 2.0% in 2022<sup>1</sup>, down sharply compared to the 5.9% growth rate recorded in 2021.

On an annual basis, inflation grew by 6.5% with a peak of 9.1% reached in June. The rapid pace of price increases in 2022 prompted the Federal Reserve to aggressively increase interest rates, bringing them to the current range between 4.25% and 4.5%.

The employment trend was very positive thanks to the creation of new jobs, falling unemployment benefits requests and an unemployment rate at an all-time low of 3.5%.

During 2022, the GDP of the Eurozone increased by 3.5% compared to 2021. According to data released by the Statistical Office of the European Union (EUROSTAT), inflation in the Eurozone recorded an annual increase of 9.2%, compared to +10.1% in November and +5.0% in the same month of 2021, driven by the energy component (+25.5% compared to December 2021).

The Italian economy showed strong dynamism in the first three quarters of 2022, mainly driven by internal demand for household consumption and investments, continuing on the path of recovery from the pandemic crisis already undertaken in 2021.

Between October and December, GDP decreased by 0.1% due to the persistence of high energy prices and the attenuation of the recovery of the sectors most affected by the pandemic, such as trade, transport and hospitality services. Overall, in 2022, GDP stood at +3.9%<sup>2</sup>. The unemployment rate fell to 7.8%, one percentage point lower than in December 2021.

Chinese GDP grew by 3% in 2022<sup>1</sup>, marking one of the weakest performances in decades, mainly due to the effects of the draconian "zero tolerance" Covid policy (ended in early December), the collapse of the real estate sector and weakened foreign demand.

In Brazil, during 2022, the increase in the price of raw materials, one of the country's main exports, contributed to an estimated annual economic growth of 3.1%<sup>1</sup>.

From the point of view of the Forex market, 2022 was very positive for the US dollar, driven by its traditional role as a safe heaven in geopolitical and military crises and by the greater relative speed of the Federal Reserve in implementing manoeuvres to readjust interest rates to the changed global inflationary context.

The US currency strengthened against all the main currencies, European or Asian, and this led the dollar index, the index that measures the performance of the dollar against a basket of currencies, to close 2022 with an increase of 7.9%, the best annual performance since 2015.

(1) IMF, International Monetary Fund.

(2) ISTAT, National Statistics Institute.

The euro depreciated against the US dollar, hitting all-time lows since 2002: the exchange rate reached a low of 0.95 and then recovered and closed the year at a level of 1.066. Due to the government's anti-Covid rigour, the Chinese yuan also lost 9% against the dollar, recording the worst year since 1994.

To contain the increase in prices, driven by the flare-up of energy goods, and to ensure a return of inflation towards the 2% target in the medium term, starting from

July 2022, the European Central Bank intervened four times to raise the interest rates.

The interest rate on the main refinancing operations and the interest rates on the marginal refinancing line and on the deposit line reached 2.50%, 2.75% and 2.00%, respectively.

Lastly, also for the Euribor rates, below zero in recent years, the prices for the 1-month, 3-month and 6-month maturities stood at 1.91%, 2.13% and 2.69% respectively at the end of 2022.



TREND IN GREEN COFFEE

At the beginning of 2022, the ICO (International Coffee Organization) estimated the global production of green coffee for the 2021/2022 campaign at 167.1 million bags, in line with the estimates of the previous campaign and those presented by USDA (United States Department of Agriculture), which envisaged a worldwide production of 167.5 million bags.

For the current 2022/2023 campaign, in the year-end report, USDA estimated a total production volume of 172.8 million bags, driven by the natural increase in production in Brazil. However, this estimate was lower than its potential, as, in 2021, the country was hit by severe frost, the severity of which had not been experienced since 1994, as well as an unusual drought.

The 2022 trend of the New York futures market was characterised by significant volatility: the value of coffee futures stood at an average of 224.39 cts/lb in the January-October period, recording a peak at 258 cts/lb in February, and then began to fall steadily until reaching a level of 160 cts/lb at the end of the year.

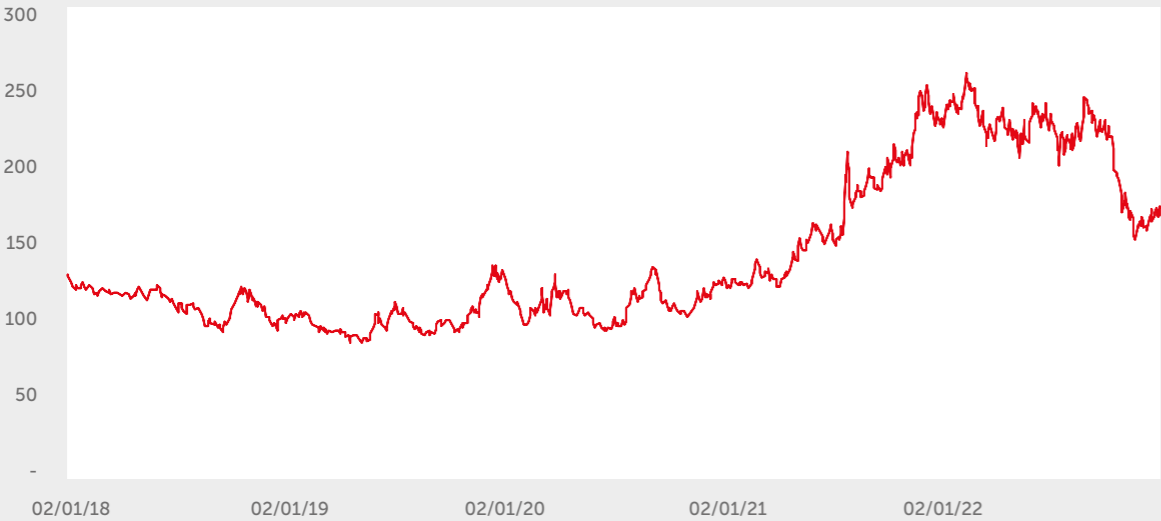
This phenomenon occurred due to a strong speculative rally in commodities, logistical critical issues linked to the consequences of the pandemic and climate phenomena in Brazil.

In Central America, inflation and the strong migration of workers to the USA have reduced the availability of labour in plantations and have led to an increase in the cost of production and related impacts on the final sale price.

The trend in prices was also impacted by the socio-political situation in Ukraine and the related backlash to global economies.

Below is the chart of the New York Stock Exchange last price for green coffee for the past five years.

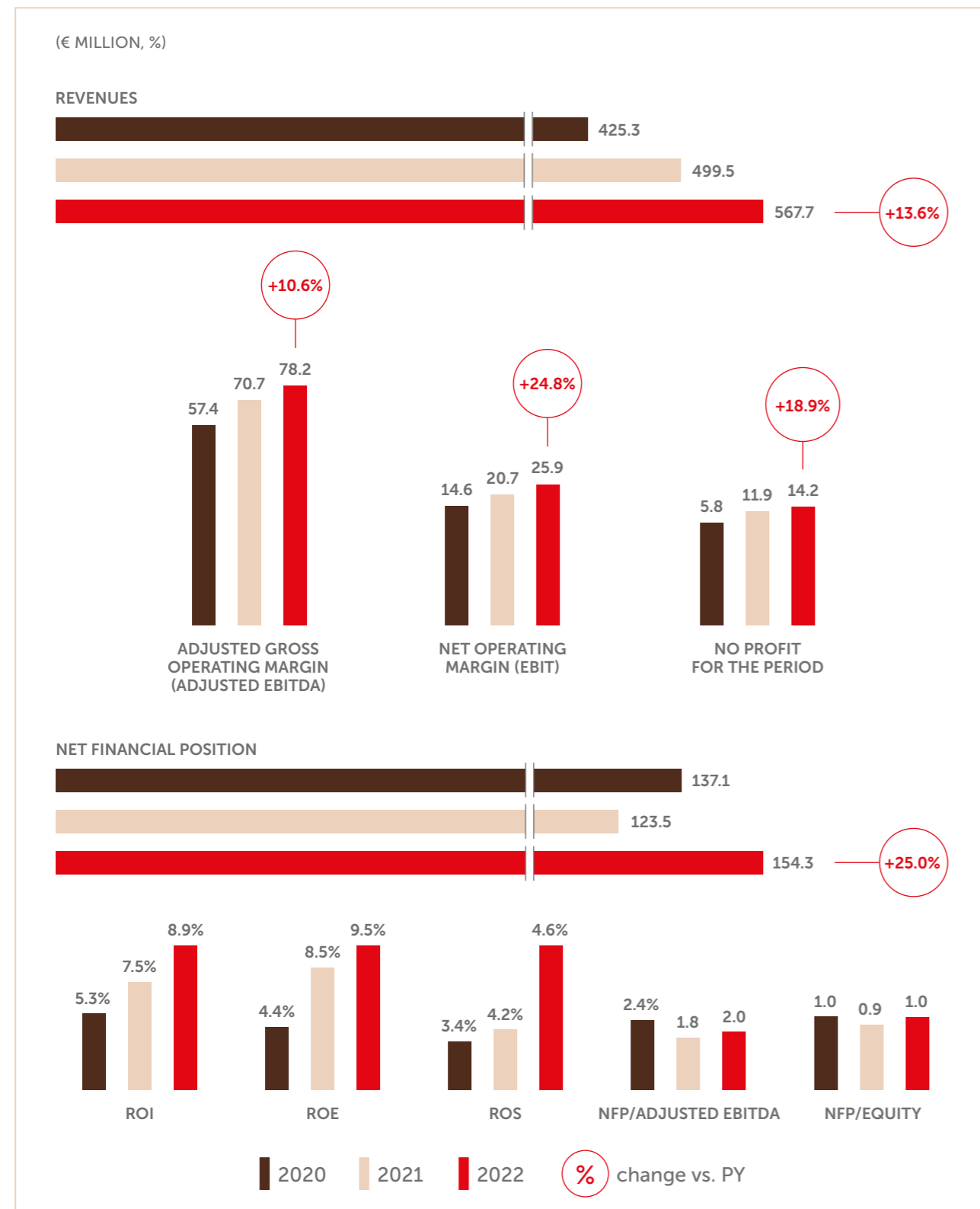
PRICE OF GREEN COFFEE FUTURES 2018-2022



Data source: Bloomberg, last price closing months of coffee futures, New York Stock Exchange.



## 2022 Financial Highlights



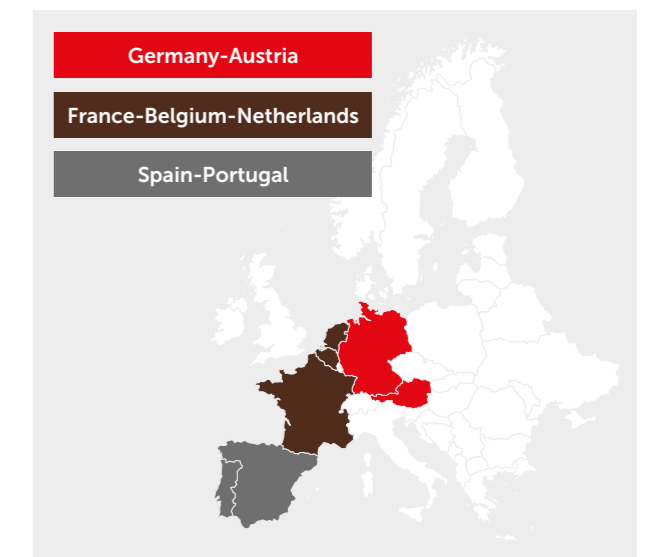
In 2022, the Group's revenues amounted to €567.7 million, recording a record increase of 13.6% compared to the previous year and recording the highest growth rate in the last 10 years, despite the uncertainty and complexity of the macroeconomic context. The growth achieved in 2022 was driven by all the markets and distribution channels in which the Group operates.

The Gross Industrial Margin was €310.2 million, up 2.8% in value over 2021, driven by the increase in revenues. The increase in the costs of raw materials, mainly green coffee, and of the materials used for packaging, combined with the increase in energy and logistics costs, have strongly impacted industrial margins, which stood at 54.6% of net revenues (-5.8% compared to 2021). The unfavourable trend in the Gross Industrial Margin linked to external inflationary pressure (+17% on the 2021 cost base) was partially mitigated by the increase in prices on some markets and distribution channels.

Adjusted EBITDA amounted to €78.2 million, up 10.6% compared to the previous year, thanks to the growth in revenues and the implementation of specific initiatives to support the increase in the Group's operating efficiency, in order to offset the extraordinary pressure on margins dictated by the inflationary context and in line with the strategic objectives of sustainable and profitable growth. EBITDA Margin stood at 13.8% of revenues, down slightly by 40 basis points (0.4%) compared to 2021. During 2022, the Group launched a process to simplify the structure and rationalise processes with the aim of executing its strategies more effectively and promptly. In order to optimise the presence and impact of the Group in Europe, three clusters were created consisting of France, Benelux and the Netherlands, Spain and Portugal, Germany and Austria. The structure implemented has made it possible to achieve greater effectiveness and efficiency in the coverage of the main European markets, enabling focused investments also

thanks to the cost synergies deriving from the new structure.

## EUROPEAN CLUSTERS



During 2022, the Retail channel strategy was also redesigned with the aim of maximizing the channel's contribution to increasing brand awareness, while at the same time strengthening the brand experience. This strategic refocusing has allowed a review and simplification of the corporate structure that has been consolidated over time with the growth of the channel, in particular in the United States, France and the United Kingdom<sup>1</sup>.

Lastly, given the context of extreme uncertainty linked to the macroeconomic context in addition to the inflationary pressure, strict control was carried out on the basis of discretionary costs, acting in particular on structural costs.

The incidence of personnel costs on net revenues was 17.5%, down by 200 basis points (2.0%) compared to 2021 and up by 2.0% in absolute value.

(1) Merger by incorporation of Espressamente France S.A.S. into illycaffè France S.A.S., merger by incorporation of Espressamente illy Americas, Inc. into illy coffee North America, Inc., cancellation in 2023 of Espressamente Retail London Ltd (company inactive since 1 September 2022).

Costs for goods and services recorded an incidence on net revenues of 18.0%, down compared to 2021 (18.7%) despite the increase in absolute value (+9.2%) driven by higher volumes.

Advertising and marketing costs showed a decrease compared with 2021 both in absolute value (-30.5%) and as a percentage of revenues (3.9%, -250 base points). This trend reflects an improvement in promotional effectiveness on the various channels. The comparison with the previous year is also affected by the presence in 2021 of the Road to Happiness campaign.

EBITDA amounted to €71.4 million, up 15.8% compared to the previous year, mainly due to the increase in volumes and a lower incidence of non-recurring charges. Margins stood at 12.6% of revenues, up by 30 basis points (0.3%) compared to 2021.

In 2022, net non-recurring expenses amounted to €6.9 million, 24.5% down compared to the previous year and referring essentially to non-recurring service and management costs mainly related to consulting on projects of an extraordinary nature (€0.4 million), redundancy incentives (€4.0 million) and costs for the reorganisation of the sales network (€2.4 million).

Normalised for the accounting effects relating to the application of IFRS 16 (amounting to + €8.7 million), Adjusted EBITDA would stand at €69.5 million, up 10.7% compared to 2021 and with a margin of 12.2%.

The EBIT of €25.9 million also showed an increase of 24.8% compared to the previous year, due to the development of operating profitability and the lower impact on net revenue of amortisation and depreciation, including amortisation relating to rights-of-use assets, resulting from the application of IFRS 16 to operating leases.

Financial charges were up sharply compared to 2021 mainly due to negative exchange rate differences (€1.5

million compared to positive exchange rate differences in 2021 of €1.8 million) linked to the strengthening of the dollar against the euro and deriving from the valuation of items in foreign currency at the exchange rate at the end of the period.

Taxation for the period amounted to 26.7% of the pre-tax result, down compared to the previous year (32.7%), mainly driven by the geographical mix of taxable income and optimisations of the effective tax rate. Group Net Profit amounted to €14.2 million, up 18.9% compared to 2021, consistent with the positive trend in EBIT.

The Net Financial Position amounted to €154.3 million, up by 25.0% compared to the previous year. The solid evolution of operating profitability and effective management of working capital have limited the negative impact linked to the increase in production costs, allowing the financing of strategic investments for the business, the acquisition of a further 67% of the shares of Illycafé AG and the payment of dividends. The composition of the Net Financial Position shows a sharp decrease in non-current financial debt of 3.5% and a negative net current financial debt in the short term of €19.7 million (positive at €16.0 million as at 31 December 2021).

The Net Financial Position, excluding the impact deriving from accounting on the basis of IFRS 16, comes to €126.5 million as at 31 December 2022, up compared to €91.9 million in the previous year.

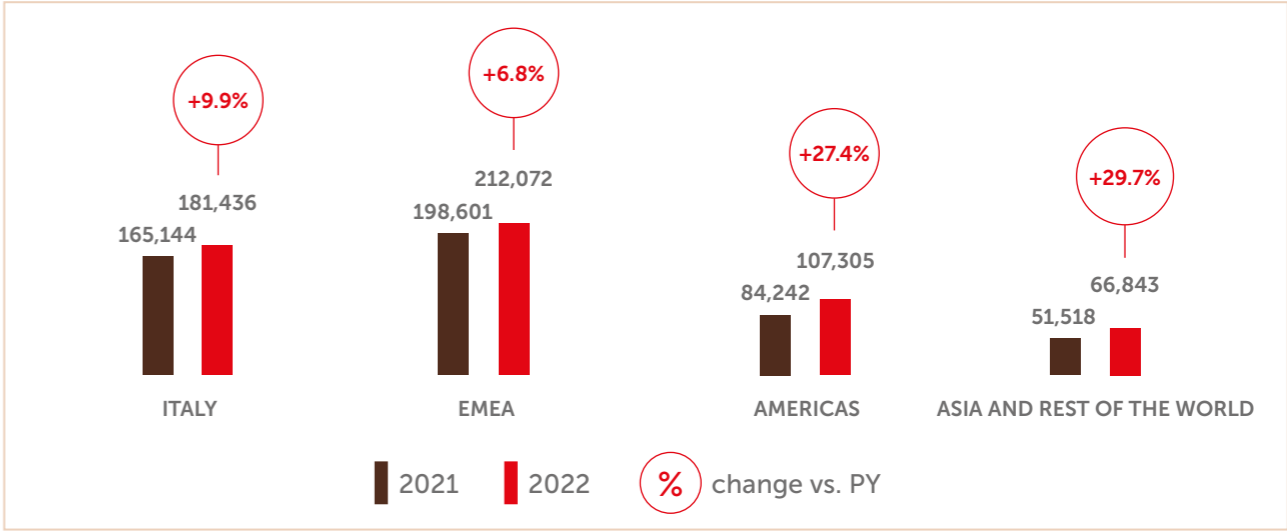
All profitability indicators (ROI, ROE, ROS) were up compared to the previous year, mainly as a result of the positive performance of key operating results (EBIT, Net Profit and Revenues). The NFP/(Adjusted) EBITDA ratio of 1.97 showed a slight increase compared to the previous year, driven by the performance of the Net financial position, partially mitigated by the increase in EBITDA.

Trend in Group revenues

REVENUES BY GEOGRAPHICAL AREA

Amounts in € thousand	2022	%	2021	%	2020	%
Italy	181,436	32.0%	165,144	33.1%	142,878	33.6%
EMEA	212,072	37.4%	198,601	39.8%	177,182	41.7%
Americas	107,305	18.9%	84,242	16.9%	58,820	13.8%
Asia and Rest of the World	66,843	11.8%	51,518	10.3%	46,453	10.9%
TOTAL	567,656	100%	499,505	100%	425,332	100%

In 2022, the breakdown of revenues by geographical area was restated in order to provide a better representation of trends.



In 2022, all the main markets in which the Group is present recorded strong growth compared to 2021.

In Italy, revenues amounted to €181.4 million, up 9.9% compared to 2021. This result was driven by the Out-of-Home channels (mainly Ho.Re.Ca and Retail) and the continued growth of Home channels (mainly Modern Distribution).

In EMEA (excluding Italy), revenues amounted to €212.1 million, up 6.8% compared to the previous year. Growth was driven by the positive performance of the main reference markets, such as France, the United Kingdom, Spain and Greece, and by the further strengthening of the presence in the Middle East (mainly in the United Arab Emirates and Qatar) and in

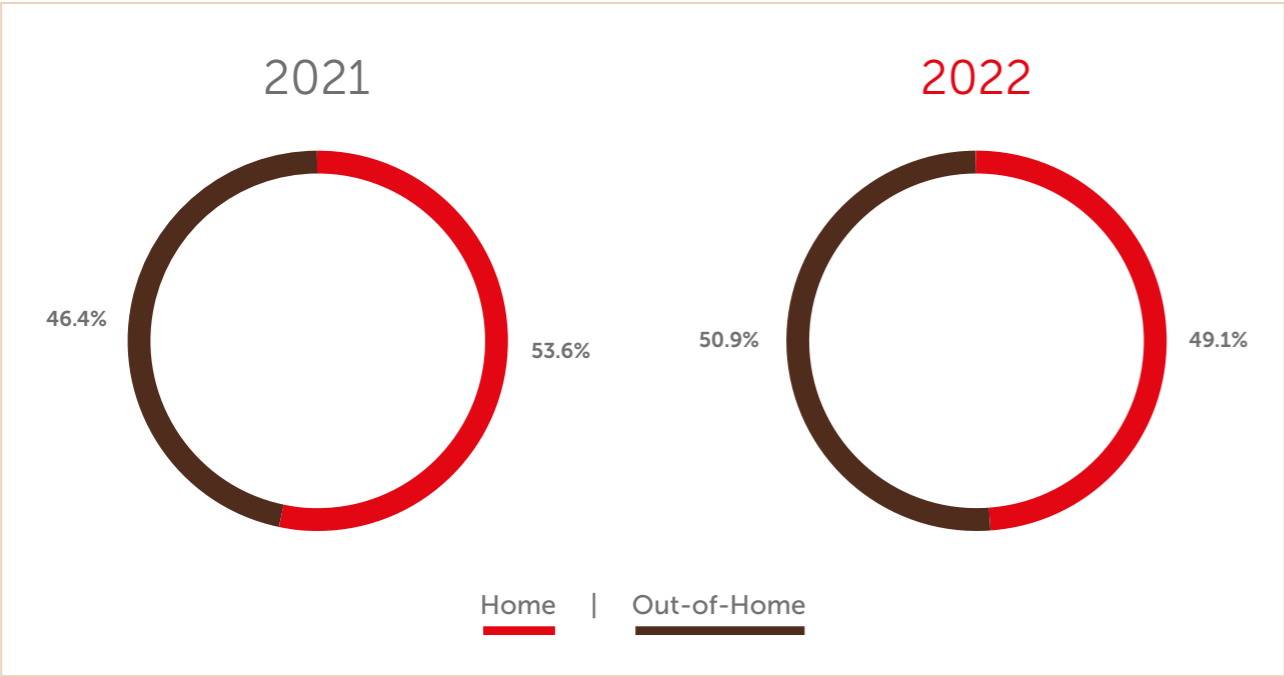
Northern Europe (mainly in Denmark and Sweden). The Americas recorded revenues of €107.3 million, up by 27.4% compared to 2021 due to the positive performance in all the main distribution channels and thanks to the favourable impact linked to the strengthening of the dollar. Also in 2022, the strategic focus on growth continued in the United States, a priority market in the Group's medium-term plans, which made it possible to achieve an increase in penetration both in the Out-of-Home channels (mainly Ho.Re.Ca.) and in the Modern Distribution channel through a significant distribution expansion.

In Asia, revenues amounted to €66.8 million, up 29.7% compared to 2021, driven by China and South Korea, in particular in the online channel.

REVENUES BY DISTRIBUTION CHANNEL

Amounts in € thousand	2022	%	2021	%	2020	%
Home*	278,667	49.1%	267,723	53.6%	247,753	58.2%
Out-of-Home**	288,989	50.9%	231,783	46.4%	177,579	41.8%
TOTAL	567,656	100%	499,505	100%	425,332	100%

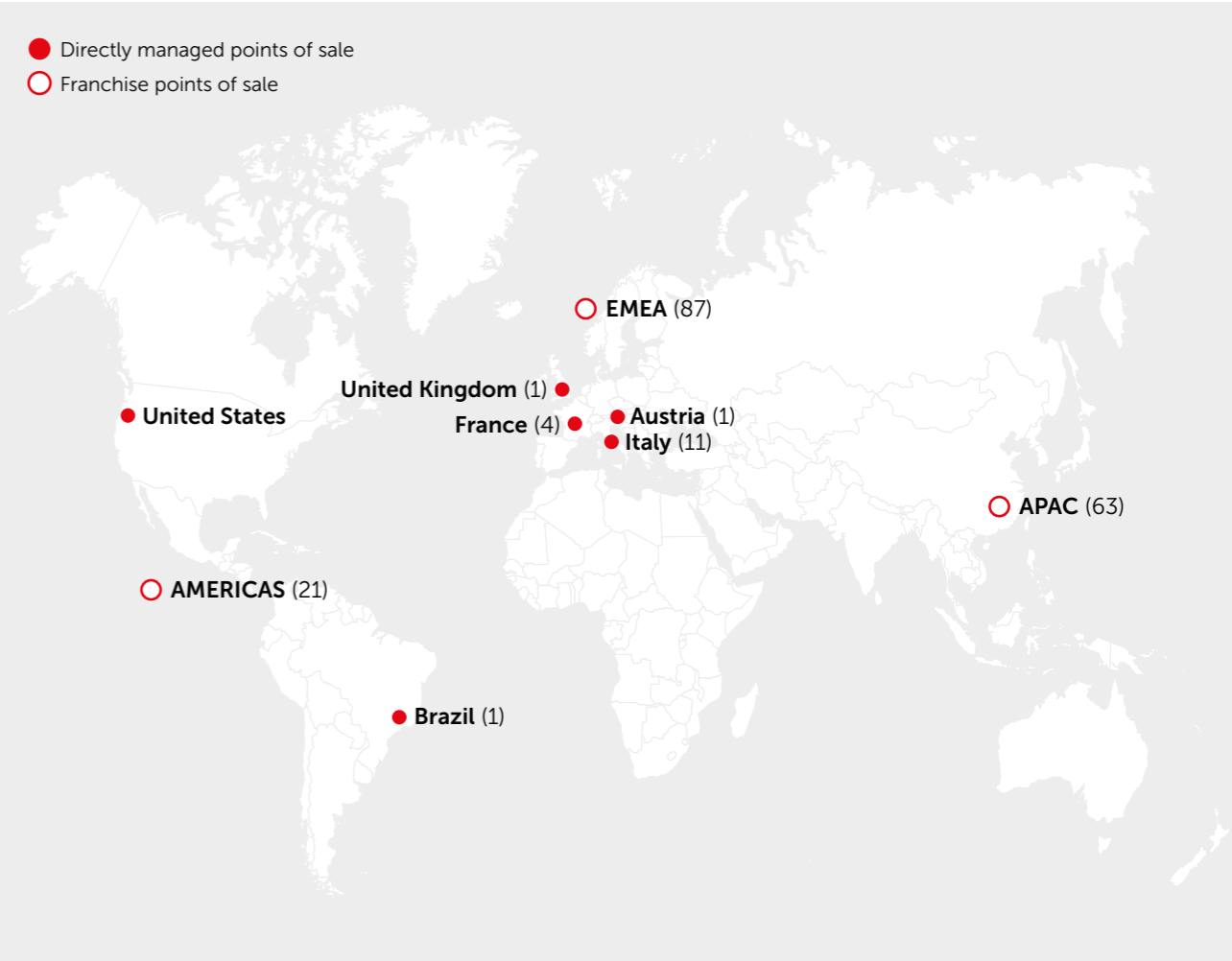
(\*) Home: it includes Modern Distribution, e-Commerce and the Home component of the Distributors business.  
(\*\*) Out-of-Home: includes Ho.Re.Ca., Retail, OCS/Vending, Large Corporate Clients, Global Key Accounts and the OOH component of the Distributors business. In 2022, the breakdown of the Distributors channel revenue between Home and Out-of-Home was restated in order to provide a better representation of trends.



In 2022, the illycaffè multi-channel business model, characterised by a balanced mix of Home and Out-of-Home, supported the Group's double-digit growth. In particular, the Home channel achieved an incidence on revenues of 49.1% (compared to 53.6% in 2021), while the incidence of revenues linked to out-of-home consumption, in line with the gradual relaxation of restrictions related to the Covid-19 pandemic, amounted to 50.9%, up compared to 2021 (46.4%).

In 2022, all channels related to out-of-home consumption reported double-digit growth compared to 2021. In the Ho.Re.Ca. channel revenues grew by 30.9% compared to 2021, supported by an acceleration in the acquisition rate of new customers and an increase in average consumption. In the Retail channel, revenues were up by 42.8% compared to 2021. At 31 December 2022, the network consisted of 190 outlets in 34 countries: 171 under franchising and 19 directly managed.

NETWORK RETAIL AS AT 31 DECEMBER 2022



In the OCS/Vending channel, revenues recorded growth of 0.6% compared to 2021, also thanks to the weakening of work-from-home policies.

With regard to the Home channels, in the Modern Distribution channel revenues were up by 4.8% compared to 2021 thanks to the continuous increase in distribution, particularly in the United States, together with an improvement in performance for the main retailers. In the online channel, revenues grew by 3.2% compared to 2021, thanks to the further consolidation of partnerships with e-Tailers.

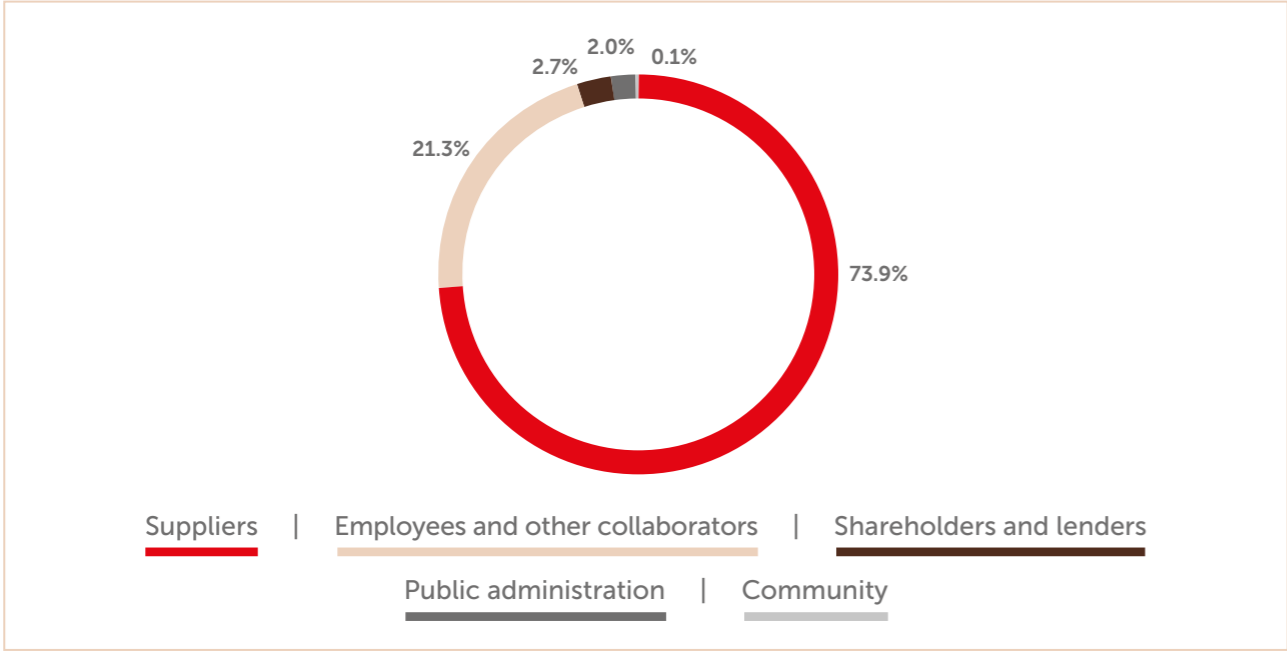
In the Distributors channel, revenues grew by 10.8% compared to 2021, thanks to the continuous consolidation of the Group's presence in strategic markets, combined with a greater focus on growing and high-potential markets.

Value creation for stakeholders

| GRI 201-1 |

In 2022, the economic value generated by illycaffè amounted to €574.8 million, up 13.1% compared to 2021. The economic value distributed by the Group amounted to €520.7 million in 2022, also up by 13.1% compared to 2021. 90.6% of the economic value generated by illycaffè was distributed to stakeholders, both internal and external, and the remaining 9.4% was retained within the Group.

THE DISTRIBUTED ECONOMIC VALUE



THE ECONOMIC VALUE GENERATED AND DISTRIBUTED

Amounts in € thousand	2022	2021
Economic value generated	574,753	508,289
Revenues	573,693	505,658
Financial income	1,060	2,631
Economic value distributed	520,697	460,294
Other operating costs	384,599	329,485
Remuneration of personnel	110,724	106,219
Credit and risk capital	13,945	13,492
Taxes and levies	10,245	9,983
Donations membership fees	1,185	1,115
Economic value retained	54,056	47,994

Performance of the Group companies<sup>1</sup>

Commercial, distribution and retail companies

illy caffè North America, Inc.

The company recorded revenues of €96,999.6 thousand (+25.7% vs. 2021). The economic result was positive (€2,084.3 thousand compared vs -€84.4 thousand in 2021).

illy espresso Canada, Inc

The company recorded revenues of €8,239.7 thousand (+31.6% vs. 2021), closing 2022 with a positive economic result (€217.4 thousand vs. €156.8 thousand in 2021).

illycaffè France S.A.S.

The company recorded revenues of €32,500.6 thousand (+24.0% vs. 2021), with a positive economic result (€608.6 thousand vs. €-800.5 thousand in 2021).

illycaffè Shanghai Co. Ltd.

The company recorded revenues of €19,627.1 thousand (+12.7% vs. 2021), achieving a positive economic result of €2,209.3 thousand (€1,818.1 thousand in 2021).

illycaffè UK Ltd.

The company recorded revenues of €23,654.9 thousand (+€18.4% vs. 2021). The economic result was positive (-€310.5 thousand vs -€504.9 thousand in 2021).

Illycaffè Sud America Comércio Importação e Exportação Ltda

The company recorded revenues of €4,806.0 thousand (+67.2% vs. 2021) and a negative economic result of -€1,657.6 thousand (in line with 2021).

Retail companies

illycaffè San Francisco Llc

The company recorded revenues of €581.3 thousand, up (+70.8%) compared to the previous year. The economic result was positive (€497.3 thousand vs -€1,389.2 thousand in 2021).

Espressamente Retail London Ltd

The company recorded revenues of €568.0 thousand (-39.5% vs. 2021). The economic result was negative (-€1,521.4 thousand vs. -€761.6 thousand in 2021) mainly due to the penalty for the closure of the Regent Street store.

illycaffè Asia Pacific Ltd (Hong Kong)

The company was established in 2018 to directly manage supply points in Asia. It is not yet operational.

Other companies

Bar Finance International S.p.A.

The company recorded a negative result (-€78.5 thousand vs. €21.8 thousand in 2021).

Magic L'Espresso S.L.

The company closed the year with revenues of €6,616.2 thousand (+23.4% vs. 2021) and a positive result (€290.9 thousand vs. €98.9 thousand in 2021).

Experimental Agricola do Brasil Ltda

The company recorded revenues of €65,412.0 thousand (+45.8% vs. 2021) and a positive economic result of €888.5 thousand (€105.8 thousand in 2021).

(1) The figures shown refer to the financial statements of the Group companies, adjusted to make them compliant with the international accounting standards adopted for the preparation of the Consolidated Financial Statements.

## Relations with subsidiaries, associates, controlling shareholders and companies subject to the control of the latter

### Controlling shareholder

Receivable and payable positions in respect of the controlling shareholder, recorded in the statement of financial position, mainly relate to Parent Company receivables and payables to the controlling shareholder Gruppo illy S.p.A. resulting from the option to join the national tax consolidation scheme, renewed for the 2020-2022 three-year period.

### Related parties

As part of its ordinary business management, the Group has commercial relationships with related companies that are regulated under normal market conditions.

	Trade receivables	Other current assets	Trade payables	Revenues from sales and services	Cost of production	Interest income and other financial income
<b>Dealings with Parent Company</b>						
illy S.p.A. Group	3,860	3,159,107	5,470	41,007		
<b>Relations with associated companies</b>						
Kafea Terra Food & Drinks S.A.	3,786,900			22,957,899	20,000	
Illycafé Thalwil AG	29,185			29,185		
<b>Dealings with companies under common control</b>						
Domori S.r.l.	13,891		339,391	13,092	753,701	2,198
Damman Freres S.A.S.			199,558	4,230	3,070,393	10,405
Polo del Gusto S.r.l.	611					
PRESTAT					11,747	
Marasu's Petits Fours Ltd	777			2,891		
Pintaudi S.r.l.					90,007	
<b>Relations with other related parties</b>						
Agrimontana S.p.A.				283,071	605,851	
Ernesto Illy Foundation					445,000	
FGEL S.r.l.	57,762			134,249		
<b>TOTAL</b>	<b>3,892,986</b>	<b>3,159,107</b>	<b>544,419</b>	<b>23,465,624</b>	<b>4,996,699</b>	<b>12,604</b>

## Own shares

The Parent Company does not hold any treasury shares and does not own and has not held during the year any shares or holdings of parent companies, including through trust companies or intermediaries.



## Business outlook

Based on the results achieved in 2022, also in 2023, the Group will continue on the growth path identified in the Strategic Plan that covers the period until 2026, focusing on further accelerating international development in the super-premium segment of the market, in line with its distinctive positioning linked to superior quality, leveraging a multi-channel business model.

The execution of the identified strategies will be supported by the Group's commitment to continue to operate through a world-class organisation.

The growth path identified will be supported by an important investment plan, a significant portion of which will be destined to a strong production and logistics expansion concentrated in Trieste, the Group's strategic production site and dedicated to the critical phases of the production process.

The planned investments will also make it possible to support growth in the various channels, also thanks to marketing plans, to pursue projects in the field of sustainable innovation and to further strengthen digitalisation of business processes and omnicanality.

In line with its strategies that have always been oriented towards a sustainable and development business model and with a view to creating shared value in line with the expectations of stakeholders, during 2023 the Group will continue to implement initiatives and projects functional to the pursuit of its sustainability objectives. Among the priorities in this area, the commitment to become carbon neutral by 2033 is confirmed, also thanks to innovative regenerative agriculture projects, within the scope of Virtuous Agriculture®.

The global macroeconomic context at the beginning of 2023 remains complex and uncertain. The persistent inflationary pressure and the unstable geopolitical situation, in addition to the global recessive risk, make it necessary to continue to adopt a prudent approach in company management. The Group will continue to maintain a focus on both pricing leverage and control of its cost base in order to mitigate the impact on company cash flow deriving from external issues.



## Income Statement, Statement of Financial Position and Net Financial Position of the illycaffè Group

### RECLASSIFIED INCOME STATEMENT

Amounts in € thousand	2022	%	2021	%	2020	%
Net revenues	567,656	100.0%	499,505	100.0%	425,332	100.0%
Consumption of raw materials	257,455	45.4%	197,665	39.6%	172,160	40.5%
<b>Gross Industrial Margin</b>	<b>310,201</b>	<b>54.6%</b>	<b>301,841</b>	<b>60.4%</b>	<b>253,173</b>	<b>59.5%</b>
Personnel costs	99,117	17.5%	97,188	19.5%	94,292	22.2%
Costs for goods and services	101,932	18.0%	93,342	18.7%	77,236	18.2%
Advertising and marketing costs	22,009	3.9%	31,648	6.3%	20,076	4.7%
Other management costs (net of revenues)	6,518	1.1%	6,287	1.3%	2,123	0.5%
Provisions and write-down of receivables	2,376	0.4%	2,650	0.5%	2,065	0.5%
<b>Adjusted Gross Operating Margin (ADJUSTED EBITDA)</b>	<b>78,249</b>	<b>13.8%</b>	<b>70,726</b>	<b>14.2%</b>	<b>57,380</b>	<b>13.5%</b>
Non-recurring charges (income)	6,855	1.2%	9,082	1.8%	4,547	1.1%
<b>Gross Operating Margin (EBITDA)</b>	<b>71,394</b>	<b>12.6%</b>	<b>61,645</b>	<b>12.3%</b>	<b>52,833</b>	<b>12.4%</b>
Depreciation and write-downs of property, plant and equipment	27,300	4.8%	24,148	4.8%	23,415	5.5%
Amortisation of right-of-use assets	9,667	1.7%	7,965	1.6%	6,880	1.6%
Amortisation and write-downs of intangible assets	8,531	1.5%	8,786	1.8%	7,937	1.9%
<b>Operating Margin (EBIT)</b>	<b>25,895</b>	<b>4.6%</b>	<b>20,745</b>	<b>4.2%</b>	<b>14,601</b>	<b>3.4%</b>
Financial management result	(6,363)	(1.1%)	(2,869)	(0.6%)	(5,774)	(1.4%)
Adjustments to the value of financial assets	(191)	(0.0%)	(160)	(0.0%)	(285)	(0.1%)
<b>Pre-Tax Profit</b>	<b>19,341</b>	<b>3.4%</b>	<b>17,716</b>	<b>3.5%</b>	<b>8,542</b>	<b>2.0%</b>
Income taxes	(5,160)	(0.9%)	(5,786)	(1.2%)	(2,719)	(0.6%)
<b>Consolidated Net Profit</b>	<b>14,182</b>	<b>2.5%</b>	<b>11,930</b>	<b>2.4%</b>	<b>5,823</b>	<b>1.4%</b>
of which: Non-controlling interests	0	0.0%	0	0.0%	(5)	(0.0%)
of which: Equity holders of the parent	<b>14,181</b>	<b>5.5%</b>	<b>11,930</b>	<b>6.0%</b>	<b>5,828</b>	<b>3.4%</b>

### RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Amounts in € thousand	31/12/22	%	31/12/21	%	31/12/20	%
<b>ASSETS</b>						
Trade receivables	89,847	26.3%	87,791	28.3%	78,077	25.4%
Trade payables	(119,113)	(34.8%)	(112,319)	(36.1%)	(86,725)	(28.2%)
Inventories	137,861	40.3%	111,200	35.8%	100,968	32.8%
<b>Net Operating Working Capital</b>	<b>108,595</b>	<b>31.7%</b>	<b>86,672</b>	<b>27.9%</b>	<b>92,320</b>	<b>30.0%</b>
<b>Other current and non-current assets</b>	<b>33,224</b>	<b>9.7%</b>	<b>30,047</b>	<b>9.7%</b>	<b>26,782</b>	<b>8.7%</b>
Equity investments	16,794	4.9%	4,225	1.4%	4,046	1.3%
Property, plant and equipment	118,276	34.6%	118,849	38.2%	112,520	36.6%
Right-of-use assets	25,389	7.4%	30,127	9.7%	33,147	10.8%
Intangible assets	39,795	11.6%	40,836	13.1%	38,682	12.6%
<b>Non-current assets</b>	<b>200,255</b>	<b>58.5%</b>	<b>194,037</b>	<b>62.4%</b>	<b>188,396</b>	<b>61.3%</b>
<b>TOTAL NET ASSETS</b>	<b>342,074</b>	<b>100.0%</b>	<b>310,756</b>	<b>100.0%</b>	<b>307,497</b>	<b>100.0%</b>
<b>LIABILITIES</b>						
<b>Net financial position</b>	<b>154,289</b>	<b>45.1%</b>	<b>123,468</b>	<b>39.7%</b>	<b>137,076</b>	<b>44.6%</b>
<b>Other current and non-current liabilities</b>	<b>26,981</b>	<b>7.9%</b>	<b>34,408</b>	<b>11.1%</b>	<b>26,548</b>	<b>8.6%</b>
Employee benefits	2,883	0.8%	3,613	1.2%	3,828	1.2%
Other provisions	8,877	2.6%	8,857	2.9%	6,171	2.0%
<b>Total Provisions</b>	<b>11,760</b>	<b>3.4%</b>	<b>12,470</b>	<b>4.0%</b>	<b>9,999</b>	<b>3.3%</b>
<b>Loan capital</b>	<b>193,030</b>	<b>56.4%</b>	<b>170,346</b>	<b>54.8%</b>	<b>173,623</b>	<b>56.5%</b>
<b>Shareholders' equity pertaining to non-controlling interests</b>	<b>12</b>	<b>0.0%</b>	<b>12</b>	<b>0.0%</b>	<b>12</b>	<b>0.0%</b>
<b>Group shareholders' equity</b>	<b>149,032</b>	<b>43.6%</b>	<b>140,398</b>	<b>45.2%</b>	<b>133,862</b>	<b>43.5%</b>
<b>TOTAL NET LIABILITIES</b>	<b>342,074</b>	<b>100.0%</b>	<b>310,756</b>	<b>100.0%</b>	<b>307,497</b>	<b>100.0%</b>

GROUP NET FINANCIAL POSITION

Amounts in € thousand		31/12/22	31/12/21
A	Cash and cash equivalents	16,990	44,280
B	Other current financial assets	8,679	4,155
C=A+B	Total liquid assets	25,669	48,435
D	Current financial receivables	(1,093)	(1,402)
E	Short-term derivative financial assets	(374)	(8)
F	Current bank payables	25,250	26,311
G	Debt instruments: bonds issued	14,000	
H	Other current financial payables	297	263
I	Current financial payables for leases	7,308	7,195
J	Short-term derivative financial liability	0	49
K=D+E+F+G+H+I+J	Current financial debt	45,387	32,407
L=K-C	Net current financial debt	19,719	(16,028)
M	Long-term derivative financial assets	(661)	(2)
N	Non-current bank payables	56,982	43,003
O	Debt instruments: bonds issued	56,000	70,000
P	Other non-current financial payables	1,720	2,075
Q	Non-current financial payables for leases	20,529	24,359
R	Long-term derivative financial liability	0	59
S=M+N+O+P+Q+R	Non-current financial debt	134,571	139,495
T=S+L	Net financial debt	154,289	123,468

TABLE RECONCILING THE PARENT COMPANY'S SHAREHOLDERS' EQUITY AND THE PROFIT FOR THE YEAR

	2022		2021	
	Shareholders' Equity	Income Statement	Shareholders' Equity	Income Statement
Parent Company ITA GAAP	144,936,883	7,202,094	144,896,790	11,186,154
Effect of applying IFRS	(7,575,645)	548,788	(7,938,460)	633,193
Parent Company IFRS GAAP	137,361,237	7,750,882	136,958,329	11,819,348
Share of shareholders' equity and profit of consolidated companies, net of the equity investments' book value	8,960,318	3,548,096	(6,027,038)	(5,699,201)
Elimination of equity investment write-downs in consolidated companies and receivables in consolidated companies		2,110,637		6,409,523
Consolidation difference emerging from the reversal of consolidated equity investments	7,111,306	1,387,419	13,398,057	
Effect of financial leases of the consolidated companies	1,026,076	(3,863)	1,029,939	20,186
Elimination of intercompany asset sales	(22,603)		(22,603)	
Elimination of profits on sales to subsidiaries included in inventories, net of the related tax effect	(5,873,670)	(447,717)	(5,425,953)	(456,769)
Elimination of intercompany receivables/payables	533,106	17,190	521,052	(516)
Elimination of intercompany costs and revenues	(51,586)	(181,141)	(21,276)	(163,056)
Shareholders' equity and net profit as reported in the consolidated financial statements (including non-controlling interests)	149,044,185	14,181,502	140,410,508	11,929,516
Non-controlling interests	(12,200)	(89)	(12,078)	(10)
Group share of shareholders' equity and net profit	149,031,985	14,181,414	140,398,431	11,929,506

Indicator description

This report uses certain indicators, set out below.

EBITDA<sup>1</sup>  
(Gross Operating Margin)

Profit/(loss) for the year, before financial charges/income, income taxes and depreciation (including write-downs of property, plant and equipment).

NFP  
NFP (Net Financial Position)

The sum of payables to bank payables, other financial payables, debt instruments and payables for operating leases (short, medium and long-term), net of current financial receivables, cash and cash equivalents and marketable securities. It also includes the positive or negative fair value of derivative financial instruments.

ROE  
(Return on Equity)

The ratio of net profit to consolidated shareholders' equity at the end of the year.

ROI  
(Return On Investment)

The ratio of Gross Operating Margin (EBIT) to the sum of Net Operating Working Capital (equal to the algebraic sum of inventories and short-term trade receivables and trade payables) and non-current assets (tangible, intangible and for right of use assets).

ADJUSTED EBITDA  
(Adjusted Gross Operating Margin)

EBITDA before non-recurring charges/income.

NFP/EBITDA  
ADJUSTED

The ratio of Net Financial Position to Adjusted EBITDA.

NFP/EBITDA

The ratio of Net Financial Position to EBITDA.

ROS  
(Return on Sales)

The ratio of Net Operating Margin (EBIT) to net revenues.

EBIT  
(Net Operating Income)

Profit/(loss) for the year, before financial charges/income and income taxes.

NFP/EQUITY

The ratio of Net Financial Position to consolidated shareholder's equity.

Headcount

This is the number of employees enrolled in the employee register on the last day of the year.

(1) The gross operating margin (EBITDA) is a measure used by the Group to monitor and assess operating performance, although it is not defined as an accounting measure under the reference accounting standards. Consequently, the criterion used to determine this income statement value may not be the same as that used by other entities, and therefore may not be in any way comparable.



2022  
Sustainability  
performance

## Sustainable agriculture practices

Producing sustainable quality is a daily choice that illycaffè makes throughout the supply chain, starting with direct collaboration with coffee producers.

In this context, understanding the needs of the communities illycaffè interfaces with and promoting a virtuous collaboration process plays a central role. This path is developed through support for ad hoc projects to transfer the knowledge or services necessary to increase the well-being of local communities.

Child labour is one of the main risks in coffee growing: the use of minors in coffee cultivation, in fact,

undermines social development in those countries where the closure of schools coincides with the period of coffee harvesting.

For this reason, also in 2022, illycaffè promoted education in farming communities through programs to support school facilities and quality educational offers and training for teachers, with the aim of extending access to education in rural areas to as many children as possible, freeing them from poverty and child labour. Through these initiatives, illycaffè contributes to the path of sustainable generational change in the coffee supply chain.

### LOCAL COMMUNITIES: STORIES FROM THE FIELDS



#### GUATEMALA

Thanks to the collaboration with the Funcafé foundation, since 2020 illycaffè has promoted and funded Coffee Kindergarten and Coffee Camp projects on the El Aceituno farm, contributing to the construction of a school offering educational and food services about 40 minors, all children of coffee pickers working on this plantation.

Furthermore, illycaffè continued to finance, also in 2022, a mobile clinic in the Santa Rosa area to offer free healthcare and dental care to small producers and their families, often representing the only possibility of receiving medical and dental care.



#### NICARAGUA

Together with the Ernesto Illy Foundation, since 2018 illycaffè has financed the Seeds for Progress Foundation, which strives to make quality education accessible to the children of producers in its supply chain and in remote areas of the country. illycaffè has been purchasing coffee in the rural area of Wiwili since 2014, from a community of 250 small producers, contributing to their social development and economic growth. It also contributed to the restructuring of the Aguas Frías school in the same community. Thanks to the restructuring and the program of the Seeds for Progress Foundation, the school achieved a 22% increase in enrolments and reduced early school leaving, maintaining an attendance rate of 100%. In 2022, illycaffè made a further donation to the Seeds for Progress Foundation, which will use it to develop a project to welcome the children of coffee pickers during the harvesting period within the La Florida plantation, part of the illycaffè supply chain since 2012.

## Promotion of regenerative agriculture practices

Mitigating the effects of climate change and, at the same time, intensifying the production of sustainable coffee per hectare necessarily entails the adoption of increasingly integrated agricultural practices.

In this context, regenerative agriculture is a set of agricultural practices (many of which are still at the study phase) which, among other benefits, contribute to reversing the effects of climate change, rebuilding soil organic matter and restoring biodiversity, especially in the soil.

The principles underlying regenerative agriculture are:

- reduce soil disturbance, adopting non-tillage or minimum tillage practices that avoid soil erosion, increasing microbial biomass and organic matter, as well as the biodiversity of the topsoil;
- guarantee soil coverage through inter-row grassing, the use of cover crops or mulching to reduce erosion and nutrient loss, increase organic matter, improve water retention and interrupt pest and disease cycles;
- promote and protect the biodiversity of the agrosystem;
- favour agricultural practices suitable to avoid soil compaction.

One of the objectives of regenerative agriculture is also the reduction of the use of pesticides through biocontrol, i.e. the use of formulations of biological origin to control, prevent or eliminate pest problems in a crop.

Illycaffè's commitment in this area was also concentrated in the Rabanales and Jardines de Babilonia farms in Guatemala in 2022, where qualitative results were obtained by sowing corn between rows of coffee less than three years of age, protecting plants from strong winds that would have damaged them.

In order to identify scalable practices from an agronomic and sustainable point of view, in 2022 illycaffè carried out an assessment on the regenerative practices that are spreading in Brazilian coffee growing. The main ones are listed below:

- use and production of beneficial microorganisms (fungi and bacteria), which could reduce the use of pesticides by up to 60%, with possible positive effects also on the quality of the coffee;
- preparation of compost at company level, which allows for a reduction in the use of synthetic fertilizers, reduces costs and increases the organic structure of the soil;
- implementation and protection of biodiversity in the field and of the entire ecosystem with possible benefits also on the biocontrol of parasites;
- use of cover crops, which bring numerous benefits to the soil, including an increase in organic matter, a reduction in herbicides and an increase in nitrogen, and would also help limit greenhouse gas emissions;
- use of drones and precision agriculture, which help to save costs and increase the effectiveness of some cultivation practices;
- use of algae-based biostimulants, which improve the resistance of plants to adverse environmental conditions and increase the absorption of nutrients;
- agroforestry, i.e. an agricultural management system where trees and/or shrubs are grown alongside coffee with various benefits for the agrosystem, including increased biodiversity, improved soil, and reduced greenhouse gas emissions. This system is mainly applied in Central America and is also likely to develop in Brazil over the next few years.

During 2022, the Coffee Procurement team, together with the group of technicians it collaborates with in the various countries of origin, carried out a major review of the digital tool used to carry out verification activities on the plantations. This tool, called Sustainability Guide, aims to collect data in the field and guide the stakeholders involved towards a process of continuous improvement with precise and easily implemented recommendations.

The revision of the tool responds to the needs of the decarbonisation road map undertaken by the company: in fact, with this in mind, the verification process has been

digitalised, giving greater emphasis to the collection of data that allow the main sources of greenhouse gas emissions to be identified and implement mitigation actions in this regard. Thanks to the review of this tool, it was possible to track the implementation of practices aimed at protecting biodiversity and, in particular, relating to regenerative agriculture, the reduction of synthetic agrochemicals and in favour of soil protection. All the plantations checked by illycaffè in 2022 implement at least one of these.

In particular, 153 of the 220 plantations tested during the year were monitored through the Sustainability Guide and the data collected show that the plantations have implemented at least:

- 76% of regenerative farming practices;
- 71% of practices aimed at reducing the application of synthetic agrochemicals;
- 76% of practices in favour of soil protection.

Working with a view to continuous improvement, illycaffè's goal is to promote an increasingly greater implementation of these practices, respecting the specific context of each plantation.

The partnership with the Yara Group, aimed at studying the impact of regenerative agriculture on productivity, quality and emissions, trying to measure soil biodiversity through the collection of data through precision farming, fits into this framework.



## Scientific Research

### Virtuous Agriculture®

A holistic research and scientific training project that, under the leadership of President Andrea Illy, combines sustainable agriculture with a focus on the regeneration of the environment, enriching the soil with organic carbon.

The idea on which Virtuous Agriculture® is based is of a twofold benefit: for the environment, through the sequestration of carbon and the reduction of contaminants, and for human health, through natural nutritional products.

In 2022, an agreement was signed with the University of Udine for the activation of a course as part of the Agricultural Sciences and Biotechnology PhD program: the three-year "Production of secondary metabolites of nutraceutical interest from cell cultures of Coffea spp." research project will have as its objective the development of in vitro cellular systems of Coffea spp. able to synthesise metabolites with high biological activity.

### BOLERO

During 2022, activities began as part of the BOLERO (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks) project, recently admitted for funding by the European Commission. The project aims to study and develop strategies for the use of the graft technique, still little used in the coffee sector. Thanks to the graft, the root systems used as rootstocks can give greater tolerance to abiotic and biotic stresses, providing a valid solution to expand coffee production and make it more sustainable. The 48-month project is coordinated by the prestigious French research body CIRAD (Center de coopération Internationale en Recherche Agronomique pour le Développement) and can count on the participation of numerous European partners with a high technical-scientific and industrial profile.

## PROLIFIC

With regard to the PROLIFIC project (Integrated cascades of PROcesses for the extraction and enhancement of proteins and bioactive molecules from Legumes, Fungi and Coffee agro-industrial side streams) of the European Commission, studies on coffee by-products continued and in October 2022, the results obtained were presented at the University of Bologna, including prototypes of bio-plastic containers functionalised with coffee by-products (for example, selection waste and silverskin).

## ECOFFEE R&D

With regard to projects focused on sustainability, the first phase of the ECOFFEE R&D initiative, aimed at progressively reducing the use of pesticides in coffee production, ended in March 2022. This phase concluded the collection of data on the use of pesticides in some producing countries and on residues present in the soil and in green coffee. The second phase has begun, dedicated to experimental activities to identify the effects of pesticide reduction on agronomic performance.

## SYRMEP (X-ray microtomography)

The Quantitative Morphological Analysis of Coffea Arabica Beans Roasted by Different Industrial Processes Project was the winner at Elettra Sincrotrone Trieste in March 2022. The acquisition of high-resolution tomographic images of roasted coffee beans through various industrial processes and their subsequent processing, still in progress, provided valuable information about the effects of the roasting process on the morpho-anatomy of the seeds.

## GENOME

The collaboration with Lavazza and the Istituto di Genomica Applicata (IGA - Institute of Applied Genomics) of Udine on experimental activities, aimed at improving the quality of the Arabica genome already available on the World Coffee Research 2022 website, continued.



## Collaborations with Universities and Research Institutes

In the chemical field, the scientific collaboration agreement with the University of Eastern Piedmont led to in-depth analyses on compounds of organoleptic interest presented in October 2022 in Florence during the MS Food Day congress, while the scientific collaboration agreement with the Bicocca University of Milan, which envisaged study and research activities relating to the characterisation of coffee through advanced MS-imaging techniques, still in progress, provided preliminary results presented last June during the Massa 2022 congress organised by Società Chimica Italiana and the University of Catania.

Also in the chemical field, a scientific collaboration agreement was signed with the Istituto di Ricerca sugli Ecosistemi Terrestri del Consiglio Nazionale delle Ricerche (CNR-IRET - Research Institute on Terrestrial Ecosystems of the National Research Council), which envisages in-depth studies on carbohydrates and polyalcohols in green coffee.

## Responsible procurement process

| GRI 2-6 | GRI 204-1 | GRI 308-1 | GRI 408-1 | GRI 409-1 | GRI 413-1 | GRI 414-1 |

### Respect and protection of human rights along the supply chain

illycaffè has always worked to promote respect for human rights and combat child labour. This commitment has been tangibly reflected over the years through:

- compliance with the principles of the ILO (International Labour Organization) of the United Nations;
- purchasing only from those countries that have ratified the ILO standard and have established an age of no less than 14 years in their legislation;
- the application and the reference to the Code of Ethics in all contracts with suppliers, which includes clauses on the respect for human rights in purchasing and throughout the supply chain;
- the control of its coffee suppliers, which envisages periodic monitoring of the supply chains and active management of issues such as child labour, forced labour, gender discrimination and equality and the possibility of accessing the farm records and personally visiting the company premises.
- membership, since 2012, of the UN Global Compact, the pact designed to encourage companies around the world to adopt sustainable and socially responsible policies.

illycaffè has never detected cases of forced labour along its supply chain and in 2022 no cases of child labour were identified. Nonetheless, the company has continued to carry out awareness-raising activities on the issue with all its supply chains and to promote social projects aimed at preventing and mitigating these risks. The Coffee Procurement team carries out these activities in close collaboration with its stakeholders, with a view to an integrated supply chain towards the resolution of critical issues and in a process of continuous improvement. All this is achieved through the engagement of the various players in the coffee supply chains the company

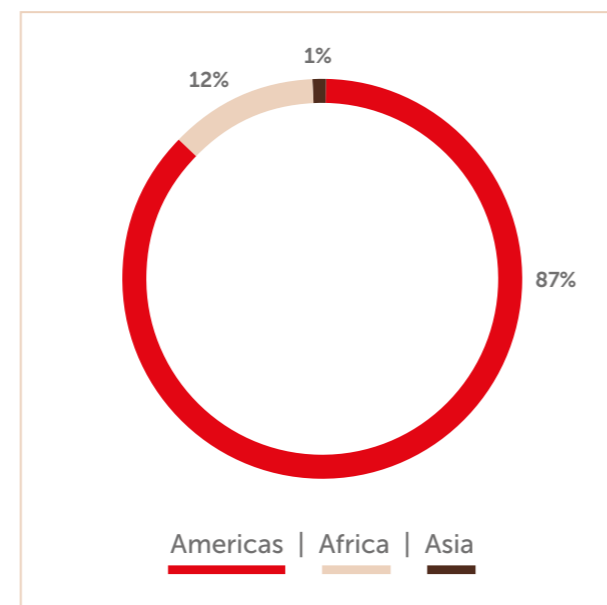
operates with, local institutions, sector associations of the countries of origin, as well as foundations and non-profit organisations, always with the aim of achieving a real and concrete implementation of sustainable practices and the defence of the human rights of all stakeholders involved, especially weaker ones.

### Supply chain control

The strategies for procurement in relation to the coffee supply chains reflect any relevant aspects that emerged from the engagement with the various stakeholders and that directly or indirectly influence the sustainable procurement process.

In turn, the influence that illycaffè exercises on these stakeholders varies according to the type of relationship: the more direct this is, the greater the influence and impact of the actions that are carried out.

### VOLUMES OF GREEN COFFEE PURCHASED IN 2022 BY GEOGRAPHICAL AREA (t)



To ensure the sustainable quality of its raw material, illycaffè's supply chain management model is based on three specific principles:

- traceability of resources and raw materials throughout the entire production process;
- reciprocity in the relationship with the members of the supply chains;
- economic, social and environmental sustainability.

Over the years, illycaffè has developed a system of direct relations with the stakeholders of its supply chains based on four pillars:

- selecting and motivating producers, rewarding their efforts to produce excellent quality coffee;
- transfer knowledge to them through the activities of Università del Caffè and the constant visits to the plantations by the illycaffè buyers, agronomists and technicians, motivating them to produce sustainable quality;
- acknowledge, including economically, the superior quality achieved and encourage a continuous process of improvement;
- build an illy community, creating a place where producers can dialogue with each other (Circolo illy and Clube illy do Café), establishing human and direct relationships based on the mutual transfer of knowledge.

These principles are expressed within the Sustainable Procurement Process (SPP), the supply chain sustainability standard for the purchase of sustainable quality green coffee used by illycaffè. This protocol, issued by Det Noske Veritas (DNV), represents one of the most complete sustainability standards in the coffee procurement process, since it:

- defines the company's principles of sustainable development and social responsibility in procurement policies and practices;
- promotes the qualification and monitoring of suppliers based not only on economic, but also on environmental and social aspects, encouraging objectives and improvement programs along the entire supply chain.

The sustainability standard and the quality of the raw material are respected and maintained thanks to two key pillars: progressive control of the supply chain and the transfer of knowledge.

illycaffè carries out constant and continuous monitoring in the field with an approach that makes it possible to guarantee coverage of 100% of the operators in the supply chains.

The main areas of monitoring of the supply chains are as follows:

- social sustainability: human rights, working conditions, health and safety and social impact on communities;
- environmental sustainability: preservation of forest areas, change in land use, biodiversity, water management and quality, recycling and/or proper disposal of liquid and solid waste, energy and fuel consumption;
- farm management: production control, soil management, crop management, correct use of fertilizers and agrochemicals, phytosanitary protection and control with organic practices;
- traceability: chain of custody, commercial and product traceability, process control and coffee storage.

Audits and control visits are a fundamental part of the monitoring process, as are the performance parameters required by the supply chain, structured into:

- minimum requirements that suppliers are required to comply with, under penalty of termination of the supply relationship;
- additional requirements, which go beyond the legal minimums and which illycaffè deems essential in the relationship with the supplier, in understanding the local context of the supply chains and the production of the raw material;
- rating systems to qualify supply chains.

The verification of the supply chains involved 261 players in Brazil, Costa Rica, El Salvador, Ethiopia, Guatemala, Honduras, Nicaragua and Rwanda. The comparison with 2021 (579 players involved) was affected by the implementation, in the first part of 2022, of the new digital monitoring tool ("Sustainability Guide"), which led to a temporary reduction in the number of players involved. These audits revealed 41 cases of plantations that did not comply with the minimum requirements (+6 compared to 2021).

The inefficiency of wastewater treatment systems, the use of prohibited agrochemicals and unpaid minimum wages continue to be major issues and are the focus of awareness-raising and training activities, which are carried out at every meeting opportunity (virtual and in person) to emphasise the importance of the issue and provide assistance.

The monitoring of the supply chains is accompanied by continuous training and stakeholder engagement, which represents an important opportunity not only

to share the main aspects of sustainability, but also to fully understand the context and situation of each supply chain.

In particular, in 2022 illycaffè directly involved 1,979 people, up by 15% compared to 2021, and divided between:

- 634 members of the coffee supply chains (top management and commercial contacts of suppliers, agronomists and technicians, producers). These are key figures, who represent the set of stakeholders with whom illycaffè establishes a commercial relationship;
- 1,139 participants in dissemination activities aimed at supply chains, public and private institutions in the sector, academia;
- 126 people including illy employees, instructors at the international offices of Università del Caffè and foreign distributors;
- 75 stakeholders in companies operating in the field of digitalisation, agribusiness on precision farming and fertiliser production, or social foundations and multi-stakeholder platforms.

NUMBER OF PARTICIPANTS IN STAKEHOLDER ENGAGEMENT ACTIVITIES ALONG THE GREEN COFFEE SUPPLY CHAIN

	2022	2021
Producers <sup>1</sup>	634	245
Participants in dissemination activities (institutions, academia, etc.)	1,139	1,047
Employees and foreign distributors	126	324
Other stakeholders	75	101
<b>Total</b>	<b>1,979</b>	<b>1,717</b>

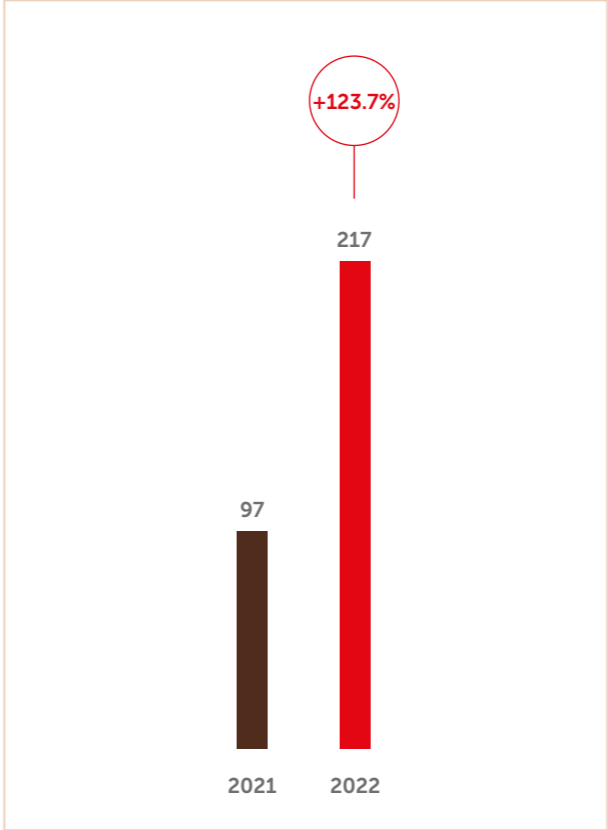
(1) Stakeholder engagement activities with producers are managed in collaboration with Università del Caffè. For more information, see the chapter Spreading coffee culture on page 132.

During the year, 217 hours of training were provided to producers and participants in dissemination activities, up by 123.7% compared to 2021.

Stakeholders were involved through training sessions, visits along the supply chain and ad hoc events with the aim of creating an open dialogue and sharing mutual knowledge.

The main topics revolved around illycaffè's approach to sustainability as a fundamental element of its business model (carbon neutrality, digitalisation of data collected in the field, sharing of regenerative farming practices).

AVERAGE HOURS OF TRAINING PROVIDED



## SUPERIOR AND SUSTAINABLE QUALITY

The assessment of coffee suppliers and their supply chains is based on correctness of commercial relations, sustainable quality of the product supplied and compliance with the chemical analyses of the active ingredients that illycaffè looks for in coffee batches.

This assessment is reviewed annually on the basis of the examination of the proposed offer samples for qualitative and physical/chemical aspects and on the basis of a three-year plan of on-site audits for compliance with the pre-established sustainability requirements.

In particular, illycaffè assesses the qualitative performance of individual suppliers through visual/olfactory and sensory analysis of green coffee samples by a panel of tasters supported, when necessary, by further laboratory analyses.



illycaffè purchases green coffee only after examination and approval of a representative sample of the proposed batch. An offer sample undergoes numerous and scrupulous analyses as well as tastings, which take place both before loading and transport by ship to the production plant and once it has reached its destination and has been transferred to the warehouses used for the storage of green coffee.

From the moment the coffee arrives in the port of Trieste until it leaves the warehouse to be sold, illycaffè's analysis and quality laboratories carry out 135 types of sample checks according to internal and legal specifications, for a total of 356 analyses carried out daily on the various products in production. In addition, more than 500 active ingredients on each batch of green coffee are analysed in accredited external laboratories.

### Laboratories

illycaffè develops innovative technological solutions via the experimental activities of 5 specialised laboratories.

#### SENSORYLAB

Integrating chemistry, physics and the physiology of perception, the laboratory deals with the scientific study of the relationship between sensory stimuli - taste and smell - and evoked sensations.

#### FOODLAB

It is dedicated to food research and the development of coffee products.

#### TECHLAB

It deals with the development of certain components and specific technological solutions, also with the aim of decreasing the environmental impact of the packages, while maintaining the level of their yield.

#### AROMALAB

It is specialised in research into the characterisation of volatile and non-volatile chemical compounds, the identification of aroma precursors and the identification of substances that determine taste, body and biological activities.

#### BIOLAB

Divided into two operating units, dedicated to microscopy and molecular genetics-biology, this laboratory has the task of studying the substances present in coffee from the point of view of genetic information.

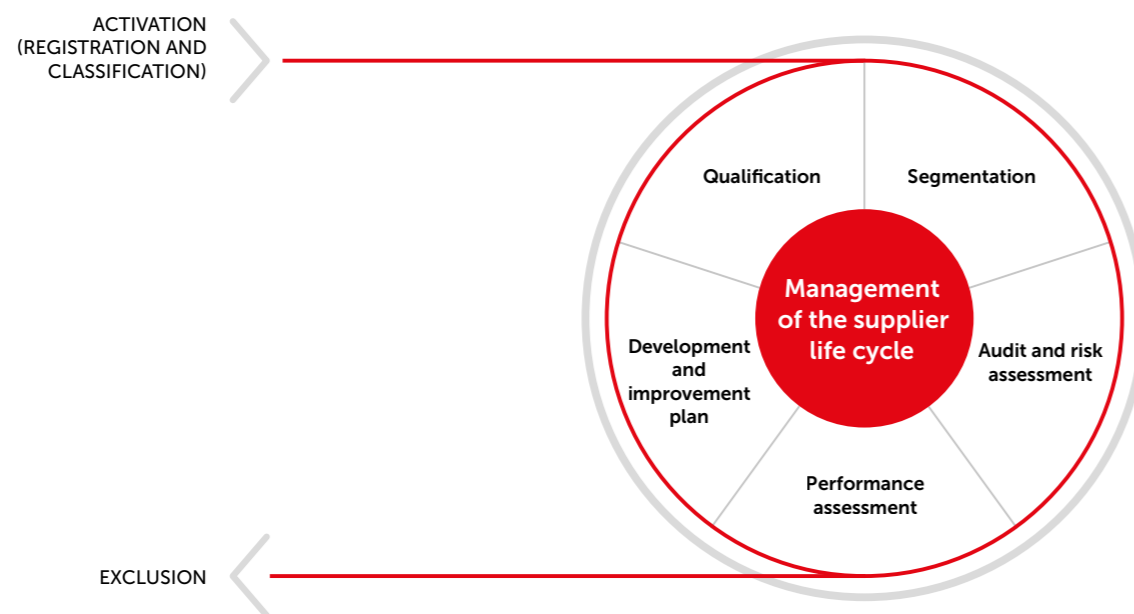
## Supplier LifeCycle Management

In accordance with the principles of sustainability and business ethics, illycaffè maintains mutually beneficial relationships with its suppliers of goods and services, selecting them based on its values.

The company uses the 2018 Procurement Portal to collect, summarise and compare a significant amount of data and information on its suppliers. In addition to negotiation and contract activities, this instrument is aimed at the management and development of supply relationships based on effective collaboration.

Via a pre-qualification questionnaire, suppliers who register within the portal, accept the 231 Organisational Model and the company's Code of Ethics and have access to the Code of Conduct, which lists and describes the principles which the company asks them to observe. The most significant aspects of this questionnaire concern business ethics and integrity, human and labour rights, and environmental sustainability. The purchasing guidelines and procedures are updated periodically with the intention of following and facilitating the natural evolution of the company.

## MANAGEMENT OF THE SUPPLIER LIFE CYCLE

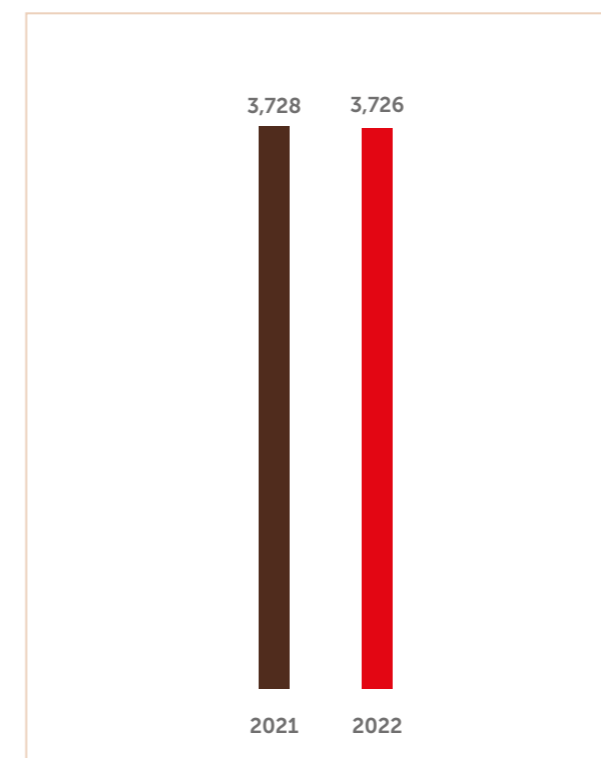


Overall, the suppliers of goods and services to which the illycaffè Group turned in 2022 number 3,726, of which 1,207 constitute the Parent Company's reference panel. The majority of suppliers (excluding suppliers of green coffee) come from Europe (78%), and in particular from Italy (32%). Of the Parent Company's suppliers, 79% are based in Italy.

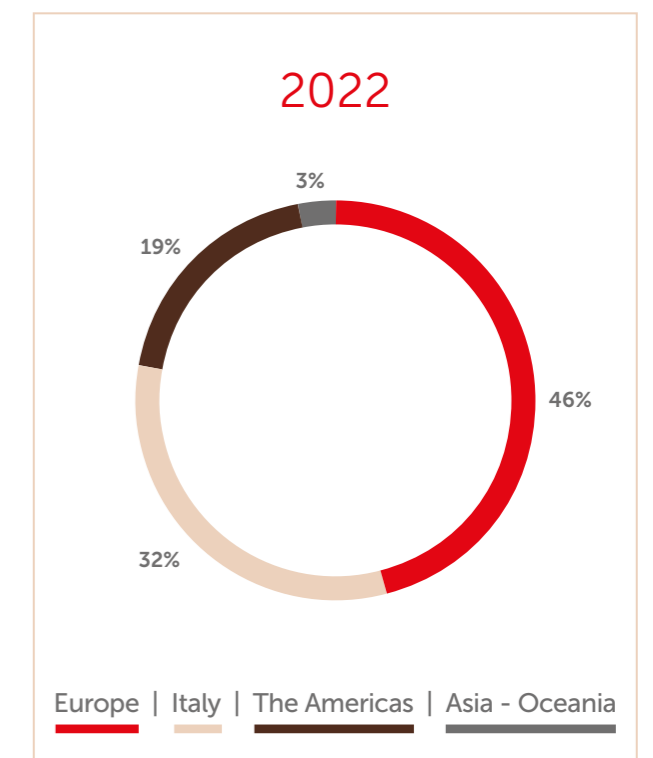
The creation of a responsible supply chain plays a fundamental role in the pursuit of illycaffè's strategic and sustainability objectives. Targets such as carbon neutrality can only be achieved through effective collaboration with suppliers. To this end, a multi-year project was launched in 2022, aimed at further strengthening the role played by ESG issues in the selection and assessment of its partners. During 2023, the project will focus on the following objectives:

- the integration of ESG aspects in the supplier qualification and assessment modules;
- the development of a module dedicated to the quantification of the supplier pool's emission impact through the use of primary data;
- the training of suppliers with the greatest emission impact on concepts revolving around carbon neutral and the co-creation of improvement plans acting in line with this objective.

## NUMBER OF SUPPLIERS (excluding green coffee suppliers)

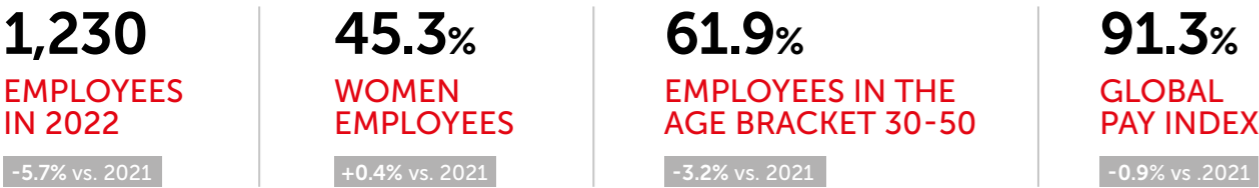


## ORIGIN OF THE SUPPLIERS (excluding green coffee suppliers)



Creating value thanks to people

| GRI 2-7 | GRI 2-8 | GRI 401-1 | GRI 401-2 | GRI 403-1 | GRI 403-2 | GRI 403-3 | GRI 403-4 | GRI 403-5 |  
| GRI 403-6 | GRI 403-7 | GRI 403-9 | GRI 403-10 | GRI 404-1 | GRI 405-1 | GRI 405-2 |



(\*) The Global Pay Index refers only to employees of the Italian headquarters of the Parent Company (equal to 66% of Group employees) and was calculated as the ratio between the average basic remuneration of women workers compared to those of colleagues men, expressed by professional category. In order to obtain a standardised basis for calculation, the base salary considered corresponds to the Gross Annual Salary (G.A.S.) and does not include variable quotas such as premiums, benefits, bonuses and other company contributions.

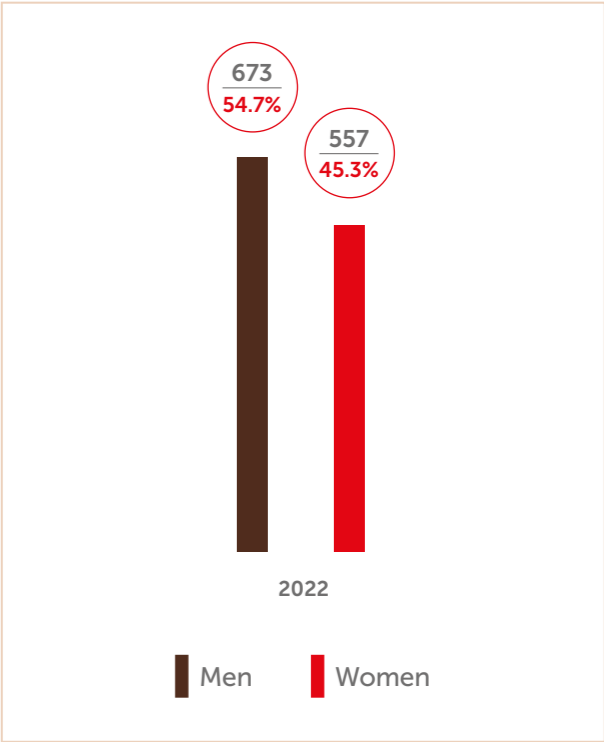


Employees in numbers

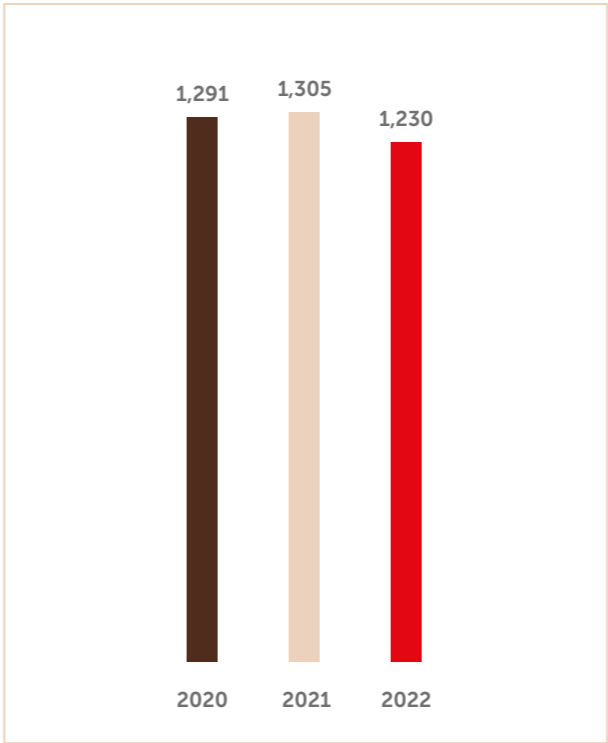
As at 31 December 2022, the total number of Group employees was 1,230, down by 5.7% compared to 2021 (-75 employees).

Analysing the distribution by age group, the 30-50 age bracket accounted for 61.9% of the company population, down by 3.2% compared to 2021. Women accounted for 45.3% of the total, up slightly compared to 2021 (44.9%). Lastly, taking into consideration all professional categories, more than half of the employees (58.8%) are classified as clerical staff, up compared to 2021 (52.4%).

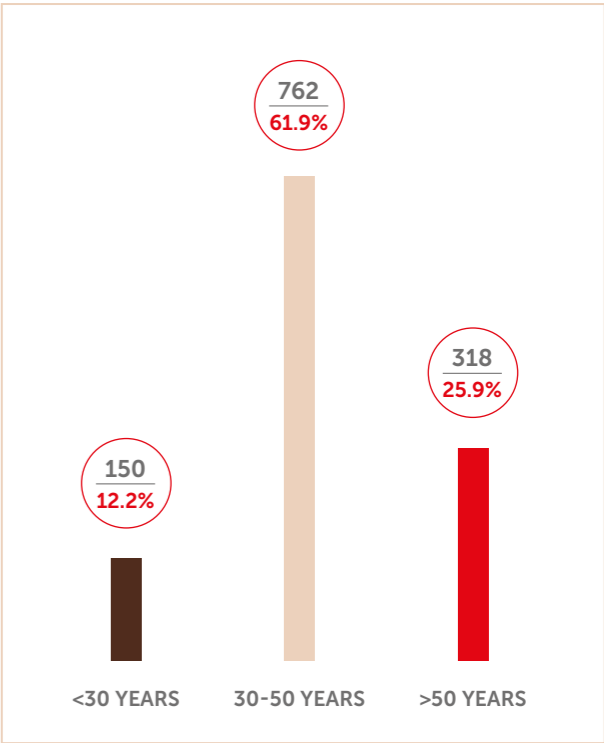
EMPLOYEES BY GENDER



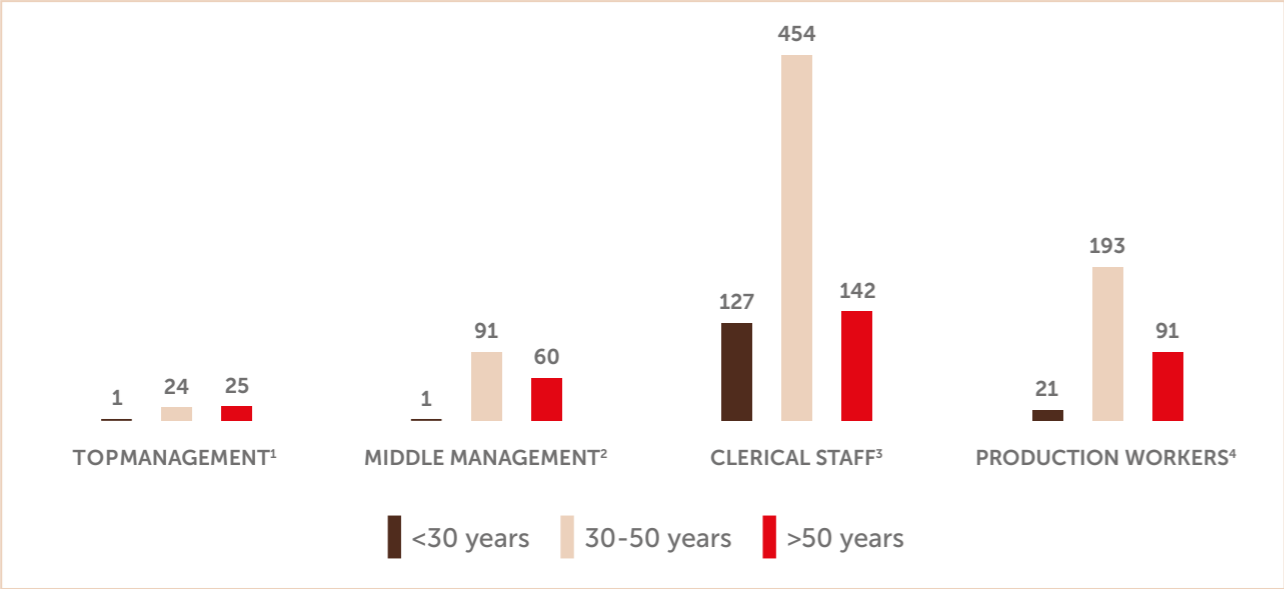
HEADCOUNT



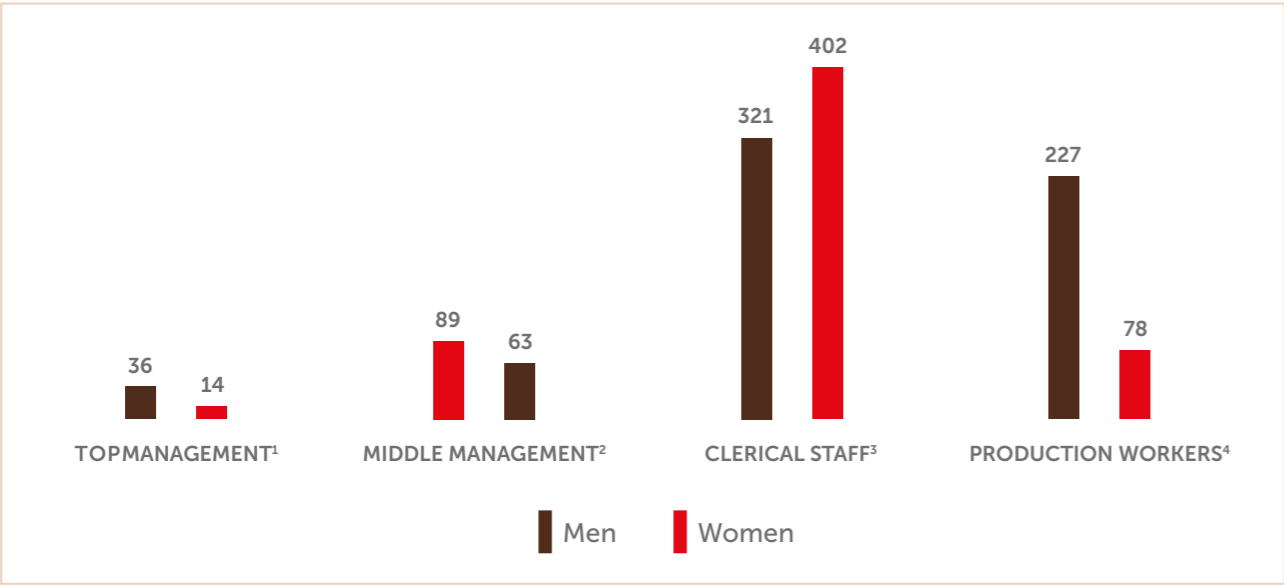
EMPLOYEES BY AGE GROUP



EMPLOYEES BY PROFESSIONAL CATEGORY AND AGE BRACKET



EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER



(1) Top management occupies the positions of greatest responsibility. These are the highest roles in an organisation and they autonomously exercise decision-making powers, in order to achieve company objectives.

(2) Middle management includes roles reporting directly to Top management. Middle managers carry out important activities for the development and implementation of company objectives, but do not have executive roles. They typically have managerial responsibility for assigned teams, responsibility for budget management and an important faculty of initiative and good decision-making autonomy.

(3) Employees rarely have managerial responsibilities and are supervised by Middle management. Employees perform mostly administrative and intellectual functions and work mainly in offices.

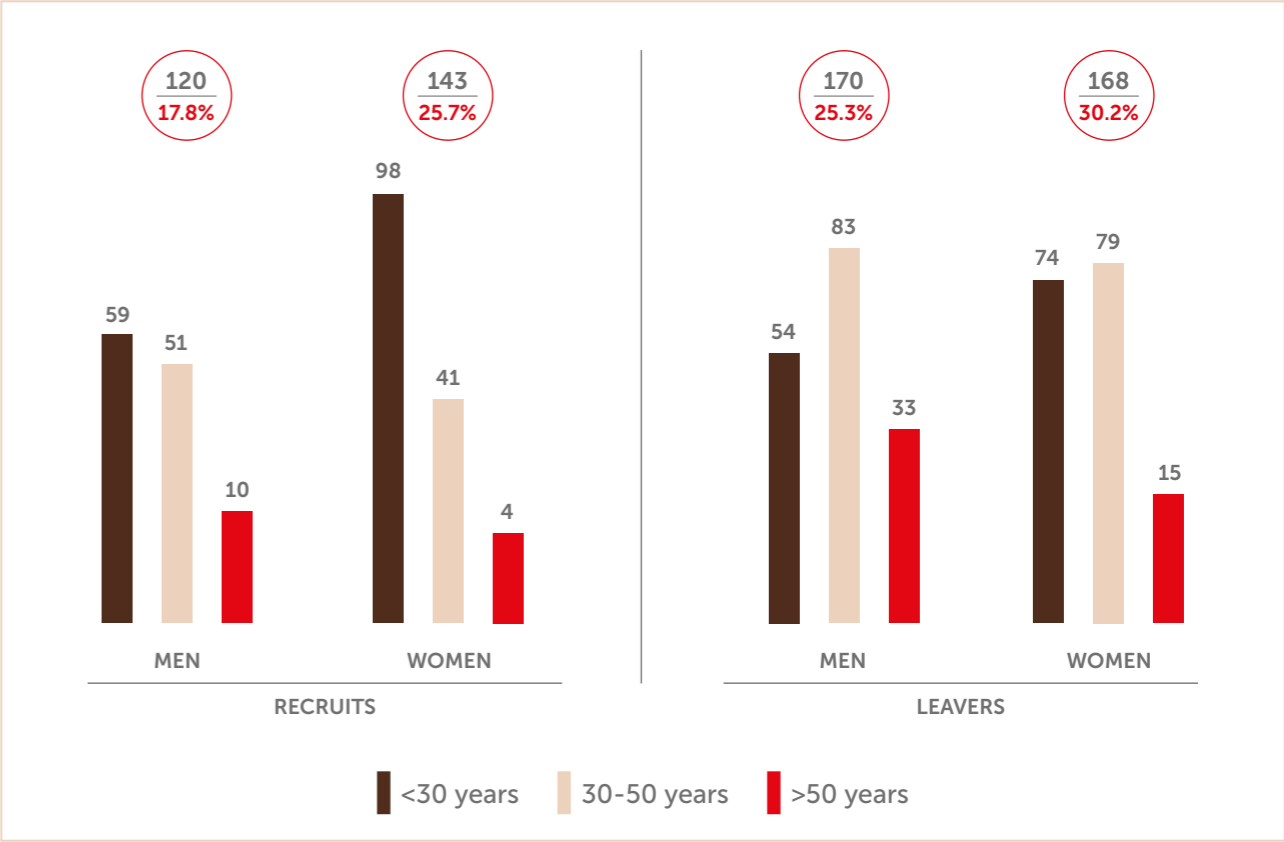
(4) Production workers are those who perform physical work, including, but not limited to, production sites. Their main duties include feeding of raw materials into production machinery, operation of various parts of the machinery and packaging of finished products, as well as testing of products.

In 2022, the Group's turnover rate<sup>5</sup> was 27.5%, up compared to 2021 (18.2%), while the recruitment rate<sup>6</sup> was 21.4%, also up compared to the previous year (19.3%). Excluding personnel in the direct retail points of sale (illy Caffè), affected by typical trends in the sector deriving from the specific competitive context, the turnover rate was 12.9%, up compared to 2021 (11.1%), while the recruitment rate was 5.6%, down compared to the previous year (10.4%).

The trend in turnover rate was also affected by the ongoing global "large resignations" phenomenon supported, according to observers, by the recovery in employment, after the decline caused by the pandemic, and at the same time, by the desire for a different work-life balance.

Lastly, it is noted that in terms of remuneration, the provisions of in-house contracts and regulations in force in the various countries in which the Group operates were applied to all employees.

RECRUITMENTS AND TERMINATIONS BY GENDER AND AGE GROUP



(5) The turnover rate was calculated as the ratio of people leaving during the period to the total workforce at the end of the period.

(6) The recruitment rate was calculated as the ratio of persons recruited during the year to the total at the end of the period.

Equal opportunity, inclusion and respect for human rights

The Group operates according to the principles of equal employment opportunities on the basis of merit, professional skills and performance, without any discrimination, in full respect of the rights of the individual. Highlighting the strength inherent in difference reflects the values of illycaffè, which has always wanted to create an inclusive work environment.

The Group also promotes gender equality through external initiatives, including the partnership at the event "Global Inclusion: Generations without Borders", during which universities, businesses and non-profit organisations share practices for promoting an inclusive leadership model.

illycaffè also adheres to the Manifesto of Non-Hostile Communication, which declares that respect for each individual is already manifested in small everyday conduct and in the language that is used.

In 2022, the various actions and policies implemented by illycaffè ensured a total absence of incidents of discrimination throughout the reporting perimeter.

Remuneration policies

At illycaffè, the culture of respecting gender diversity and promoting equal opportunities is a central theme at all stages of professional life.

In 2022, the Global Pay Index, calculated through a weighted average related to the number of female workers in each professional category, was 91.3%, down compared to 2021 and driven by the top management category.

(7) Workers in the food industry segment of the Italian branch.

Gross Annual Remuneration Report women/men (illycaffè S.p.A.)		Δ p.p. vs. 2021
Top management	81.7%	-11.2
Middle management	93.3%	+0.1
Clerical staff	91.4%	-1.1
Production workers	91.0%	+0.8%
Global Pay Index	91.3%	-0.9

The figures refer to the Italian headquarters of the Group Parent equal to 66% of the illycaffè Group's employees.

Initiatives for employees and their families

Also in 2022, illycaffè S.p.A. continued to provide its employees with<sup>7</sup> financial and social benefits aimed at improving their personal well-being and that of their families.

2022 was particularly challenging from an economic point of view for households which found themselves facing the increase in the cost of living resulting from the inflationary drive that characterised the year. In this context, illycaffè wanted to give a timely, tangible and concrete signal, at global level, granting over 90% of the company population a bonus of €200 for the purchase of fuel, in addition to the support usually provided to employees in relation to the purchase of goods and services at subsidised prices (such as, for example, coffee supplies and the identification of affiliated nursery schools).

Also in 2022, the company provided support to its employees through the payment of a bonus, paid in full by the company, for supplementary health care for employees and their immediate families.

As part of training and personal and cultural development, the company provided degree bonuses and provided financial support for the purchase of university books.

In relation to work-life balance, the company has granted its employees flexible working hours and the possibility of a few days of smart working (in Italy equal to two days out of five per week). In fact, 2022 was marked by the resumption of "normal" working life, characterised by a return to work premises, but enhanced with greater flexibility linked to new operational ways inherited from the pandemic that allow people to better reconcile professional and private life.

Lastly, during the year, discounts were again made available for gyms, theatres, shops, doctors' surgeries and local agencies.

In 2022, initiatives related to work-life balance and health and well-being continued to be implemented in foreign offices, with the aim of further extending the scope of financial and social benefits in the years to come.

Enhancement of people and professional development

In relation to development policies for people, their careers and the organisation itself, in 2022 illycaffè structured and implemented a global process for the mapping and management of talents, with a view to building a functional tool for meritocratic and fair growth paths.

This model, which has been adopted throughout the organisation and applied to all professional categories, is based on a matrix that put together performance and talent (described through behaviours that allow objective identification), also taking into account feedback requested on different levels of relationships within the organisation.

The enhancement and development of people is also pursued through training activities which, during 2022, were mainly focused on corporate paths in retail and procurement areas, on cyber security issues and on professional and personal development.

Employees were also offered the opportunity to extend foreign language training courses to a family member, with a view to implementing a welfare system that also involves developing skills.

During 2022, an average of 8.8 hours of training was provided to each employee. In 2021 this indicator was particularly high (36.1) by virtue of the training project activated in the framework of the New Skills Fund, which involved all the managerial and clerical staff of the Trieste headquarters, for a total of over 25 thousand hours.

Average hours of training provided

FOR EACH EMPLOYEE

8.8

BY GENDER

8.6  
Men

9.0  
Women

BY PROFESSIONAL CATEGORY

13.3  
Top management

8.4  
Middle management

9.5  
Clerical staff

6.5  
Production workers

## Occupational health and safety

illycaffè adopts an occupational health and safety management system adhering to the scheme of the ISO 45001 standard, which makes it possible to proactively increase accident prevention and reduce the health impacts of work, safeguarding the organisational structure of companies. The management of occupational health and safety aspects is managed by dedicated roles, including the company doctor, who is in charge of health monitoring, the Health and Safety Manager (HSM) and the Workers' Safety Representatives (WSR).

All workers are invited to take an active part in maintaining the system, such as in the Covid-19 Committee, where there is a wide representation of workers as well as WSRs.

In 2022, the accident rate at work<sup>8</sup> was 4.8, down compared to 2021 (6.4). The main types of accidents are related to the handling of loads, while the rate of work accidents leading to serious consequences was zero.

In 2022, the severity rate<sup>9</sup> stood at 0.2, up slightly compared to 2021 (0.1), while the Lost Time Injury Frequency (LTIFR)<sup>10</sup> was 4.3, up compared to 2021 (3.9). Lastly, no cases of occupational diseases were recorded among employees during 2022.

With reference to the Trieste office and directly managed retail shops in Italy, a structured monitoring system is in place, from which it emerged that, during 2022, 4 commuting accidents were recorded, while 22 near misses were reported. The formalisation and analysis of these reports aims to make the working environment safer, improving the health and safety management system for workers.

(8) The workplace injuries rate is also definable as the frequency rate and is calculated as the number of injuries per 1,000,000 hours worked.

(9) This indicator, which aims to measure injury damage (i.e. the severity of the consequences deriving from accidents at work), provides the impact of the accident risk in terms of loss of resources due to temporary/permanent disability and death at work.

(10) This indicator is calculated on the basis of the number of accidents leading to absence from work divided by the hours worked and multiplied by 1,000,000.



Responsible management of environmental resources

| GRI 2-4 | GRI 301-1 | GRI 301-2 | GRI 302-1 | GRI 302-3 | GRI 303-1 | GRI 303-2 | GRI 303-3 | GRI 305-1 | GRI 305-2 |  
| GRI 305-3 | GRI 305-4 | GRI 305-7 | GRI 306-1 | GRI 306-2 | GRI 306-3 | GRI 306-4 | GRI 306-5 |

146,411 GJ

ENERGY REQUIREMENT

-3.4% vs. 2021

795.8 kWh/t

ENERGY CONSUMPTION LINKED TO THE PRODUCTION PROCESS

-4.0% vs. 2021

28.1%

ENERGY FROM RENEWABLE SOURCES

-0.7% vs. 2021

76.3%

ELECTRICITY FROM RENEWABLE SOURCES

-3.0% vs. 2021

100% for the Trieste headquarters

6.2 GJ/t

ENERGY INTENSITY<sup>1</sup>

-10.1% vs. 2021

11.4 t CO<sub>2</sub>eq/t

EMISSIONS INTENSITY<sup>2</sup>

-9.3% vs. 2021

0.5%

WATER WITHDRAWALS FROM WATER-STRESSED AREAS

-0.2% vs. 2021

1.9 m<sup>3</sup>/t

WATER INTENSITY

-5.0% vs. 2021

22.4%

RECYCLED PACKAGING USED

-2.7% vs. 2021

25.0%

PLASTIC PACKAGING

-4.3% vs. 2021

11.7%

WASTE GENERATED IN PLASTIC

-1.6% vs. 2021

(1) Energy Intensity is the ratio between all of the Group's energy consumption and tonnes of roasted coffee.  
(2) Emission Intensity is the ratio between all the Group's CO<sub>2</sub>eq consumption and tonnes of roasted coffee. In 2022, the calculation perimeter was expanded by taking into account all the Group's scope 1, scope 2 and scope 3 emissions.

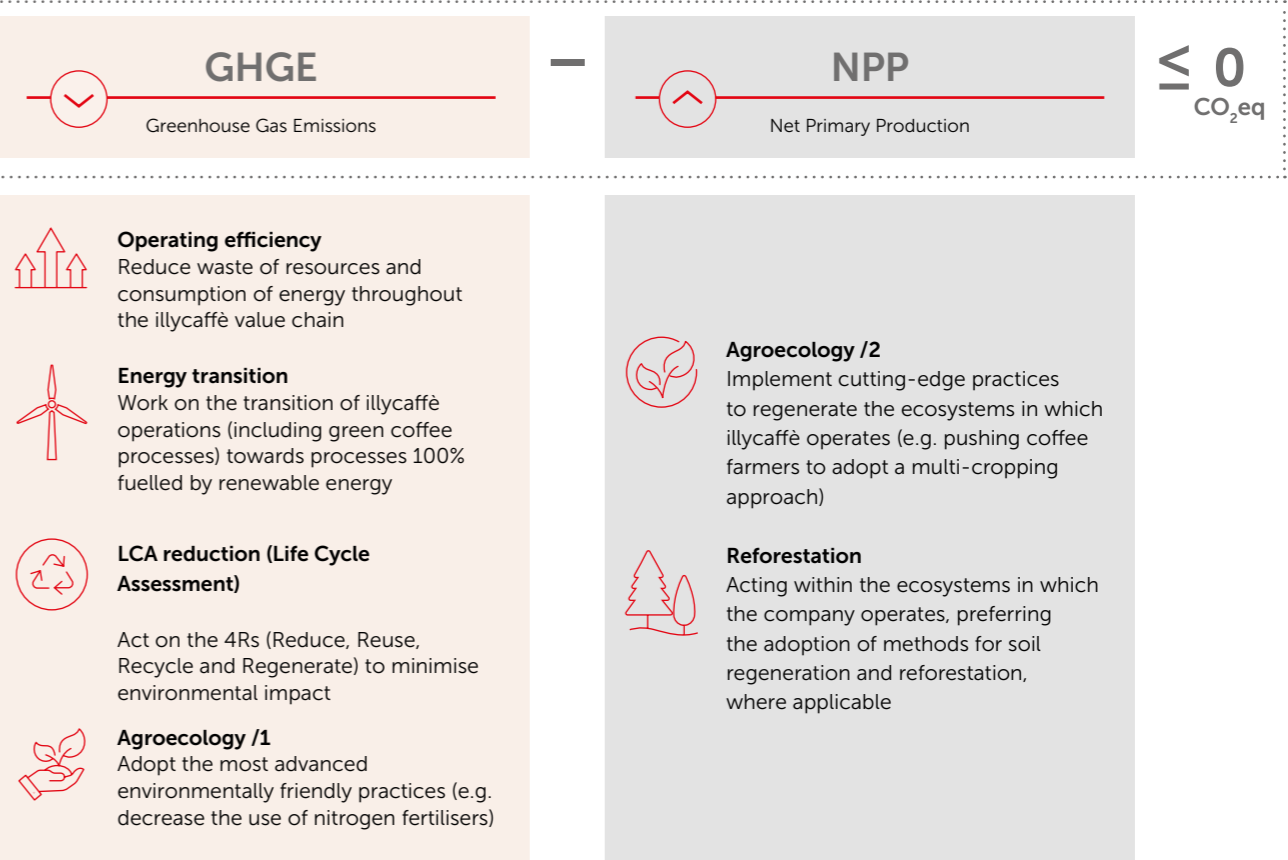
Energy and emissions

The decarbonisation road map

illycaffè has set itself the goal of becoming carbon neutral by 2033 and also in 2022 it confirmed its willingness to pursue a decarbonisation strategy aimed at reducing its impact along the entire value chain, starting with the promotion of regenerative practices in the field up to the end-of-life of its products. Also in 2022, illycaffè S.p.A. continued to strengthen its environmental management system, with the aim of

reducing CO<sub>2</sub> equivalent emissions and implementing, both for its products and within its production processes, technologies which permit energy efficiency. The company continued to use tools such as the quantification of the organisation's carbon footprint and to use the LCA (Life Cycle Assessment) calculation method for its product portfolio. To this end, in 2022, the participation to CO2alition, an initiative that promotes the inclusion by companies of climate neutrality objectives in their articles of association, was made official.

TOWARDS CARBON NEUTRALITY: ILLY CARBON FOOTPRINT EQUATION



Energy resources

illycaffè promotes responsible management of energy resources through careful and constant monitoring, aimed at analysing and optimising the use of energy in production sites and in all companies in its consolidated scope.

Illycaffè's energy requirements for 2022 amounted to 146,411 GJ<sup>1</sup>, down by 3.4% compared to 2021, and derive for 28.1% from renewable sources (31.4% for the Parent Company). The greatest energy consumption - over 90% - is linked to the activities of the production sites in Trieste, Robecchetto con Induno (Milan) and Els Hostalets (Barcelona, Spain).

The main energy sources used through the production process are natural gas (methane), diesel and electricity; the company car fleet, however, uses diesel, petrol, bio-ethanol and electricity.

Of the methane used, 82.2% (+0.8% compared to 2021) is used in the roasting phase at the Trieste and Robecchetto con Induno (Milan) production sites, and the remainder is used for domestic use and heating. Thanks to the heat recovery system from the chimneys of the Trieste plant's roaster, 114,687 cubic metres of natural gas were saved for heating and domestic use in 2022 (+3.7% compared to 2021).

Most of the vehicles in the car fleet (85.1%) use diesel as fuel, while 14.6% are petrol-powered. In Italy, the company's fleet includes three electricity-powered vehicles with the aim to replace cars that daily travel short distances within the city area, thus ensuring environmental benefits and lower consumption of fossil fuels. The use of cars powered with electricity from renewable sources prevented the emission equivalent of 3.8 t of CO<sub>2</sub>eq.



ENERGY CONSUMPTION WITHIN THE ORGANISATION (GJ)

	2022	2021
<b>Total consumption of the company fleet</b>	<b>18,591</b>	<b>16,218</b>
Petrol consumption	2,715	2,323
Diesel consumption	15,817	13,819
Ethanol consumption	34	34
Electricity consumption (car fleet)	24	43
<b>Fuel consumption for heating</b>	<b>13,095</b>	14,896
Consumption of natural gas for heating	13,095	14,896
<b>Consumption of the production process</b>	<b>60,852</b>	65,458
Consumption of natural gas for productive process uses (e.g. roasting)	60,544	65,193
Consumption of diesel for productive process uses	308	265
<b>Electricity consumption</b>	<b>53,873</b>	55,048
Electricity acquired from renewable sources	41,084	43,689
Electricity acquired from non-renewable sources	12,789	11,358
<b>Total energy consumption</b>	<b>146,411</b>	<b>151,620</b>

(1) The consumption in GJ was determined using the 2022 conversion factors of the UK Department for Environmental, Food and Rural Affairs (DEFRA).

In 2022, energy consumption related to the production process stood at 795.8 kWh per tonne of roasted coffee (down 4.0% compared to 2021).

In order to monitor overall energy efficiency, the Group uses an energy intensity indicator, which correlates all Group energy consumption (natural gas, diesel, petrol, ethanol and electricity) to the coffee roasted. In 2022, this indicator was 6.2 GJ/t of roasted coffee (-10.1% compared to 2021).

Also in 2022 illycaffè's energy transition continued, with the aim of improving efficiency and resource consumption through the application of best practices and innovative solutions:

- additional electric car recharging stations has been installed at the Trieste plant;
- the feasibility study related to the transformation of all plastic waste of the Trieste plant into reusable pallets was finalised;
- the lighting system of part of the Trieste offices was optimised by using LED lights, which will save 52.9 t CO<sub>2</sub>eq per year;

- bi-fuel operation of the roasters was implemented thanks to the use of LPG in addition to methane, allowing a reduction in consumption thanks to a higher calorific value. The implementation of new roaster software also made it possible to reduce consumption in the stand-by phase (-25% from October to December 2022).

Pollutant emissions

Pollutant emissions deriving from production processes come mainly from coffee roasting and consist of the emission of dust, NOx (nitrogen oxides), TOC (Total Organic Carbon) and volatile organic substances, produced by coffee roasting. Directive 2010/75/EU and its 2012 amendment, concerning integrated pollution prevention and control, introduced parameters to control polluting emissions of NOx and TOC for roaster chimneys. During 2022, the values recorded for the plants in Trieste and Robecchetto con Induno (Milan) were always below the emission limits authorised by the regional authorities.

Any dust production resulting from the pneumatic transport of coffee is managed directly within the system through which the coffee transits, equipped with suction and filter devices for dust sedimentation. Even the storage and loading silos are equipped with the same technology.

Greenhouse gas emissions

The analysis carried out on the company's footprint showed that most emissions (96%, in line with the previous year) belong to scope 3 and are, therefore, produced outside the company's operations; emissions falling within the scope of illycaffè's operations (scope 1 and scope 2), on the other hand, account for the remainder (4%).

The total emissions recorded in 2022 amounted to 269,977 t CO<sub>2</sub>eq (down 2.6% compared to 2021) using the market-based<sup>2</sup> calculation method.

Scope 1 emissions, i.e. emissions directly generated by the company during fuel consumption (the main source of emissions is natural gas, which accounts for approximately 80%), account for 8,229 t CO<sub>2</sub>eq.

About 95% of scope 2 emissions, i.e. indirect emissions linked to the consumption of the energy purchased, derive for approximately 95% from the activities of the production sites, amounting to 3,100 t CO<sub>2</sub>eq.

Scope 3 emissions, i.e. emissions indirectly linked to illycaffè and generated along its value chain, amount to 258,648 t CO<sub>2</sub>eq.

GREENHOUSE GAS EMISSIONS (t CO<sub>2</sub>eq)

	2022	2021*
<b>Scope 1</b>	<b>8,229</b>	<b>7,084</b>
Total emissions of natural gas used for the production process	5,440	4,771
Total emissions of heating fuels	813	713
Total fugitive emissions	239	222
Total emissions of the company fleet	1,737	1,378
<b>Scope 2</b>	<b>3,100</b>	<b>3,193</b>
Total Emissions deriving from electricity consumption(market-based)	3,100	3,193
<b>Scope 3</b>	<b>258,648</b>	<b>266,958</b>
<b>Upstream:</b>	<b>227,207</b>	<b>229,699</b>
Goods and services purchased	193,992	199,692
Activities related to fuels and energy not included in Scope 1 and 2	2,823	2,529
Upstream transport and distribution	26,053	25,213
Waste generated by operations	917	892
Business trips	300	87
Commuting by employees	3,122	1,286
<b>Downstream:</b>	<b>31,441</b>	<b>37,259</b>
Downstream transport and distribution	7,889	12,417
Use of products sold	7,115	7,801
End-of-life treatment of products sold	15,960	16,524
Downstream leased assets	478	517
<b>Total</b>	<b>269,977</b>	<b>277,235</b>

(\*) The data reported for 2021 have been updated in line with the approach used to calculate the 2022 data. The source used is the Ecoinvent database.

(2) The market-based method requires the determination of GHG emissions deriving from the purchase of electricity and heat considering the specific emission factors communicated by suppliers. For purchases of electricity from renewable sources, an emission factor of zero is attributed with regard to scope 2. On the other hand, the location-based method envisages accounting for emissions deriving from electricity consumption, applying national average emission factors for the various countries where electricity is purchased.

The main impacting factors include the production and processing of green coffee, the packaging used for product packaging, the production of coffee machines and the coffee end of life, packaging and coffee machines.

To achieve the decarbonisation objectives requires to periodically monitor all greenhouse gas emissions into the atmosphere, investigating the relationship between the production sites activities and the surrounding environment. In fact, it is the production sites of Trieste, Robecchetto Con Induno (Milan) and

Els Hostalets (Barcelona - Spain) that contribute most to the generation of scope 1 and scope 2 emissions, in particular through the processes for coffee processing and production of coffee machines.

In relation to electricity, illycaffè analyses the performance of its production processes by means of an emission intensity indicator that compares the total tonnes of CO<sub>2</sub>eq emissions (calculating scope 2 with the market-based method) with the tonnes of roasted coffee. In 2022, this indicator was equal to 11.4 t CO<sub>2</sub>eq/t of roasted coffee (-9.3% compared to 2021)<sup>3</sup>.



(3) The indicator considers all Scope 1, 2 and 3 emissions of the Group.

# Total quality

## THE INTEGRATED MANAGEMENT SYSTEM AND CERTIFICATIONS

With reference to the integrated management system, in 2022 the Trieste production site passed the periodic audits of the certification bodies for the ISO 9001:2015, ISO 14001:2015 and ISO 50001:2018 management systems and for EMAS (Eco-Management and Audit Scheme) registration; it also obtained recertification for the ISO 45001:2018 management system and passed the second year of audit of the three-year certification cycle on hygiene and food safety BRCGS Food (Brand Reputation through Compliance Global Standard) and IFS Food (International Featured Standards).

The HACCP certification (based on EU Regulation 382/2021, formerly EC Regulation 852/2004) and the Hallal and Kosher religious ones have

been confirmed; compliance with the Sustainable Procurement Process (SPP) scheme, relating to the process of purchasing green coffee of sustainable quality, was also certified.

In 2022, the Robecchetto con Induno (Milan) production site obtained the three-year recertifications of the ISO9001:2015, ISO14001:2015 and ISO 45001:2018 management systems. It also passed the second year audit of the three-year cycle of certification on hygiene and food safety BRCGS (Brand Reputation through Compliance) and IFS (International Food Standard).

During 2022, illycaffè conducted 118 internal audits (on quality, hygiene, environment, energy and safety at work issues, 17 more than in 2021).



## Water resources

### Water in the production plants

Water is a fundamental resource for illycaffè. In 2022, water intensity (m<sup>3</sup> of water per tonne of roasted coffee) stood at 1.9 m<sup>3</sup>/t, down compared to the previous year (2.0 m<sup>3</sup>/t).

At the Trieste and Robecchetto con Induno (Milan) production sites, most water use concerns the cooling chillers, followed by water to test tins, water for drinking and domestic uses, for irrigation of green areas and, lastly, for the roasting process.

Almost all of the water withdrawn is returned to the environment in compliance with authorised parameters: in line with the previous year, only 4,1% of the water withdrawn is consumed in the roasting process in the form of evaporated water. The parent company, whose consumption reaches approximately 90% of the total, constantly monitors the company's water consumption by means of periodic meter readings and the continuous monitoring of all devices that use the water mains (taps, toilet flushes, showers, irrigation systems).

In 2022, the total amount of water withdrawn by production plants amounted to 44.0 megalitres (up by 1.7% compared to 2021), and only 0.5% of withdrawals come from water stress areas (Spain), down 0.2% compared to the previous year. The identification of water stress areas was carried out via the World Resources Institute tool and water stress areas were considered to be the areas in the high level of risk category (>40%).

### Water in the plantations

illycaffè also collaborates with green coffee suppliers, supporting various initiatives for the best use and recovery of process water in the plantations; to this end, training initiatives have been implemented on the field on occasion of periodical audits. In particular, the topics related to the residual water of the washing stations (which require special treatment before being released back into nature) and the use of more efficient machinery in terms of water consumption per kilogram of fruit processed (vs. 5/10 litres used on average) are subject to training.

## WATER WITHDRAWALS (MEGALITRES)

	2022	2021
Surface water	0.2	0.3
of which from water-stressed areas	100%	100%
Groundwater	43.8	42.9
of which from water-stressed areas	0%	0%
<b>TOTAL</b>	<b>44.0</b>	<b>43.2</b>

The figures include the water of the production sites of illycaffè S.p.A. (Trieste and Robecchetto con Induno, Milan) and of Magic L'Espresso S.L. (Els Hostalets, Barcelona).

Materials

illycaffè has always favoured the use of materials with a reduced environmental impact and which, at the same time, are able to maintain the superior quality of the final product.

Overall, 75.2% of the materials used by illycaffè in 2022 are renewable<sup>(4)</sup> (-1.5% compared to 2021) and 7.4% come from recycled materials (-0.3% compared to 2021). The remainder, which comes into direct contact with coffee, derives from first use sources, in line with Regulation (EC) no. 1935/2004.

PURCHASED RAW MATERIALS AND MATERIALS

	2022		2021	
	kg	%	kg	%
Raw materials	27,622,760	58.2%	28,942,099	60.1%
Green coffee	27,505,811	99.6%	28,829,930	99.6%
Aluminium	18,696	0.1%	17,061	0.1%
Steel	92,776	0.3%	87,866	0.3%
Brass	5,477	0.0%	7,242	0.0%
Materials needed for the production process (including packaging and machine maintenance)	4,087,454	8.6%	4,344,040	9.0%
Plant lubricating oils	49	0.0%	46	0.0%
Degreasing solutions	35	0.0%	35	0.0%
Carbon dioxide	238,510	5.8%	222,200	5.1%
Nitrogen	3,848,860	94.2%	4,121,760	94.9%
Semi-finished products or components	7,901	0.0%	6,839	0.0%
Electrical components	3,483	44.1%	2,910	42.6%
Cables	4,418	55.9%	3,929	57.4%
Packaging	15,746,579	33.2%	14,869,685	30.9%
Polypropylene	226,326	1.4%	271,541	1.8%
Filter paper	63,282	0.4%	50,138	0.3%
Paper/cardboard	291,842	1.9%	3,645,290	24.5%
Cardboard	3,692,691	23.5%	-	0.0%
Plastic	3,942,159	25.0%	4,363,253	29.3%
Polylamine aluminium	1,301,856	8.3%	768,490	5.2%
Metals (tinplate)	6,173,969	39.2%	5,699,879	38.3%
Textiles (cotton, jute, etc.)	54,454	0.3%	71,094	0.5%
TOTAL	47,464,695	100.0%	48,162,663	100.0%

The data reported include raw materials and materials purchased by the production sites of illycaffè S.p.A. (Trieste and Robecchetto con Induno, Milan) and Magic L'Espresso S.L. (Elis Hostalets, Barcelona).

The methodology for calculating the indicator relating to materials (GRI 301-1) for the year 2021 has changed with respect to the value reported in the 2021 Management Report. In particular, the classification of the types of material reported has changed, which is more accurate than that used in the previous year, where the only data referring to packaging was published.

(4) Materials derived from resources abundant in nature that are rapidly replenished via ecological cycles or agricultural processes, so that the services provided by these and other related resources are not compromised and remain available for future generations.

Total quality

PRESERVING THE FLAVOUR AND QUALITY OF COFFEE

Once the roasting phase is completed, it is necessary to proceed with packaging the coffee, which must take place in a very short time. When the coffee is roasted, carbon dioxide is released from the beans, which carries the volatile aromas with it. The lipid components (fats), on the other hand, oxidise in contact with oxygen and moisture (this process is known as rancidity).

There are several methods on the market for packaging coffee, one of which is pressurisation, a method patented by Francesco Illy in 1934. After filling the cans with coffee, at the same time as they are hermetically sealed, a machine removes oxygen and injects nitrogen into them at a higher pressure than atmospheric pressure. Thanks to this procedure, the beans kept under pressure release the aromas fixed on the fatty substances more slowly, guaranteeing the freshness of the aroma for up to three years. Pressurisation requires the use of cans with specific characteristics. For



the production of professional cans, illycaffè uses the seaming technique, overcoming the need for bottom and lid welding. This technique ensures that cans withstand the pressurisation pressure exerted by the initial input of nitrogen and the carbon dioxide that the coffee naturally releases.

In the context of packaging materials purchased in 2022, tinsplate amounted to 39.2% (+0.9 % compared to 2021) and was mainly used to manufacture the iconic 250g and 3kg cans for the professional world. Plastic accounted for 25.0% (-4.3% compared to 2021) and was mainly used in the production of lperespresso capsules. Cardboard accounted for 23.5%<sup>5</sup> and was used for the secondary packaging needed to transport products.

illycaffè also uses poly laminate aluminium materials, equal to 8.3% (+3.1% compared to 2021), which allow coffee to be stored correctly in all the countries in which it is sold. The production site of Magic L'Espresso uses cotton packaging for coffee machines, thus reducing plastic consumption, in favour of a renewable material which can be reused by the customer or end-consumer. Of the total packages sold, those that report the packaging material used represent 91.4%<sup>6</sup>, for proper

disposal by the end consumer, based on current laws and local guidelines.

Waste

Also in 2022, the Group continued to carry out stringent controls on the management of its waste, of which 91.3% was recovered through waste-to-energy processes or other recovery operations (-3.1% compared to 2021). In particular, the Trieste and Robecchetto con Induno (Milan) plants sent their waste to a waste-to-energy plant, which produces electricity via a combustion process. Also in 2022, illycaffè S.p.A. obtained an economic advantage from the sale of certain types of waste corresponding to 26.2% of the economic value of the waste generated, down by 2.5 pp compared to 2021 (this decrease is due to the sale of a lower amount of plastic waste, intended, instead, for other circular economy initiatives).

WASTE BY DISPOSAL METHOD

	2022				2021			
	Hazardous waste (tonnes)	Non-hazardous waste (tonnes)	Total	%	Hazardous waste (tonnes)	Non-hazardous waste (tonnes)	Total	%
Reuse		0.2	0.2	0.0%	-	1.0	1.0	0.0%
Recycling	0.4	62.9	63.3	2.9%	-	39.2	39.2	0.0%
Other recovery operations	2.7	1,560.0	1,562.7	72.7%	0.4	332.9	333.3	0.2%
Waste-to-energy		400.3	400.3	18.6%	4.3	1,755.1	1,759.5	0.8%
Landfill		27.9	27.9	1.3%	-	3.3	3.3	0.0%
Other disposal operations	2.2	93.7	95.9	4.5%	0.8	80.9	81.7	0.0%
TOTAL	5.2	2,145.1	2,150.3	100.0%	5.6	2,212.4	2,218.0	1.0%

The figures include the waste of the production sites of illycaffè S.p.A. (Trieste and Robecchetto con Induno, Milan) and of Magic L'Espresso S.L. (Els Hostalets, Barcelona).

Also in 2022, the main categories of non-hazardous waste produced by the Group were organic coffee residues (25.8%, +2.9% compared to 2021), cardboard packaging (17.3%, -1.1% compared to 2021) and plastic (11.7%, -1.6% compared to 2021). Hazardous waste accounts for a small percentage, equal to 0.2% and down by 0.1% compared to 2021.

WASTE GENERATED BY COMPOSITION

	2022		2021	
	t	%	t	%
Total non-hazardous waste produced	2,145	100.0%	2,212	100.0%
Organic coffee residue	554	25.8%	507	22.9%
Cardboard packaging	371	17.3%	407	18.4%
Paper	4	0.2%	0	0.0%
Plastic	251	11.7%	294	13.3%
Mixed packaging	201	9.4%	208	9.4%
Municipal waste	180	8.4%	185	8.4%
Wood pallets	152	7.1%	172	7.8%
Unusable waste (liquid coffee)	85	4.0%	94	4.2%
Poly laminate	78	3.6%	83	3.7%
Jute sacks	107	5.0%	67	3.0%
Cans	71	3.3%	62	2.8%
Cloths, absorbent and filtering materials	32	1.5%	34	1.6%
Metal	12	0.6%	33	1.5%
Aqueous waste solutions, including liquid coffee	25	1.1%	19	0.9%
Discarded equipment	23	1.1%	33	1.5%
Personal protective equipment	0	0.0%	0	0.0%
Other	1	0.1%	15	0.7%
Total hazardous waste produced	5	100.0%	6	100.0%
Oil filters	2	44.6%	3	49.6%
Other	3	55.4%	3	50.4%
TOTAL	2,150	100.0%	2,218	100.0%

The figures include the waste of the production sites of illycaffè S.p.A. (Trieste and Robecchetto con Induno, Milan) and of Magic L'Espresso S.L. (Els Hostalets, Barcelona).

(5) The figure for cardboard packaging purchased in 2021, shown in the "Purchased raw materials and materials" table, was 0, as this category was included under paper/cardboard packaging.  
(6) The percentage shown does not take into account the materials used for the lperespresso capsules, the Nespresso® compatible capsules and the ESE pods, but only the secondary and tertiary packaging in which they are contained (e.g. cardboard and poly laminate).

Delighting consumers around the world with every cup

The market landscape

2022 was characterised globally by a strong increase in the inflation rate driven by increases in commodity prices and critical issues on logistics chains, further exacerbated by the geopolitical tensions deriving from the conflict in Ukraine. The increase in consumer prices reached its highest level in recent decades, reaching an average annual rate of 9.6%<sup>1</sup> in 2022, compared to an average inflation rate of 1.7% recorded in 2013 -2019<sup>1</sup>.

In particular, in packaged consumer goods, almost all product categories recorded a price increase in the main international markets and, of these, a third recorded an increase of more than 10%<sup>2</sup>. Despite the sharp increase in prices, domestic consumption of food and beverages recorded global growth of +1.5% in value (+€8.9 billion compared to 2021)<sup>3</sup>. In particular, in Italy, domestic consumption of food and beverages increased by +6.2% in value with stable volumes (+0.2%)<sup>2</sup> and in the United States by +8.7% in value, down by 2.9% by volume<sup>4</sup>.

Given the uncertainty of the macroeconomic context, consumers have adopted more conservative purchasing behaviours, seeking opportunities in average price brackets, safeguarding the value of the shopping basket, increasing purchase frequency in discount stores and focusing on essentials (food,

beverages and personal care products, product categories that offset the decline in the alcohol and home care sector compared to 2021)<sup>2,4</sup>.

After 2021, when online purchases of consumer products in Italy recorded a double-digit increase (+23.5%), in 2022 total sales remain positive in value (+3.9%), thanks to the increase in prices, and stable in volumes<sup>2</sup>; in the United States, online sales recorded +12% in value<sup>5</sup>.

In the Out-of-Home sector, the pandemic has changed food and beverage consumption habits: more fluid working hours, combined with inflation, have led consumers to visit stores less often (in the United States -6.1% for traffic, -2.0% for visits compared to 2021), increasingly choosing home delivery or collection services from point of sale for retail and catering products. Consequently, retailers have continued to expand their offerings, offering take-away services and products and new concepts for automatic distribution<sup>5,6</sup>.

The target market

In 2022 in Italy, in the large-scale retail channel<sup>7</sup>, the coffee category sold 95,129 tonnes, recording a contraction in volume of -3.8% compared to 2021. The category's turnover was €1.3 billion, up +3.9% compared to 2021, driven by increasing prices.

The Roast & Ground market (which includes the ground, bean, capsule and pod segments) recorded a volume sell-out of 92,355 tonnes (-3.9% vs 2021) and a value of €1.2 billion (+4.0% vs. 2021). The average price was €13.40/kg, higher than in 2021 (+8.2%). The ground segment accounted for 72.4% of the volume and 47.0% of the value of the total category, with a sell-out of €611.9 million/68.864 tonnes, showing a negative trend compared to 2021 both in value (-1.3%) and clearly more marked in volume (-7.8%), continuing to cede market share to the pods segment (+1.5% in volume and +1.6% in value vs. 2021) and capsules (+0.9% in volume and +0.6% in value vs. 2021), confirming its status as one of the most promoted segments, with a promotional pressure of 53.2% (down by -1.1% vs. 2021). The capsule segment accounted for 12.9% of the volume (+1.0% vs 2021) and 36.5% of the value of the entire category (+0.6% vs 2021), registering a sell-out in 2022 of €475.8 million/12,303 tonnes, with a still positive trend both in value (+5.7%) and volume (+3.8%). The capsule segment recorded an increase of +1.8% in the average price (€38.67/ kg), with promotional pressure equal to 34.9% of volumes (-2.5% vs. 2021). The pod segment also grew, accounting for 5.4% of the volume and 6.9% of the total value of the category, recording a sell-out of €90.1 million/5,110 tonnes with a trend of +35.3% in value and +34.4% in volume vs 2021. Positive trend also for the bean segment, which recorded a sell-out of €59.5 million/6,077 tonnes (+12.2% in value, +5.6% in volume vs 2021) and which accounted for 6.4% of the volume and 4.6% of the total value of the category.

The performances reported by illy in the large-scale retail channel in the various markets confirm the brand super premium positioning and the expansion of its distribution presence, particularly in the United States. However, given the inflationary context and the instability of the macroeconomic scenario, consumers have turned to products positioned in lower price ranges. In Italy, in 2022, illy recorded a total sell-out of €60.6 million/1,860 tonnes (+0.1% in value and -4.8% in volume), positioning itself in the market with a premium price across the segments (price index of total ground 276 with €24.55/kg; price index of total capsules 187 with €72.19/kg). Growth in 2022 was mainly driven by Nespresso® compatible illy capsules with a sell-out of €20.9 million/288 tonnes (+€1.3 million/+6.6% in value and +16.6 tonnes/+ 6.1% in volume vs. 2021). In Italy, illy recorded a market share in the total coffee category equal to 4.7% in value (-0.2% vs 2021) and 2% in volume (stable vs 2021).<sup>7</sup> Internationally, the available data showed the following dynamics for the large modern distribution channel:

- **United States**<sup>8</sup>: the coffee category recorded a sell-out of USD 6.1 billion/259,557 tonnes, recording growth in value (+6.3%/+USD 364.4 million), a decrease in volumes (-9.2%/- 23,896 tonnes) compared to 2021 and a net increase in the average price (+17.1% vs. 2021). In the US market, illy recorded a sell-out of USD 25.9 million/516 tonnes in 2022, seeing double-digit growth compared to 2021 (+14.9% in value and +14.3% in volume). In the United States, the illy brand had a market share in the total coffee category equal to 0.4% in value and 0.2% in volume (stable vs 2021).

(1) OECD (2023), Inflation (CPI) (indicator). doi: 10.1787/eee82e6e-en (Accessed on 09 February 2023).  
(2) IRI Liquid Data™, November 2022. Fast Moving Consumer Goods categories by average price growth classes. % Share of total FMCG expenditure. Total physical channels of Modern Distribution.  
(3) IRI Liquid Data™. FMCG Demand Signals' report, October 2022. A return to 1970s and 1980s behavior as inflation fatigue deepens.  
(4) Brand Growth: A Playbook for 2023 and Beyond. November 2022.  
(5) Understanding inflation and cpg trends, October 2022. IRI POS, Panel, and E-Market Insights Data.  
(6) Mintel 2022 US Foodservice trends.  
(7) IRI Italy, coffee category, Italy total (the perimeter of the modern large-scale distribution channel considered includes Hypermarkets, Supermarkets and Small Pre-Packaged Service and excludes discount stores); Year to date updated to December 2022.

(8) IRI, US FOOD total (the perimeter of the modern large-scale distribution channel considered includes total grocery outlets); Year to date updated to December 2022.

- **France<sup>9</sup>**: the coffee category sold €2.6 billion/157,605 tonnes, growing in value (+5.1%) but decreasing in volume (-1.6%) and recording a net increase in the average price (+6.8% vs. 2021) compared to 2021. The illy brand recorded a sell-out of €10.3 million/235 tonnes, with a negative trend compared to 2021 (-3.4% in value and -6.7% in volume vs. 2021). In France, the brand illy had a market share in the total coffee category equal to 0.4% in value and 0.1% in volume, essentially stable vs 2021.
- **United Kingdom<sup>10</sup>**: the coffee category sold £1.1 billion/56,767 tonnes, down compared to 2021 both in value (-1.5%) and volume (-10.0%). Illy recorded a sell-out of £10.5 million/367 tonnes, with a negative trend compared to 2021 (-1.8% in value, -3.0% in volume vs. 2021). In the United Kingdom, the illy brand recorded a market share of the total coffee category equal to 0.9% in value and 0.6% in volume (stable vs 2021).
- **Spain<sup>11</sup>**: the coffee category sold €1.2 billion/74,641 tonnes, up in value (+5.5%), but with a negative trend in volume (-2.4%) and with a rising average price (+8.0%) compared to 2021. The illy brand recorded a sell-out of €4.3 million/81 tonnes, with a negative trend in value compared to 2021 (-7.1% in value and +1.5% in volume vs. 2021). In Spain, the brand illy had a market share of the total coffee category equal to 0.4% in value and 0.1% in volume (-0.05% in value and stable in volume vs 2021).

- **Germany<sup>12</sup>**: the coffee category sold €2.6 billion/200,927 tonnes, recording a growth in value of +6.4% but decreasing in volumes by -6.2% compared to 2021, with an average price growing at double digit (+13.4% vs. 2021). The illy brand recorded a sell-out of €7.8 million/204 tonnes, with a clearly positive trend compared to 2021 (+20.0% in value and +16.4% in volume vs. 2021). In Germany, brand illy had a market share in the total coffee category equal to 0.3% in value and 0.1% in volume (stable vs 2021).
- **The Netherlands<sup>13</sup>**: the coffee category sold €762.6 million/50,938 tonnes, increasing in value (+4.9%), but decreasing in volume (-7.8%) and with a sharply increasing average price (+13.8%) compared to 2021. The illy brand recorded a sell-out of €5.9 million/159 tonnes, with a negative trend in value, but positive in volume compared to 2021 (-5.1% in value and +4.9% in terms of volume vs. 2021). In the Netherlands, the brand illy had a market share in the total coffee category equal to 0.8% in value and 0.3% in volume (-0.1% in value and stable in volume vs 2021).
- **Greece<sup>14</sup>**: the coffee category sold €146.3 million/4,188 tonnes, up in value (+6.2% vs. 2021) and in volume (+1.9% vs. 2021) and in the average price (+4.2% vs. 2021). The illy brand recorded a sell-out of €8.4 million/149 tonnes, with a negative trend in value (-7.7%) and volume (-8.9%) compared to 2021. In Greece the illy brand had a market share of the total coffee category equal to 5.7% in value (-0.9% vs 2021) and 3.6% in volume (-0.4% vs 2021).

(9) The perimeter of the modern large-scale distribution channel considered includes Hypermarkets and Supermarkets and excludes discount stores; Year to date updated to December 2022.

(10) The perimeter of the modern large-scale distribution channel considered includes total Supermarkets and excludes discount stores; Year to date updated to December 2022.

(11) The perimeter of the modern large-scale distribution channel considered includes Hypermarkets and Supermarkets; Year to date updated to December 2022.

(12) The perimeter of the modern large-scale distribution channel considered includes total grocery outlets and excludes discount stores; Year to date updated to December 2022.

(13) The perimeter of the modern large-scale distribution channel considered includes total Supermarkets and excludes discount stores; Year to date updated to December 2022.

(14) The perimeter of the modern large-scale distribution channel considered includes total Supermarkets and excludes discount stores; Year to date updated to December 2022.

## The products

The product portfolio developed by illycaffè extends to multiple consumption occasions and in 2022 all core products were up compared to 2021.

Products for consumption at home are mainly coffee beans, ground coffee and coffee in individual portions, both in capsules, Iperespresso and Nespresso® compatible, and in ESE pods.

The iconic 250-gram can showed a double-digit growth compared to 2021, driven by the grain variant, which also drove the further development of the Arabica Selection range.

With reference to the portioned segment, Nespresso® compatible capsules increased compared to 2021 also thanks to their presence in new European and non-European markets and to the launch of the Intenso Lungo variant. The Iperespresso proprietary portioned system also grew compared to 2021.

In the Out-of-Home segment, the offer mainly revolves around coffee beans of the iconic 3 kg and 1.5 kg tin formats, marketed to bars and restaurants, which recorded a double-digit increase compared to 2021, driven by the growth of the Ho.Re.Ca. channel.

Looking at other strategic products in the portfolio, Cold Brew Ready to Drink also grew compared to 2021 thanks to the distribution development on the US market, amplified by the introduction of new milk-based variants (Latte Macchiato and Cappuccino).

The recovery in business travel supported Instant's growth, particularly in the United States, the United Kingdom and China.

In 2022, the Cold Brew Blade system was launched for the Ho.Re.Ca. channel, created in partnership with Heineken. Thanks to the simplicity of installation and maintenance (it does not require specific detergents or sanitisation at the end of the day) and the absence of waste, the system has been very positively received by the market, particularly in the United States.

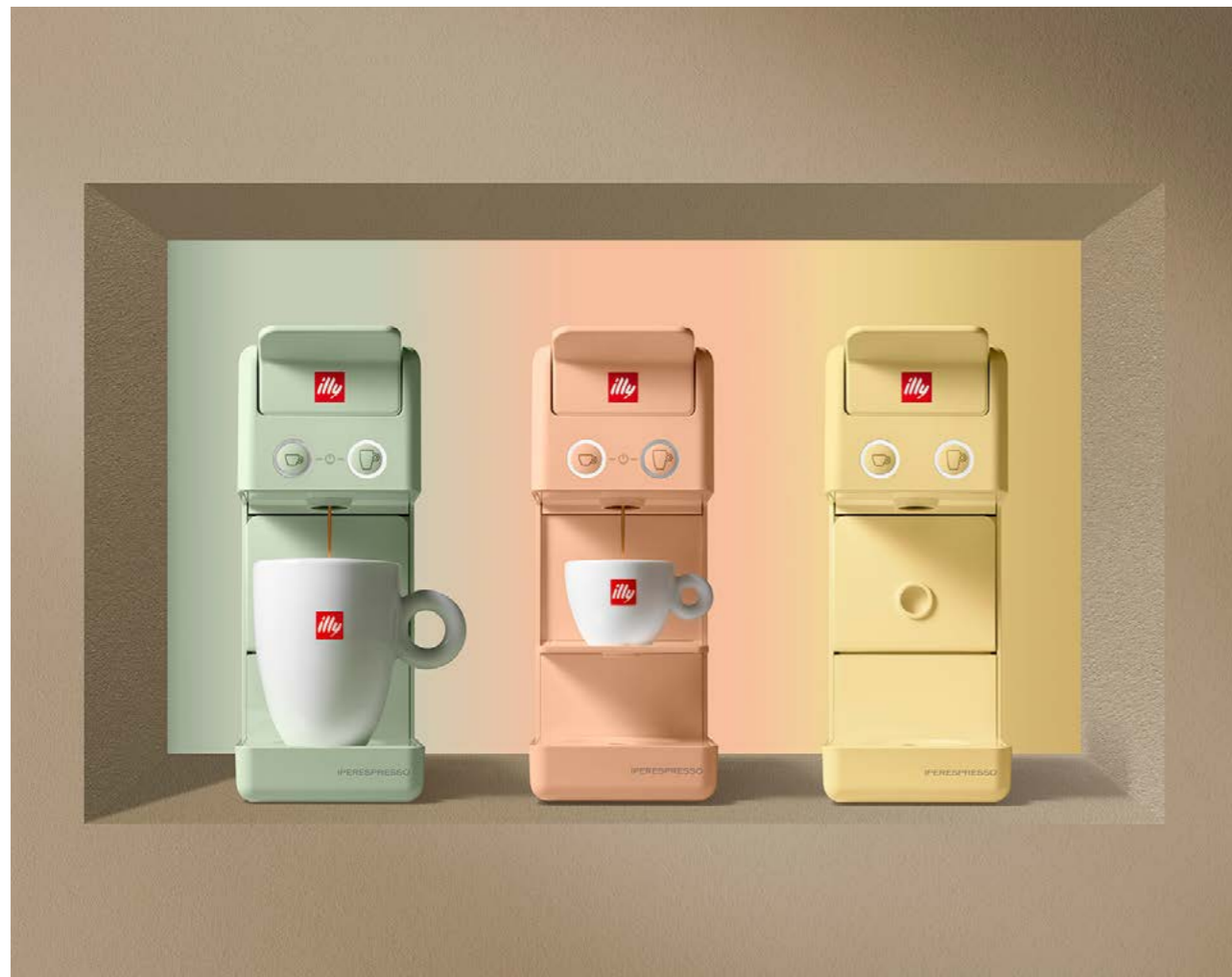


Lastly, the development of the machines offer was guided by the optimisation of the existing range with a view to continuous energy consumption reduction. In particular, the X1 Anniversary Iperespresso EcoMode has been redesigned with a view to sustainability: the fast-heating technology significantly reduces consumption (-53% compared to the previous X1 Iperespresso model), also eliminating the machine heating time, while internal packaging only uses cardboard, avoiding the use of plastic. The illy easy ESE pod machine has been made more efficient, improving the extraction process and the yield in the cup.

Lastly, the colour range of the Y3 Iperespresso was expanded with the introduction of three new pastel shades, which increase the offer to a total of seven colour variants in the most relevant range of the market.

In the office channel, the FAS400 vending machine was restyled in 2022, with an innovative capsule loading and sorting system, and the Saeco's Royal semi-automatic machine was introduced, which also offers milk-based preparations.

The patents portfolio owned by the Parent Company at 31 December 2022 included 419 patent rights, of which 385 have been awarded and 34 are pending, divided into 55 groups.



CUSTOMER CARE

illycaffè relates with its customers by putting into practice the principles of accessibility, transparency, reduced response time and homogeneity of support across channels, also thanks to its own customer care service and an evolved Customer Relationship Management (CRM) platform already active in Italy, the United States, the United Kingdom, Austria, Germany, France and Spain.

In particular, in 2022, the WhatsApp and Facebook touchpoints were also activated in the Netherlands and Brazil and a survey was implemented to measure customer satisfaction on social channels (WhatsApp and Facebook Messenger in all countries where CRM is active) and on the telephone bar of the external company that manages the B2C customer care service in France.

In Italy, 57,972 tickets were recorded in 2022, with a decrease of 10.5% compared to the previous year, mainly concentrated in the first half of the year (-14.0% compared to 2021) and attributable to the normalisation of the post-pandemic context.

78.3% of interactions took place through traditional touchpoints (telephone, e-mail, post) and the remaining 21.7% through digital ones, where WhatsApp in particular recorded strong growth (+17.5% compared to the previous year).

In the United States, where 27,487 tickets were recorded in the CRM (-22.1% compared to 2021, with the first half down 26.9% compared to the previous year), the percentage weight of digital touchpoints was 4.8% (+0.4% compared to 2021).

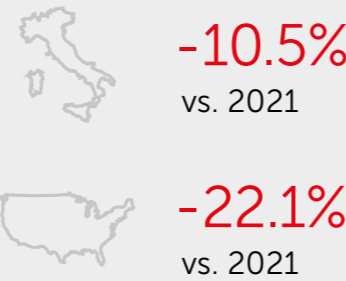
TOTAL TICKETS OPENED – Italy and United States

	Italy	%	United States	%
B2C ticket	46,972	81.0%	27,163	98.8%
B2B ticket	11,000	19.0%	324	1.2%
<b>Total</b>	<b>57,972</b>	<b>100%</b>	<b>27,487</b>	<b>100%</b>

USER TYPE CUSTOMER CARE B2C – Italy and United States

	Italy	United States
No. prospect B2C	13,470	5,418
No. end customers e-Shop D2C	14,137	11,431
<b>Total</b>	<b>27,607</b>	<b>16,849</b>

Total tickets opened



The Customer Satisfaction Index<sup>17</sup>, which is calculated on the basis of satisfaction questionnaires submitted on the closure of each ticket, recorded a slight delay in Italy and the United States compared to the previous year. The index stood at 4.1/5 in Italy (-0.2 compared to 2021) and 4.2/5 in the USA (-0.4 compared to 2021). Throughout the first half of the year, in Italy the index was higher than the previous year (+1.6%), taking first place in the “Cafeterias and Tea Rooms” section and third place in the “Cafes and Tea Rooms” section of Italy’s Best Customer Service 2022-2023 Award issued by L’Economia Corriere della Sera & Statista in June. On digital touchpoints, managed by the internal Customer Care team, customer satisfaction was consistently higher than in 2021 throughout the year, closing with an index of 4.5/5 (compared to 4.3/5 in the previous year).



(17) This index, response for which is voluntary, is measured by collecting, on closure of the ticket (both B2C and B2B) via phone, email, WhatsApp, Facebook, Instagram and live chat, the consumer's/customer's satisfaction with the service received on a scale of 1 to 5, where 5 is the highest rating. In 2022, the index in Italy was measured based on a total of 4,552 evaluations received.

## illy Art Collection

The year 2022 marked the 30<sup>th</sup> anniversary of the illy Art Collection project, celebrated at the Giardini Reali in Venice, on the occasion of the 2022 Biennale Arte, with an exhibition that showcased one of the largest collections of contemporary art: 114 collections, consisting of 459 different espresso cups, created by 125 international artists, who re-interpreted the historic white espresso cup designed in 1991 by Matteo Thun. In June, the latter was the protagonist of an exhibition organised during the Salone del Mobile, where some of the most significant cup designs in the entire range shown in the dedicated book, published by Silvana Editore, were also exhibited.

The first collection of 2022 was inspired by the theme of the 59<sup>th</sup> International Art Exhibition, The milk of dreams. It was signed by six artists, profoundly different in style and geographical origin, chosen by Cecilia Alemani, curator of the 2022 edition of the Biennale Arte. These are Cecilia Vicuña, recently awarded the Golden Lion for Lifetime Achievement, Felipe Baeza, Giulia Cenci, Precious Okoyomon, Alexandra Pirici and Aki Sasamoto.

By infusing each cup with the flair of their own art sense, the six artists have created a unique collection that brings together different approaches, from sculpture to painting, through poetry, photography and choreography.

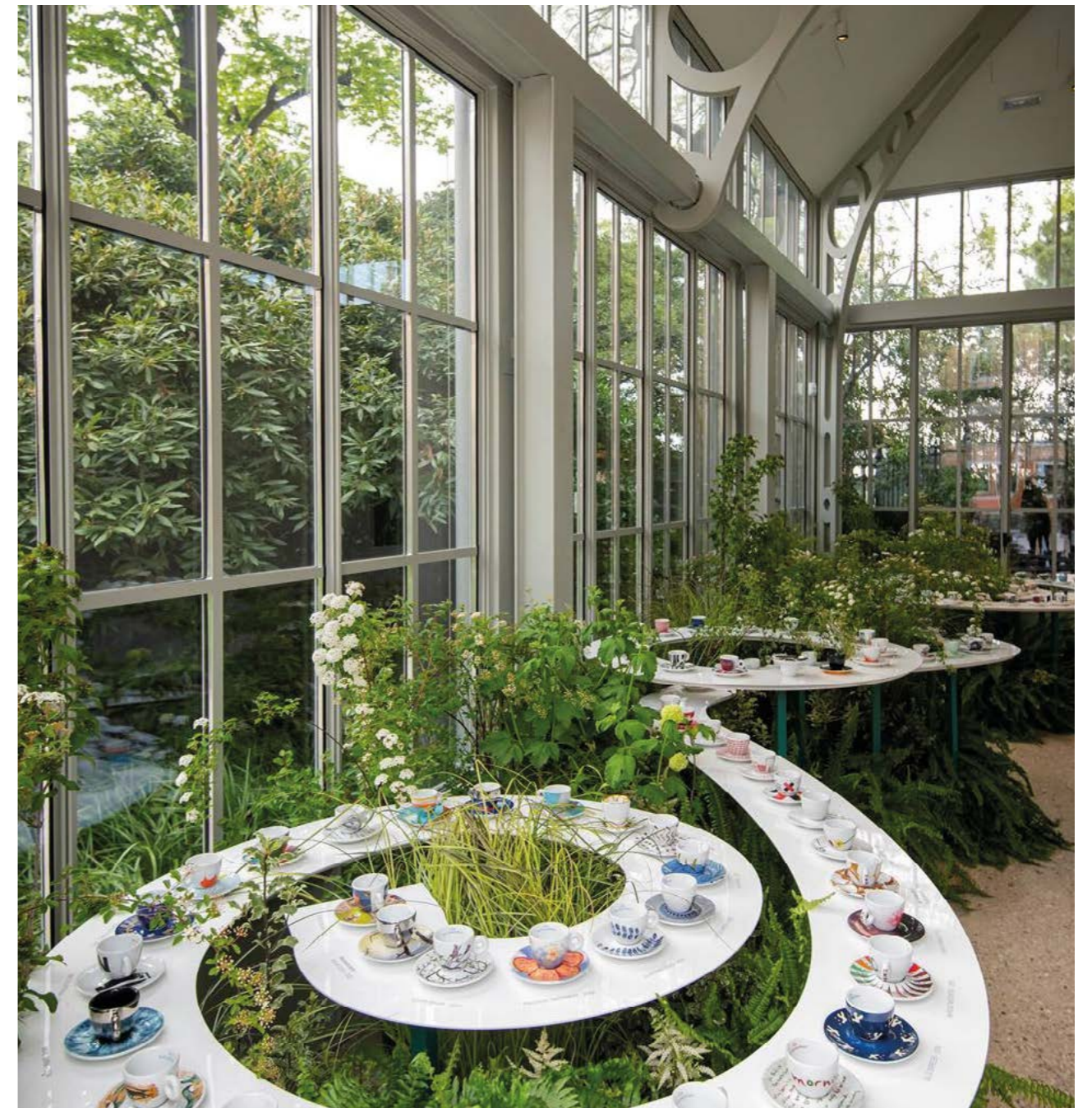
Matteo Thun, the famous Italian architect and designer, signed the manifesto and the cup of the 54<sup>th</sup> edition of Barcolana, where illycaffè has been a partner for over 20 editions. In representation of the values of life at sea and the joy they bring, Thun placed a digital a fingerprint on the cup he created 30 years ago to convey the powerful optimism that a human touch can spread over the world, in a context where the lines of a human fingerprint are reminiscent of the movements of the sea.

Cupsid e Down, a special limited edition consisting of an upside-down espresso cup, an illy Art Collection designed in collaboration with the artist Matteo Attruia, was introduced on occasion of the celebrations for International Coffee Day (1 October). The overturning of the iconic illy cup is a symbolic action that changes the consumer's point of view, with the aim of fostering a virtuous attitude and highlighting the entire sustainability framework behind an illy coffee.



Finally, also in 2022, the collection created by Pascale Marthine Tayou, an artist originally from Cameroon, who works with extreme variability, while remaining closely linked to the idea of travel and coming into contact with what is other by itself, was launched. In this series of cups, the mask, a motif often present in the work of Tayou, is a universal object, which refers to issues of

identity and a certain notion of dissimulation. The Treeg (tree-egg), on the other hand, is a tree with branches laden with coloured eggs that bloom like flowers. The egg, a symbol of perfection for many cultures and religions, has been given as a gift in spring since ancient times to celebrate rebirth.



## Spreading coffee culture

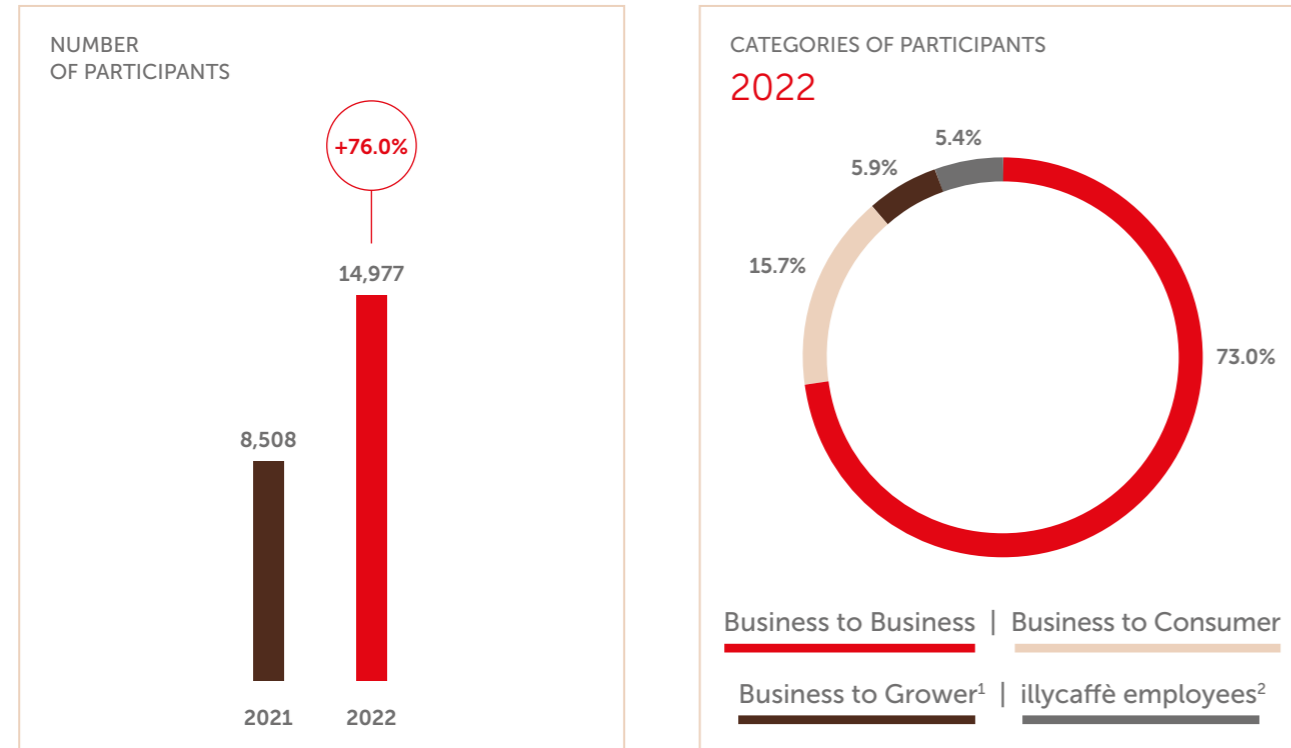
The constant search for perfection in every single cup contributes to expressing a vocation that illycaffè has always embodied: the promotion and dissemination of coffee culture.

Coffee Culture is the department created to support illycaffè as a global point of reference and a thought-leader company, through dedicated training projects, from producers to consumers. The decision to set up a department entirely dedicated to coffee culture fits perfectly into the company's vision, which sees the sharing of knowledge as its fundamental transmission hub.

In this spirit, Università del Caffè was founded in 1999, a hub of excellence created to spread the culture of quality coffee throughout the world through training, research and innovation: a mission that unites all the players involved in the supply chain of a large international community which, to date, has trained over 300,000 people.

During 2022, 14,977 participants were involved through over 1,400 training, teaching and consulting activities for Ho.Re.Ca. professionals (Business to Business), consumers (Business to Consumer), coffee growers (Business to Grower) and illycaffè employees. Details of the participants in the courses and activities carried out during the year are provided below.

## PARTICIPANTS IN TRAINING COURSES AND EDUCATIONAL ACTIVITIES OF UNIVERSITÀ DEL CAFFÈ



(1) The Business to Grower category also includes the 634 members of the green coffee chain involved in stakeholder engagement activities carried out by the Coffee Procurement team during 2022. For more information, please refer to the chapter Control of the supply chain on page 96.

(2) The category of illycaffè employees includes all company employees, agents and the illycaffè retail network.

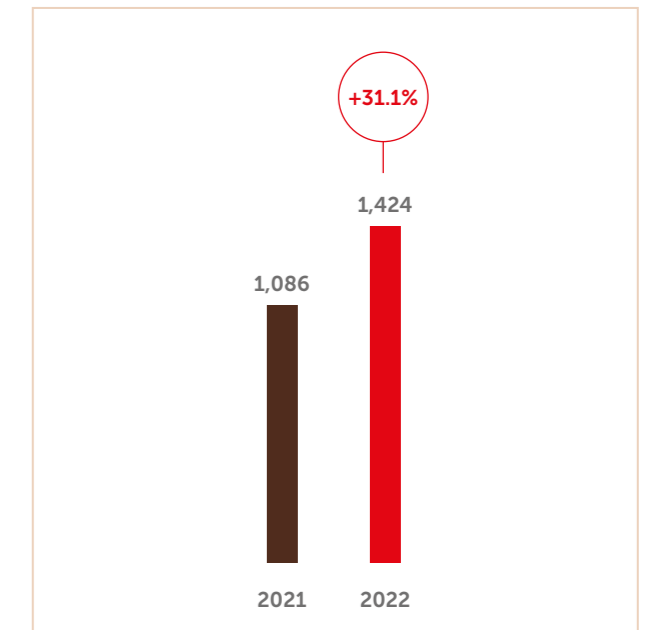
To date, Università del Caffè network has 25 offices. During 2022, two new branches were inaugurated, in Australia (Sydney) and Brazil (São Paulo), while operations were discontinued in the United Arab Emirates, Indonesia and Nepal.

Through Università del Caffè, illycaffè promotes one of the cornerstones of its own sustainable quality: direct relationships with suppliers and the sharing and transfer of knowledge. Since 2000, more than 10,000 producers have been supported in the field by experts and instructors from Università del Caffè.

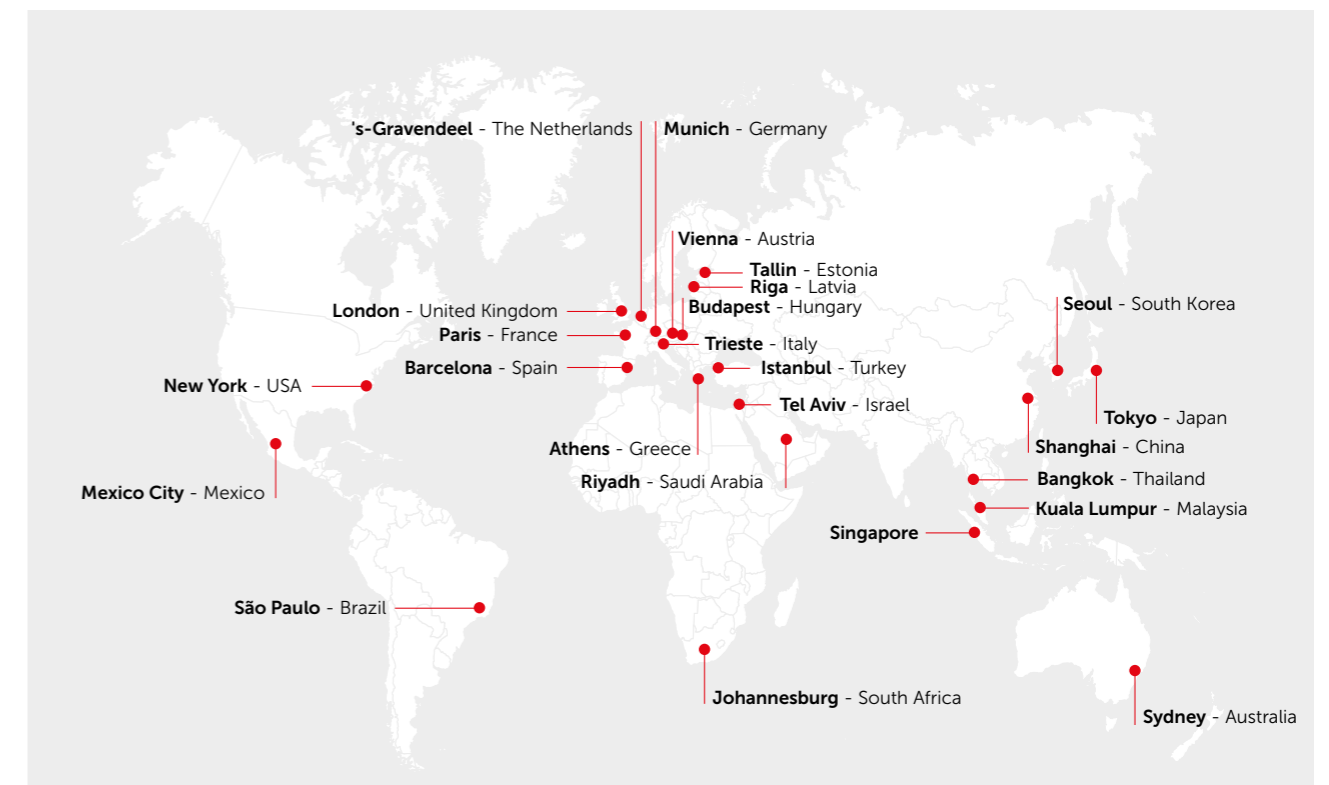
The dissemination scope extends to sector of Ho.Re.Ca. professionals, who have the delicate task of providing consumers with the illy coffee experience.

To this end, Università del Caffè has developed a program of courses dedicated to the management and operation of bars and restaurants.

## NUMBER OF TRAINING, TEACHING AND CONSULTING ACTIVITIES



## OFFICES OF UNIVERSITÀ DEL CAFFÈ



The activities carried out in 2022 for professionals in the sector include:

- a sustainability-themed workshop dedicated to chefs and pastry chefs and organised in collaboration with Centumbrie, winner of the illy Bar of the Year Award assigned by Gambero Rosso;
- training for Ho.Re.Ca. professionals through activities dedicated to prospective customers on and off-premises;
- a masterclass at In Cibus Scuola di Alta Formazione Gastronomica and at the Niko Romito Academy;
- the organisation, in collaboration with the Cimbali Group, of the 30<sup>th</sup> edition of the Maestri dell'Espresso Junior competition, where sustainable quality and innovation were key concepts in the selection of finalists.

The Master in Coffee Economics and Science - Ernesto Illy, aimed at graduates all over the world and has the objective of providing a high-profile academic preparation on the world of coffee, is dedicated to current and future professionals in the world of coffee. The Master is promoted by the Ernesto Illy Foundation and was developed with authoritative Italian and international partners.



Training would not be complete if it were not also addressed to the end consumer, who, through the University of Coffee, can sharpen their knowledge of the world of coffee, discover its production aspects and learn to appreciate its characteristics.

In this way, the activities of the University of Coffee contribute to the achievement of three fundamental objectives, promoting a virtuous circle that enhances quality through knowledge:

- in the short term, customer and consumer loyalty;
- in the medium term, the creation of a consumer increasingly sensitive to quality, capable of recognizing it and ready to demand it;
- in the long term, the development of quality coffee culture in the world.

The effects of the pandemic in 2022 substantially influenced the performance of training activities in the first part of the year, but did not prevent the spread of coffee culture in the world thanks to the hybrid dissemination model that made it possible to reach the stakeholders concerned both online and in person. The instructors of the University of Coffee network also had the opportunity to take part in an accreditation process as part of an integrated training plan.

Finally, as part of the collaboration with schools and academies, note the activities carried out by the trainers of the University of Coffee in Trieste for the students of the ALMA International School of Italian Cooking and in Milan for the students of the Master in Business Administration of SDA Bocconi School of Management. The latter had the opportunity to learn about the illy world through four sessions, both online and in person, in an in-depth exercise dedicated to the company's business model and the dissemination of coffee culture.



## A virtuous circle: circular economy

The circular economy is a crucial issue for illycaffè, to the extent that it represents one of the common benefit objectives included in its articles of association.

The principles of circular economy and ecodesign guide the research and design of materials, to optimise the disposal and disassembly of products and make them more efficient. These principles are applied not only to consumable products but also to durable ones: the criterion of design for disassembling which envisages coffee machines designed with disassembly in mind, so that most of their components can be reused or recycled. Since 2016 illycaffè has applied the LCA (Life Cycle Assessment) method to its entire product portfolio, starting from the production of raw materials through to the manufacturing process, to the use and disposal of all product components.

The activities relating to the circular economy are also implemented within the production plants. In particular, from the end of 2022, the conditions were in place to transform all waste deriving from coffee processing into organic fertilizers. Coffee waste is being studied in many sectors: in 2022, illycaffè contributed on an experimental basis to the use of the active ingredients of used coffee in cosmetics.

In order to raise its consumers' awareness and encourage virtuous processes for the protection of the environment and the responsible management of resources and materials, illycaffè adheres to numerous initiatives in the field of recovery and recycling.

### Alliance for the recycling of aluminium capsules

Founded by Nespresso in 2021 in partnership with illycaffè, this program contributes to promoting and increasing the recycling of spent aluminium capsules in Italy, encouraging virtuous processes for environmental protection and for the responsible management of

resources and materials. Consumers can return their used capsules to 65 Nespresso boutiques, 9 illy Shops and illy Cafés and over 75 affiliated drop-off points, for a total of over 150 collection points throughout the country. Since 2021, more than 3,000 tonnes of spent capsules have been recovered, accounting for more than 180 tonnes of aluminium being put back into circulation. With the entry of Starbucks, the Alliance has set new goals, planning to reach over 4,700 tonnes of capsules recovered by 2023, corresponding to 270 tonnes of aluminium.

### ReCap

The ReCap project was born from the partnership between illycaffè and Nescafé Dolce Gusto, in collaboration with the Friuli-Venezia Giulia Region, the Friuli-Venezia Giulia Regional Environmental Agency (Arpa Fvg) and three companies that manage municipal waste in the region (Net S.p.A., A&T2000 S.p.A. and AcegasApsAmga S.p.A.).

ReCap represents a first testimony to how the collaboration between public and private companies is a positive force able to implement concrete actions for the regeneration of the environment. In 2022, the project for the collection and recycling of plastic capsules involved four municipalities in the Friuli Venezia Giulia Region, both through the door-to-door collections and drop-off points.

### TerraCycle®

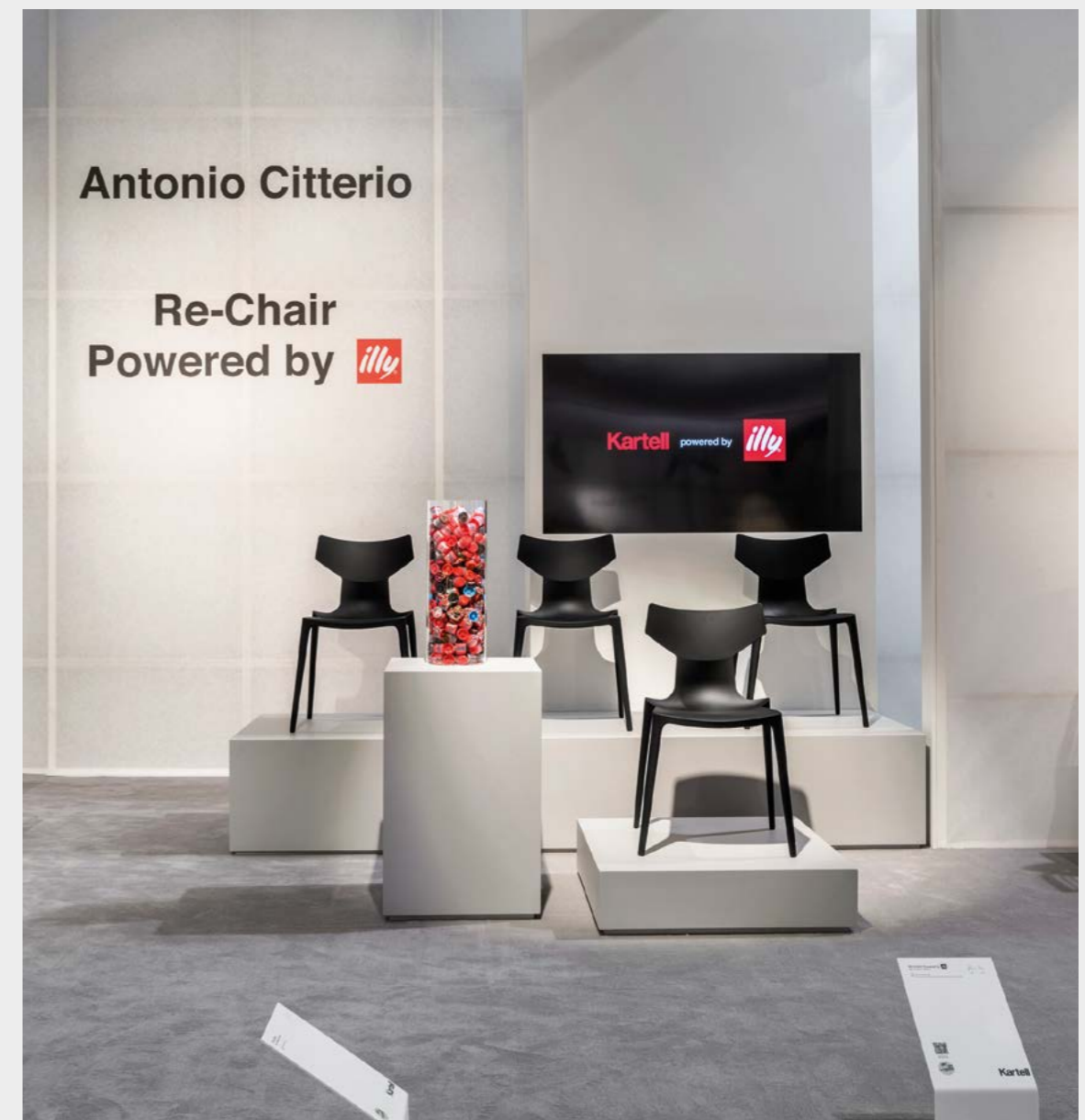
Also in 2022, illycaffè continued its collaboration with TerraCycle® for the collection and recycling of Iperespresso plastic capsules and Nespresso® compatible aluminium capsules in France, the Netherlands, Belgium and Brazil.

### g2 revolution®

In the United States, there is an active partnership with g2 revolution®, which operates in the collection of plastic Iperespresso capsules throughout the country with the home pick-up method bookable through the local illy e-Shop and with delivery to selected sales outlets.

## RE-CHAIR

To give a second life to the production waste of Iperespresso plastic capsules, illycaffè started a collaboration with Kartell, a well-known design brand, which saw the creation of the recycled plastic Re-Chair. The idea of the Italian designer and architect Antonio Citterio, Re-Chair was presented at the Salone del Mobile 2022 in Milan.



## Ernesto Illy Foundation

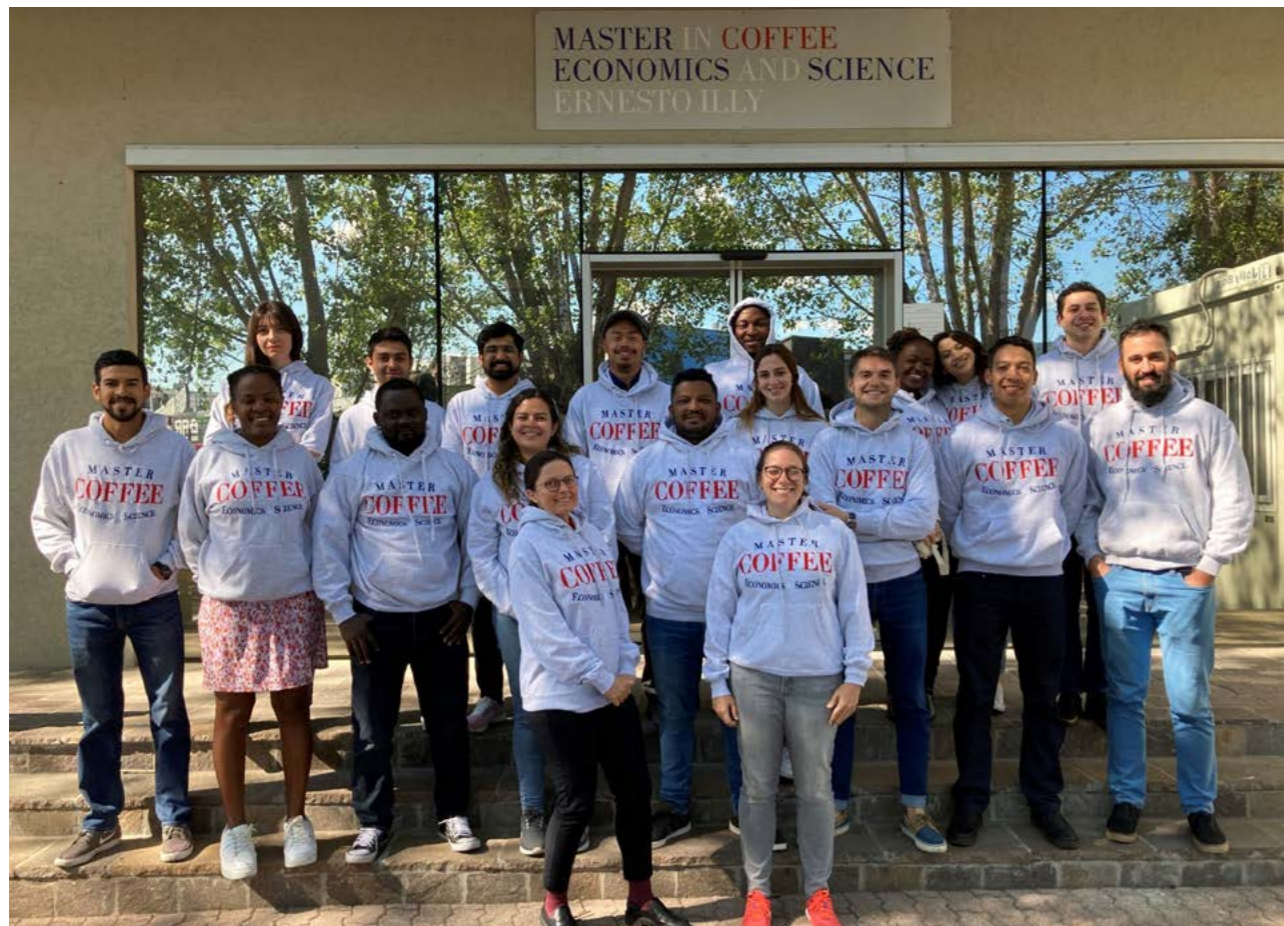
illycaffè supports the Ernesto Illy Foundation, created in 2008, with the aim of carrying out philanthropic activities to supplement and support its sustainable business model, according to the principles of the stakeholder company. Ethics are its fundamental values, in the sense of showing respect for man and the environment and acting responsibly towards future generations.

The Foundation is a non-profit organisation chaired by Anna Illy, daughter of Ernesto, who was for years her father's closest collaborator, accompanying him on his travels in search of the best quality Arabica coffee for roasting.

The main objective of the Ernesto Illy Foundation is to develop and launch a series of global projects in

the fields of science, education, training and culture that align with the 17 United Nations Sustainable Development Goals (SDGs). The strategy to pursue this objective envisages an operating model that also includes partnerships with other foundations and organisations.

The Ernesto Illy Foundation organises events, study conferences, seminars and workshops, carries out publishing and multimedia activities and cultivates global collaborations with universities, institutions and bodies of excellence. Its activities relate to ethics, sustainability, scientific research, coffee culture and agri-food system culture, and the celebration of Ernesto Illy.



In particular, in 2022 the Foundation carried out the following projects, some in continuity with the past:

### International Master in Coffee Economics and Science - Ernesto Illy

One of the most important projects of the Foundation, open to graduates from all over the world, was developed in collaboration with the Universities of Trieste and Udine, the International School of Advanced Studies of Trieste (SISSA), the Area di Ricerca Scientifica e Tecnologica (Science Park) in Trieste and with the contribution of the Friuli Foundation.

Taught entirely in English, the Master's degree includes over 400 hours of lessons divided into 9 modules for a total of 60 training credits. The curriculum covers the entire coffee production chain and develops across three disciplinary areas: economics-management, biology-agronomics and technology.

The 11<sup>th</sup> edition catered to 23 students of 16 different nationalities.

### World Happiness Report

Since 2017, the Ernesto Illy Foundation has been a partner and supporter of the World Happiness Report, the report on happiness compiled and published annually by UNSDSN (United Nations Sustainable Development Solutions Network).

A special edition on the occasion of the 10-year anniversary since the publication of the first report examined global trends such as the biology of well-being, big data, social media, balance and harmony in relation to the different intercultural concepts of happiness. On 18 March 2022, the report was published online, while in Italy it was presented on 9 June during Parma Green Week.

### Science & Ethics for Happiness

The project, a spin-off of the World Happiness Report, focuses on the role of science and ethics for individual and collective well-being and happiness.

Conceived in 2019 as a series of physical meetings over the course of two years, the project has been extended

over time due to the pandemic. During 2022, two face-to-face meetings were held, the last of which in October, to close the activity. This was followed by the publication of a report summarising the work carried out.

### Regenerative Society Foundation

The Ernesto Illy Foundation is also one of the founding partners of the Regenerative Society Foundation, created in 2020 and grown over time both in terms of strategic thinking and in terms of activities. Andrea Illy is its co-chairman together with Professor Jeffrey D. Sachs.

On 4 June 2022, it was officially presented at the Trento Festival of Economics, an event organised by Sole 24 Ore, which represented the kick-off of a new phase of the Foundation both in terms of recruiting new founders (3 new founders and 2 new supporters) and the start of the scientific communications activities.

The Regenerative Society Foundation has obtained IFAD (International Fund for Agricultural Development) Innovation Program accreditation and has signed a joint declaration with UNIDO (United Nations Industrial Development Organization).

### Virtuous Agriculture®

The Ernesto Illy Foundation works in close collaboration with illycaffè on all educational and scientific aspects related to the development of Virtuous Agriculture® in the coffee supply chain.

In 2022, the focus was on the development of a bacterial inoculant for Coffea Arabica. Today, all frontier work in this area focuses on the reduction of synthetic active ingredients and pesticides in agriculture. One way forward is the transition to organic farming, focusing on what lives around the root system and exploiting new technologies that are advancing in the sector.

illycaffè has a long-standing collaboration with ICGB (International Centre for Genetic Engineering and Biotechnology), which has launched numerous start-ups, including Simbiotica, with which the Ernesto Illy Foundation collaborates with the aim of developing specific bacterial cocktails for the fertilisation of coffee plants.

## Ernesto Illy Colloquia

The event was held on 27, 28 and 29 September 2022 in the Budinich Room of the International Centre for Theoretical Physics of Miramare and in streaming. The talks were organised under the aegis of UNESCO (United Nations Educational, Scientific and Cultural Organization) in collaboration with TWAS (Third World Academy of Sciences). The objective was to develop knowledge-sharing and networking, putting the leading experts in the field of coffee cultivation in direct contact with researchers and participants at the 11<sup>th</sup> edition of the Master in Coffee Economics and Science.

## ELIS - School4life 2.0

The two-year project is based on the collaboration between companies and middle and high schools and provides guidance activities for students in Italian areas with high school drop-out rates. In 2022, the Foundation supported the project financially, while illycaffè provided a faculty of 22 colleagues, who became teachers for the occasion, sharing professional skills and experience.



### Costa Rica: Casa de la Alegría

The project, which has been underway for several years, is dedicated to the prevention of child labour in coffee plantations. The Foundation supports facilities that host the children of the coffee pickers during the working season, providing them with food, education and educational support.

In 2022, 11 facilities were opened, which welcomed 500 children starting in September and which employed 3 teachers with the aim of providing an educational service, but also to develop the motor and cognitive skills of children of all ages.

With the contribution of the Ernesto Illy Foundation, teaching materials, tools and household appliances were also purchased.



### Nicaragua: Seeds for Progress

Seeds for Progress, founded by the coffee trader Mercon, has its headquarters in Nicaragua, where despite a particularly complex political period, the funds provided in the country have been used for the Cultivating Education program, which was created with the objective of preventing the risk of child labour. During the harvest, which takes place approximately between October and January, the La Florida plantation in Jinotega welcomes the children of the pickers, offering them a safe place to spend the day, educational activities and meals.



### Rwanda: Coffee Field

In 2019, the Ernesto Illy Foundation began to support the Kahawatu Foundation in planning a women's cooperative of about 40 female coffee farmers.

The first harvest, which took place in 2022, saw a total of 319 kg of drupes, equal to 40 kg of green coffee.

Several training courses were also organised on gender equality and, specifically, on the role of women in the coffee value chain, on reproductive health and on family planning.



### Kenya: Alice - Italian School Academy

The Ernesto Illy Foundation decided to bear the cost of participation for one of the students involved in the Alice For Children program, which aims to teach Italian cooking to students from the slums of Nairobi.

The Foundation also carried out its activities in the United States, where it intends in 2023 to reactivate the Ernesto Illy Foundation USA, established on 14 October 2020 in New York with the aim of creating a spin-off of the Italian Foundation with particular relevance in the United States.

On 20 April 2022, Chairwoman Anna Illy was invited to New York by the NIAF (National Italian-American Foundation) to receive an award for the work carried out by the Ernesto Illy Foundation.

Lastly, the Foundation obtained ECOSOC (Economic and Social Council) accreditation of the United Nations in June 2022.

From 20 June 2022, the Foundation established a new governance:

Board of Directors

Anna Illy	Chairwoman and Spokesperson
Maurizio Dallochio	Vice Chairman
Anna Rossi Illy	Director and Honorary Chairwoman
Andrea Illy	Director and Spokesperson
Daria Illy	Director
Cristina Scocchia	Director
Furio Suggi Liverani	Director

Board of Auditors

Paolo Marchesi	Chairman of the Board of Auditors
Silvano Stefanutti	Auditor
Joram Bassan	Auditor

Organisation

Furio Suggi Liverani	Director
Giovanna Gregori	Consultant for communication, institutional relations and fundraising
Federica Miniussi	Secretary of the Board of Directors



Methodological note

| GRI 2-2 | GRI 2-3 | GRI 2-4 | GRI 2-14 |

Drafting process and reference standards

The Management Report was prepared in compliance with the 2021 GRI Standards, according to the “with reference” option, referring to the topics identified as relevant through a materiality analysis and in compliance with the reporting principles set forth in the Standard.

References to the GRI Standards are provided in the individual chapters of the Management Report and in the GRI Content Index on page 144.

In consideration of the growing importance of SASB (Sustainability Accounting Standards Board) reporting for financial stakeholders, on page 146, a correspondence table was also prepared with the GRI indicators reported to allow an integrated reading of the information reported.

Reporting scope and reference period

The reporting scope of the indicators which are part of the various sustainability areas (ESG) includes all the companies consolidated on a line-by-line basis by illycaffè Group in 2022.

Compared to the 2021 financial year, there are some changes in the reporting scope:

- liquidation of illycaffè UK Holdco Ltd;
- merger by incorporation of Espressamente France S.a.s. into illycaffè France S.A.S.;
- merger by incorporation of Espressamente illy Americas, Inc. into illy caffè North America, Inc.;
- cancellation of the illycaffè S.p.A. Dubai DWC Branch;
- merger by incorporation of Mitaca S.r.l. into illycaffè S.p.A.

For more details on the companies included in the scope, please refer to the sociogram represented in the chapter “The illycaffè Group” on pages 12 and 13.

The sustainability indicators refer to the year 2022 and are compared with the previous year; they refer to measurable quantities, relying to a limited extent on the use of estimates, possibly made on the basis of best practices. In order to allow the comparability of data over time, the information relating to the year in question is compared with that relating to the year 2021, appropriately highlighting any restatement of the data relating to the previous year. With the aim of further improving the quality of the information reported, the assumptions relating to the calculation methods of some indicators were refined, as reported in the notes to the tables in the chapters “Energy and emissions” and “Materials” with reference to GRI indicators 301-1, 305-1, 305-2 and 305-3.

## GRI Content Index

<b>Declaration of use</b>	illycaffè reported the information cited in this GRI Content Index for the period 1/01/2022 - 31/12/2022 according to the "with reference" approach of the GRI Standards.
<b>GRI 1 used</b>	GRI 1: 2021 Fundamental Principles

GRI STANDARD	DISCLOSURE	PAGE
GRI 2: General Disclosures 2021	2-1 Organizational details	12
	2-2 Entities included in the organisation's sustainability reporting	12, 143
	2-3 Reporting period, frequency and contact point	143
	2-4 Restatements of information	110, 143
	2-6 Activities, value chain and other business relationships	36, 94
	2-7 Employees	102
	2-8 Workers who are not employees	102
	2-9 Governance structure and composition	48
	2-10 Nomination and selection of the highest governance body	48
	2-11 Chair of the highest governance body	48
	2-12 Role of the highest governance body in overseeing the management of impacts	48
	2-14 Role of the highest governance body in sustainability reporting	143
	2-22 Statement on sustainable development strategy	48, 52
	2-23 Policy commitment	53
	2-26 Mechanisms for seeking advice and raising concerns	53
	2-27 Compliance with laws and regulations	53
	2-29 Approach to stakeholder engagement	40
GRI 3: 2021 Material topics	3-1 Process to determine material topics	44
	3-2 List of material topics	44
	3-3 Management of material topics	44
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	76
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	94
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	53
GRI 301: Materials 2016	301-1 Materials used by weight or volume	110
	301-2 Recycled input materials used	110
GRI 302: Energy 2016	302-1 Energy consumption within the organization	110
	302-3 Energy intensity	110
GRI 303: Water and effluents 2018	303-1 Interactions with water as a shared resource	110
	303-2 Management of water discharge-related impacts	110
	303-3 Water withdrawal	110
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	110
	305-2 Energy indirect (Scope 2) GHG emissions	110
	305-3 Other indirect (Scope 3) GHG emissions	110
	305-4 GHG emissions intensity	110
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	110

GRI STANDARD	DISCLOSURE	PAGE
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	110
	306-2 Management of significant waste-related impacts	110
	306-3 Waste generated	110
	306-4 Waste diverted from disposal	110
	306-5 Waste directed to disposal	110
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	94
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	102
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	102
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	102
	403-2 Hazard identification, risk assessment, and incident investigation	102
	403-3 Occupational health services	102
	403-4 Worker participation, consultation, and communication on occupational health and safety	102
	403-5 Worker training on occupational health and safety	102
	403-6 Promotion of worker health	102
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	102
	403-9 Work-related injuries	102
	403-10 Work-related ill health	102
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	102
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	48, 102
	405-2 Ratio of basic salary and remuneration of women to men	102
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	53
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	94
GRI 409: Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	94
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	94
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	94

SASB correspondence table

GRI and SASB represent the most recognised international standards for the definition of sustainability reporting strategies and systems. In consideration of the growing importance of SASB reporting for investors, the correspondence with the indicators used in the 2022 Annual Report was highlighted in the following reconciliation table.

TOPIC	SASB CODE	ACCOUNTING METRIC	RELATED GRI	PAGE
Greenhouse gas emissions	FB-AG-110a.1	Global gross emissions scope 1	GRI 305-1	110
	FB-AG-110a.2	Discussion of the strategy or long-term and short-term plan for the management of scope 1 emissions, of the emission reduction objectives and of the performance analysis with respect to these objectives.	GRI 3-3 GRI 305-4	44, 110
	FB-AG-110a.3	Fuel consumed by the fleet	GRI 302-1	110
Management of energy consumption	FB-AG-130a.1	(1) Operating energy consumed; (2) percentage of network electricity; (3) percentage of renewable energy.	GRI 302-1	110
	FB-AG-140a.1	(1) Total water withdrawn; (2) total water consumed, percentage of each in regions with high or extremely high baseline water stress.	GRI 303-3	110
Water resource management	FB-AG-140a.2	Description of water management risks and discussion of strategies and practices to mitigate these risks.	GRI 3-3 GRI 303-2	44, 110
Health and safety of the workforce Safety	FB-AG-320a.1	(1) Total recordable incident rate (TRIR); (2) mortality rate; (3) Near-miss frequency rate (NMFR) for (a) direct employees and (b) seasonal and migrant employees.	GRI 403-9 GRI 403-10	102
Environmental and social impacts of the Supply chain	FB-AG-430a.2	Audit on the social and environmental responsibility of suppliers: (1) rate of non-compliance; (2) rate of associated corrective actions for (a) major and (b) minor non-compliances.	GRI 414-1 GRI 308-1	94
	FB-AG-430a.3	Discussion of the strategy for managing environmental and social risks deriving from cultivation under contract and procurement of raw materials.	GRI 3-3	44
Procurement of raw materials	FB-AG-440a.1	Identification of the main crops and description of the risks and opportunities presented by climate change.	GRI 3-3	44
Management of the life cycle of packaging	FB-NB-410a.1	(1) Total weight of packaging; (2) % of recycled and/or renewable materials; (3) % of recyclable, reusable and/or compostable material.	GRI 301-1 GRI 301-2	110



# CONSOLIDATED FINANCIAL STATEMENTS





## Consolidated Financial Statements

## CONSOLIDATED INCOME STATEMENT

Amounts in euro	2022	2021	Notes
Sales revenue	567,655,689	499,505,316	1
Other operating income	6,037,624	6,152,928	2
<b>Total net revenue</b>	<b>573,693,313</b>	<b>505,658,244</b>	
Changes in inventories of finished and semi-finished products	6,849,757	7,478,453	3
Consumption of raw, ancillary and consumable materials and goods for resale	(264,304,945)	(205,143,263)	4
Costs for employee benefits	(103,145,179)	(99,607,657)	5
Service costs	(117,480,745)	(123,519,215)	6
Amortisation/depreciation	(44,551,025)	(40,830,399)	7
Impairment losses on non-current assets	(947,393)	(69,295)	8
Other operating costs	(24,218,295)	(23,222,042)	9
<b>Total costs</b>	<b>(547,797,825)</b>	<b>(484,913,417)</b>	
<b>Operating result (EBIT)</b>	<b>25,895,487</b>	<b>20,744,826</b>	
Financial expense	(13,051,244)	(7,624,617)	10
Financial income	6,497,246	4,596,836	11
Share of results of equity investments in associates measured using the equity method	0	(1,420)	12
<b>Pre-tax profit/(loss)</b>	<b>19,341,489</b>	<b>17,715,625</b>	
Income taxes	(5,159,987)	(5,786,108)	13
<b>Profit/(loss) deriving from assets held for disposal net of taxation</b>			
<b>Profit/(loss) for the year</b>	<b>14,181,502</b>	<b>11,929,516</b>	
Profit/(loss) attributable to:			
Ordinary shareholders of the Parent Company	14,181,414	11,929,506	
Non-controlling interests	89	10	

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in euro	31/12/2022	31/12/2021
<b>Profit/(loss) for the year (A)</b>	<b>14,181,502</b>	<b>11,929,516</b>
<b>Components of comprehensive income that may be reclassified to profit/(loss) in subsequent periods:</b>		
Exchange differences on translation of foreign financial statements	1,361,483	3,207,973
Net gain/(loss) on cash flow hedges	1,100,869	(860,800)
Tax impact	(264,209)	206,592
<b>Subtotal (B1)</b>	<b>2,198,144</b>	<b>2,553,765</b>
<b>Components of comprehensive income that will not be reclassified to profit/(loss) in subsequent periods:</b>		
Actuarial profits/(losses) recognised in the statement of comprehensive income	256,470	63,497
Tax impact	(62,170)	(17,554)
<b>Subtotal (B2)</b>	<b>194,300</b>	<b>45,943</b>
<b>Total other components of the statement of comprehensive income for the year, net of taxation (B1+B2)</b>	<b>2,392,443</b>	<b>2,599,708</b>
<b>Comprehensive net profit/(loss) for the year (A+B1+B2)</b>	<b>16,573,946</b>	<b>14,529,224</b>
Total comprehensive net profit/(loss) attributable to the:		
Ordinary shareholders of the Parent Company	16,573,823	14,529,211
Non-controlling interests	123	13



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in euro	31/12/2022	31/12/2021	Notes
<b>Non-current assets</b>			
Property, plant and equipment	118,276,484	118,849,253	14
Intangible assets and goodwill	39,795,227	40,836,305	15
Right-of-use assets	25,388,673	30,127,031	16
Non-current financial assets	19,965,245	7,174,847	17
Other non-current assets	949,388	896,377	18
Deferred tax assets	16,389,087	15,054,971	13
<b>Total non-current assets</b>	<b>220,764,105</b>	<b>212,938,784</b>	
<b>Current assets</b>			
Inventories	137,861,248	111,200,067	19
Trade receivables	89,851,771	87,795,049	20
Current tax receivables	7,034,224	6,634,164	21
Current financial assets	8,274,603	5,304,773	22
Other current assets	8,207,258	4,769,280	23
Cash and cash equivalents	16,990,114	44,279,932	24
<b>Total current assets</b>	<b>268,219,217</b>	<b>259,983,266</b>	
Assets held for sale			
<b>Total assets</b>	<b>488,983,322</b>	<b>472,922,050</b>	
<b>Shareholders' equity</b>			
Share capital	50,000,000	50,000,000	
Other reserves	80,270,391	74,644,445	
Retained earnings and result for the period	18,761,593	15,753,985	
<b>Total Group shareholders' equity</b>	<b>149,031,985</b>	<b>140,398,431</b>	
<b>Shareholders' equity pertaining to non-controlling interests</b>	<b>12,200</b>	<b>12,078</b>	
<b>Total shareholders' equity</b>	<b>149,044,185</b>	<b>140,410,508</b>	25
Non-current financial liabilities	114,702,352	115,138,012	26
Non-current leasing liabilities	20,529,159	24,359,149	27
Employee benefits	2,882,973	3,613,438	28
Non-current provisions for risks and charges	4,371,119	6,161,907	29
Deferred tax liabilities	1,246,533	534,365	13
<b>Total non-current liabilities</b>	<b>143,732,136</b>	<b>149,806,871</b>	
Current financial liabilities	39,546,439	26,622,724	30
Current leasing liabilities	7,307,566	7,194,769	27
Trade payables	119,113,156	112,318,691	31
Other current liabilities	23,073,901	27,485,327	32
Current provisions for risks and charges	4,505,412	2,695,110	33
Current contractual liabilities	237,834	4,124,769	34
Current tax payables	2,422,694	2,263,279	35
<b>Total current liabilities</b>	<b>196,207,001</b>	<b>182,704,671</b>	
Liabilities relating to assets held for sale			
<b>Total liabilities</b>	<b>339,939,137</b>	<b>332,511,542</b>	
<b>Total Liabilities and shareholders' equity</b>	<b>488,983,322</b>	<b>472,922,050</b>	



## CONSOLIDATED CASH FLOW STATEMENT

Amounts in euro	Year 2022	Year 2021
<b>Cash flows from operating activities</b>		
<b>Group profit/(loss) for the year</b>	<b>14,181,414</b>	<b>11,929,506</b>
<b>Profit/(loss) for the year pertaining to non-controlling interests</b>	<b>88</b>	<b>10</b>
Income taxes	5,159,987	5,786,108
Financial income and expense	4,949,977	4,929,770
Share pertaining to the result for the year of associates and joint ventures	(140,002)	(262,522)
(Dividends)	236,973	327,001
Profit/(loss) on the disposal of property, plant and equipment	<b>24,388,438</b>	<b>22,709,873</b>
<b>1) Profit/(loss) for the year before income taxes, interest, dividends and capital gains/losses on disposals</b>	<b>(5,867,421)</b>	<b>3,221,837</b>
Net appropriations for provisions	26,352,693	24,339,884
Depreciation and impairment of property, plant and equipment	8,531,378	8,525,441
Amortisation and impairment of intangible assets	9,666,955	7,965,074
Amortisation and impairment of the right-of-use assets	1,138,075	197,541
Impairment losses on non-current assets		1,420
Write-downs of equity investments	(536,165)	(214,875)
Net change in employee benefits	47,382	
Value adjustments to financial assets and liabilities of derivative financial instruments that do not involve monetary movements	629,811	30,292
Other adjustments increase/(decrease) for non-monetary items	3,616,140	2,116,456
<b>2) Cash flow before changes to the NWC</b>	<b>67,967,285</b>	<b>68,892,944</b>
(Increase)/decrease in inventories	(26,661,181)	(10,232,461)
(Increase)/decrease in trade receivables	(2,056,721)	(9,713,690)
(Increase)/decrease in other non-financial assets	6,794,465	25,593,837
(Increase)/decrease in trade payables	(2,684,487)	(1,752,980)
(Increase)/decrease in other current assets	1,023,872	4,288,445
(Increase)/decrease in other current liabilities	<b>44,383,233</b>	<b>77,076,096</b>
Other decreases/(Other increases) in NWC	(4,949,977)	(5,028,086)
<b>3) Cash flow after changes to the NWC</b>	<b>(13,880,520)</b>	<b>(5,158,128)</b>
Interest received/(interest paid)	402,454	251,157
Income taxes paid		(5,158,128)
Dividends collected		251,157

CONTINUED

Amounts in euro	Year 2022	Year 2021
<b>NET CASH FLOW GENERATED/(ABSORBED) BY OPERATIONS ACTIVITIES (A)</b>	<b>25,955,189</b>	<b>67,141,039</b>
Investments in property, plant and equipment	(26,870,709)	(29,690,072)
Disposals of property, plant and equipment	426,412	529,666
Investments in intangible assets	(8,187,598)	(11,844,883)
Divestments of intangible assets	470,253	
Net (investments) in/divestments of non-current financial assets	(13,243,530)	(518,712)
<b>NET CASH FLOW ABSORBED BY INVESTMENT ACTIVITIES (B)</b>	<b>(47,405,172)</b>	<b>(41,524,001)</b>
<b>Cash flows from financing activities</b>		
Net increase/(decrease) in current financial liabilities	(6,441,896)	2,669,732
Undertaking of non-current financial liabilities	41,500,000	
Repayment of non-current financial liabilities	(22,570,050)	(26,054,126)
Repayment of principal portion of lease agreements	(12,339,369)	(8,382,795)
Dividends paid to shareholders of the Parent Company	(8,000,000)	(8,000,000)
<b>NET CASH FLOW GENERATED/(ABSORBED) BY FINANCING ACTIVITIES (C)</b>	<b>(7,851,315)</b>	<b>(39,767,189)</b>
Other changes in shareholders' equity	2,011,481	3,238,676
<b>TOTAL CASH FLOW (D=A+B+C)</b>	<b>(27,289,818)</b>	<b>(10,911,475)</b>
<b>NET LIQUID FUNDS AT THE BEGINNING OF THE YEAR (E)</b>	<b>44,279,932</b>	<b>55,191,407</b>
<b>NET LIQUID FUNDS AT THE END OF THE YEAR (F=D+E)</b>	<b>16,990,114</b>	<b>44,279,932</b>



## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Translation reserve	FTA reserve	Stock Option Reserve	Reserve for employee benefits	Cash flow hedge reserve	Other reserves	Profit carried forward	Group net result for the year	Total Group shareholders' equity	Non-controlling interest	Net result for the year – non-controlling interests	Total shareholders' equity – non-controlling interests	Total shareholders' equity
Amounts in euro															
<b>Opening balance at 01/01/2022</b>	<b>50,000,000</b>	<b>8,059,968</b>	<b>(2,057,434)</b>	<b>(8,371,930)</b>		<b>(433,386)</b>	<b>(51,616)</b>	<b>77,498,844</b>	<b>3,824,479</b>	<b>11,929,506</b>	<b>140,398,431</b>	<b>12,067</b>	<b>10</b>	<b>12,078</b>	<b>140,410,508</b>
Net result for the year										14,181,414	14,181,414		89	89	14,181,502
Net gain/(loss) on expected cash flow hedging transactions							836,661				836,661			0	836,661
Change in the translation reserve			1,361,449								1,361,449	34		34	1,361,483
Actuarial gains/(losses)						194,300					194,300			0	194,300
<b>Total comprehensive income/(loss)</b>	<b>0</b>	<b>0</b>	<b>1,361,449</b>	<b>0</b>	<b>0</b>	<b>194,300</b>	<b>836,661</b>	<b>0</b>	<b>0</b>	<b>14,181,414</b>	<b>16,573,823</b>	<b>34</b>	<b>89</b>	<b>123</b>	<b>16,573,946</b>
Allocation of the result		559,308						2,626,847	8,743,351	(11,929,506)	0	10	(10)	0	0
Payment of dividends									(8,000,000)		(8,000,000)			0	(8,000,000)
Increase					47,382						47,382			0	47,382
Other changes									12,349		12,349			0	12,349
<b>Closing balance at 31/12/2022</b>	<b>50,000,000</b>	<b>8,619,276</b>	<b>(695,986)</b>	<b>(8,371,930)</b>	<b>47,382</b>	<b>(239,086)</b>	<b>785,045</b>	<b>80,125,691</b>	<b>4,580,179</b>	<b>14,181,414</b>	<b>149,031,985</b>	<b>12,112</b>	<b>89</b>	<b>12,200</b>	<b>149,044,185</b>

	Share capital	Legal reserve	Translation reserve	FTA reserve	Reserve for employee benefits	Cash flow hedge reserve	Other reserves	Own shares in portfolio	Profit carried forward	Group net result for the year	Total Group shareholders' equity	Non-controlling interest	Net result for the year – non-controlling interests	Total shareholders' equity – non-controlling interests	Total shareholders' equity
Amounts in euro															
<b>Opening balance at 01/01/2021</b>	<b>50,000,000</b>	<b>7,599,244</b>	<b>(5,265,404)</b>	<b>(8,371,930)</b>	<b>(479,329)</b>	<b>602,592</b>	<b>77,658,143</b>	<b>(285,647)</b>	<b>6,576,017</b>	<b>5,827,879</b>	<b>133,861,564</b>	<b>17,468</b>	<b>(5,151)</b>	<b>12,317</b>	<b>133,873,881</b>
Net result for the year										11,929,506	11,929,506		10	10	11,929,516
Net gain/(loss) on expected cash flow hedging transactions						(654,208)					(654,208)			0	(654,208)
Change in the translation reserve			3,207,970								3,207,970	3		3	3,207,973
Actuarial gains/(losses)					45,943						45,943			0	45,943
<b>Total comprehensive income/(loss)</b>	<b>0</b>	<b>0</b>	<b>3,207,970</b>	<b>0</b>	<b>45,943</b>	<b>(654,208)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,929,506</b>	<b>14,529,211</b>	<b>3</b>	<b>10</b>	<b>13</b>	<b>14,529,224</b>
Allocation of the result		460,724					126,348		5,240,807	(5,827,879)	0	(5,151)	5,151	0	0
Payment of dividends									(8,000,000)		(8,000,000)			0	(8,000,000)
Derecognition							(285,647)	285,647			0			0	0
Other changes						0	0		7,655		7,655	(252)		(252)	7,403
<b>Closing balance at 31/12/2021</b>	<b>50,000,000</b>	<b>8,059,968</b>	<b>(2,057,434)</b>	<b>(8,371,930)</b>	<b>(433,386)</b>	<b>(51,616)</b>	<b>77,498,844</b>		<b>3,824,479</b>	<b>11,929,506</b>	<b>140,398,431</b>	<b>12,067</b>	<b>10</b>	<b>12,078</b>	<b>140,410,508</b>



Basis  
of preparation

## Corporate information

The illycaffè Group (hereinafter merely “illycaffè” or “the Group”) is a reference group in the production and distribution of coffee and derivative, similar and complementary products, as well as food and ancillary products, in Italy and abroad, and the corresponding industrial activities.

The Group also carries out activities involving research, design, sale of machines and equipment related to the production and use of the aforementioned materials and products and the relative after-sales assistance.

It should be noted that, as from 2019, the Parent Company adopted the status of Benefit Corporation and this constituted a step towards crystallising 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 in which it operates. Crystallising this process, in 2021 the company became the first Italian coffee company to achieve the B Corporation® certification.

The Parent Company, illycaffè S.p.A., is a joint-stock company with registered office in Trieste, via Flavia 110.

Pursuant to Italian Legislative Decree No. 127/1991, illycaffè S.p.A. prepares the Group consolidated financial statements without using the exemption option provided for by Article 27.3 of Italian Legislative Decree No. 127/1991. Indeed, it should be noted that illycaffè S.p.A. is directly controlled by Gruppo Illy S.p.A. (80% at 31 December 2022), in turn wholly owned by RAA S.p.A. with registered office in Milan, Piazza Cavour 3, which prepares the consolidated financial statements of the largest group of companies to which the illycaffè Group belongs.

Pursuant to and by effect of Article 2497 et seq. of the Italian Civil Code, illycaffè S.p.A. is not subject to management and coordination.

The publication of the consolidated financial statements for the year ended 31 December 2022 was authorised by the Board of Directors on 28 March 2023.

The consolidated financial statements for the year at 31 December 2022 were prepared in compliance with international accounting standards as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38 of 28 February 2005.

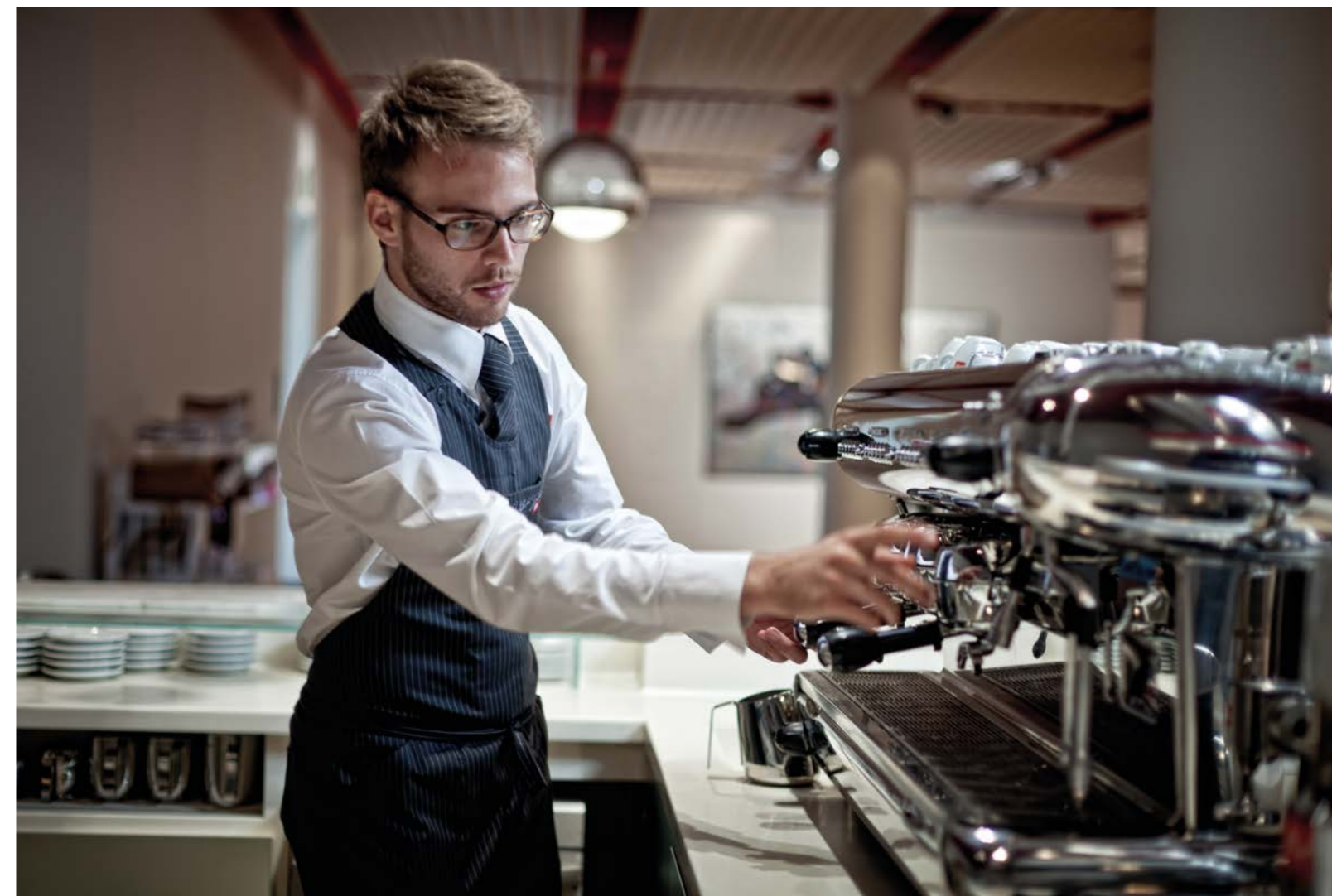
These standards include the set of IAS (*International Accounting Standards*) and IFRS (*International Financial Reporting Standards*) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the *Interpretations Committee* (IFRSIC) and the *Standing Interpretations Committee* (SIC), that have been approved according to the procedure pursuant to Article 6 of Regulation (EC) no. 1606 of 19 July 2002 by 31 December 2022. Any international accounting standards endorsed after that date and before the date of preparation of these financial statements are used in the preparation of the consolidated financial statements only if early adoption is permitted by the endorsement Regulation and the accounting standard subject to endorsement and in the event the Group has made use of this option.

The Group’s consolidated financial statements are listed below:

- the income statement, in which income and expenses are classified by nature;
- the statement of comprehensive income, which shows the changes in shareholders’ equity generated by transactions other than those with Shareholders;
- the statement of financial position, in which assets and liabilities are classified separately into current and non-current;
- the cash flow statement in accordance with the indirect method format, whereby the pre-tax profit for the year has been stripped of the effects of transactions of a non-cash nature, of any deferrals or accruals of previous or future operating cash receipts or payments, and of elements of income or expense associated with cash flows from investing or financing activities;
- the statement of changes in consolidated shareholders’ equity, which shows the changes in shareholders’ equity with shareholders and the allocation of profit, as well as the changes generated by transactions other than those with Shareholders.

These consolidated financial statements are expressed in euro, the functional currency of the Parent Company. All values are rounded to the nearest thousand euro, unless otherwise indicated.

The Group has prepared the consolidated financial statements on the assumption that the going-concern requirement is maintained, after considering the provisions of IAS 1 “Presentation of Financial Statements”, paragraphs 25 and 26.



Scope of consolidation

Using the line-by-line consolidation method, the Group’s consolidated financial statements include the financial statements of the Parent Company *illycaffè S.p.A.* as at 31 December 2022 and the financial statements, as at the same date, of directly or indirectly controlled companies, as detailed in the following table:

Name	City or foreign country	Currency	Share Capital	Shareholders' Equity	Group ownership share	Type of shareholding	Controlling Shareholder
illy caffè North America Inc.	United States	USD	4,970	29,482,305	100.00%	Direct	illycaffè S.p.A.
illycaffè France S.A.S.	France	EUR	1,064,000	2,781,611	100.00%	Direct	illycaffè S.p.A.
illy espresso Canada, Inc.	Canada	CAD	2,000,100	828,319	100.00%	Indirect	illy caffè North America Inc.
Magic L'Espresso S.L.	Spain	EUR	285,475	1,196,659	100.00%	Direct	illycaffè S.p.A.
Bar Finance International S.p.A.	Italy	EUR	4,700,000	4,525,845	100.00%	Direct	illycaffè S.p.A.
Experimental Agricola do Brasil Ltda	Brazil	BRL	5,360,653	24,626,892	99.99%	Direct	illycaffè S.p.A.
illycaffè Sud America Comercio, Importacao e Exportacao Ltda	Brazil	BRL	48,635,248	(17,062,064)	100.00%	Direct	illycaffè S.p.A.
illycaffè Shanghai Co. Ltd.	People's Republic of China	CNY	16,081,854	104,399,830	100.00%	Direct	illycaffè S.p.A.
Espressamente Retail London Ltd.	United Kingdom	GBP	6,000,100	(464,331)	100.00%	Direct	illycaffè S.p.A.
illy caffè San Francisco Llc	United States	USD	2,000	5,496,570	100.00%	Indirect	illy caffè North America Inc.
illycaffè Asia Pacific Limited	Hong Kong	HK\$	4,567,740	4,127,250	100.00%	Direct	illycaffè S.p.A.
illycaffè UK Ltd.	United Kingdom	GBP	101	724,906	100.00%	Direct	illycaffè S.p.A.

The parent Company is *illycaffè S.p.A.*, established on 24 July 1933, with headquarters in Via Flavia 110, Trieste (TS).

It should be noted that in the Parent Company's accounts, the values of the permanent establishments are reported monthly, namely: *illycaffè S.p.A. Asia Pacific Branch*, *illycaffè S.p.A. vestiging Nederland*, *illycaffè S.p.A. Niederlassung Oesterreich*, *illycaffè S.p.A. Niederlassung Deutschland* and *illycaffè S.p.A. Sucursal en Espana*.

Changes in the scope of consolidation

During the year, the company *Mitaca S.r.l.* was merged by incorporation into the Parent Company with retroactive accounting and tax effect as at 1 January 2022, while in November 2022 the closure of *illycaffè S.p.A. DWC Dubai Branch* was completed with the cancellation from the register of companies on 8 November 2022.

Summary of significant accounting standards

Unless otherwise specified, the accounting standards described below were applied consistently for all periods included in these consolidated financial statements.

Consolidation criteria

The consolidated financial statements include the financial statements of *illycaffè S.p.A.* and its subsidiaries at 31 December 2022.

The subsidiaries indicated in the previous paragraph are consolidated on a line-by-line basis from the date of acquisition, or from the date on which the Group acquires control and cease to be consolidated on the date on which control is lost.

Subsidiaries

The companies controlled by the Parent Company were included in the scope of consolidation. The existence of control over a company is determined on the basis of:

- (i) the voting rights, including potential, held by the Group and by virtue of which the Group can exercise the majority of the votes that can be exercised in the ordinary shareholders' meeting of the company;
- (ii) the content of any agreements between shareholders or the existence of particular statutory clauses, which give the Group the power to govern the company;
- (iii) the control by the Group of a number of votes sufficient to exercise de facto control of the ordinary shareholders' meeting of the company.

The income components are included in the consolidated financial statements starting from the date of acquisition of control and until the date of loss of control.

Receivables and payables, as well as costs and revenues deriving from transactions between companies included in the scope of consolidation, are entirely eliminated; capital losses and gains arising from transfers of fixed assets between consolidated companies, losses and gains arising from transactions between consolidated companies relating to disposals of assets that remain as inventories at the purchasing company, write-downs and reversals of write-downs of equity investments in consolidated companies, as well as intercompany dividends are also eliminated.

Assets, liabilities, costs and revenues of the subsidiaries are recognised for their total amount, attributing to the non-controlling shareholders the portion of shareholders' equity and result for the year pertaining to them.

The necessary adjustments are made to the financial statements of subsidiaries to make the measurement criteria consistent with those adopted by the Group.

The year-end date of the subsidiaries is aligned with that of the Parent Company; if this is not the case, the subsidiaries prepare specific balance sheets and income statements for use by the parent company.

Joint arrangements

A joint arrangement is an arrangement whereby two or more parties have joint control. Joint control is the sharing, on a contractual basis, of control of an agreement, which exists only when the unanimous consent of all parties sharing control is required for decisions relating to the relevant activities.

There are two types of joint arrangements: joint operations and joint ventures.

A *joint operation* is an arrangement in which the parties have rights to the assets and obligations for the liabilities relating to the arrangement. These parties are defined as joint operators. With reference to the investment in joint operations, each joint operator must show the recognition:

- a) of its assets, including the share of jointly owned assets;
- b) of its liabilities, including the share of liabilities assumed jointly;
- c) of revenues from the sale of its share of production deriving from the joint operation;
- d) of its share of revenues from the sale of production deriving from the joint operation; and
- e) of its costs, including the share of costs incurred jointly.

A *joint venture* is a joint arrangement in which the parties have rights to the net assets of the arrangement. In the consolidated financial statements, the equity investment in a *joint venture* is measured using the equity method, recognising in the income statement the Group’s share of the profits and losses accrued during the year. Through the equity method, the book value of the equity investment also includes the fair values of the assets and liabilities held by the investee at the time of acquisition by the Group, as well as any goodwill, determined at the time of acquisition of the equity investment.

Associates

Equity investments in associates are measured using the equity method. A company is considered an associate if the Group is able to participate in the definition of the company’s operating and financial policies even though it is neither a subsidiary nor subject to joint control. Based on the equity method, the equity investment in an associate is recognised in the statement of financial position at purchase cost adjusted, up or down, for the share pertaining to the Group of the changes in the net assets of the associate.

The goodwill pertaining to the associate is included in the book value of the equity investment and is not subject to amortisation. Transactions generating internal profits carried out by the Group with associates are eliminated limited to the percentage of equity investment owned by the Group.

The necessary adjustments are made to the financial statements of companies measured using the equity method to make the measurement criteria consistent with those adopted by the Group.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, based on which the identifiable assets, liabilities and contingent liabilities of the acquired company, which meet the conditions for recognition according to IFRS 3, are recognised at fair value on the date on which the Group actually obtains control of the acquiree. Deferred taxes are therefore recognised on value adjustments made to previous book values to align them with that value.

The application of the *acquisition method*, due to its complexity, involves a first phase of provisional determination of the current values of the assets, liabilities and contingent liabilities acquired, such as to allow an initial recognition of the transaction in the consolidated financial statements at the end of the year in which the business combination was carried out. This initial recognition is completed and adjusted within twelve months from the acquisition date. Changes to the initial consideration that derive from events or circumstances subsequent to the acquisition date are recognised in the statement of profit or loss for the year.

Goodwill is recognised as the difference between:

- a) the sum of:
  - the consideration transferred;
  - the amount of non-controlling interests, measured aggregate by aggregate pro-rata of the identifiable net assets attributable to third parties and measured in accordance with IFRS 3;
  - and, in a business combination carried out in several phases, the fair value of the interests previously held in the acquiree, recognising any resulting profit or loss in the statement of profit or loss for the year.
- b) the net fair value of the identifiable assets acquired and the identifiable liabilities assumed.

The amount of non-controlling interests can be calculated as the percentage due to non-controlling interests of the fair value referred to in point b) or, if the full goodwill option is applied, as the percentage due to third parties of the total fair value of the acquiree, also taking into account any majority premiums paid by the illycaffè Group. The application of the full goodwill option can also be carried out for a single business combination without the need to extend the option to all other business combinations recognised in the financial statements.

If the agreement with the seller provides for an adjustment of the price that varies according to the profitability of the business acquired, over a defined time horizon or at a predetermined future date (earn-out), the adjustment is included in the purchase price from the acquisition date and is measured at fair value at the acquisition date.

If, on completion of the determination of the fair value of assets, liabilities and contingent liabilities, the value referred to in point b) above exceeds the sum referred to in point a) above, there is no goodwill and this excess is credited in the income statement, as non-recurring income.

The costs associated with the business combination are not part of the consideration transferred and are therefore recognised in the income statement during the year.

Goodwill is periodically reviewed to verify its recoverability by comparing it with the higher of the fair value and the value in use, calculated as the sum of the discounted future cash flows generated by the underlying investment. Impairment losses on goodwill are recognised immediately in the income statement and cannot be recovered.

For the purpose of the adequacy analysis, the goodwill acquired in a business combination is allocated, at the acquisition date, to the individual cash-generating units of the Group, or to the groups of cash-generating units that should benefit from the synergies of the aggregation, regardless of whether other assets or liabilities of the Group are assigned to these units or groupings of units.

Each unit or group of units to which the goodwill is allocated:

- represents the smallest identifiable group of assets generating cash inflows largely independent of cash inflows generated by other assets or groups of assets;
- is not wider than the operating segments identified on the basis of IFRS 8 "Operating segments".

When goodwill is allocated to a cash-generating unit (group of cash-generating units) and part of the asset within that unit is sold, the goodwill associated with the asset sold is included in the carrying amount of the asset, contributing to the determination of the profit or loss deriving from the sale. The goodwill sold in these circumstances is measured on the basis of the relative values of the asset sold and the portion of the unit kept in place.

When the sale concerns a subsidiary, the difference between the sale price and the net assets, together with the accumulated translation differences and residual goodwill, is recognised in the income statement.

On first-time adoption of IFRS, the Group chose not to apply IFRS 3 to acquisitions made before the date of transition to IAS/IFRS, therefore the goodwill generated on acquisitions prior to that date was maintained at the values resulting from the application of Italian accounting standards and is periodically subject to impairment testing.

The main differences in treatment refer to ancillary costs previously capitalised and now recognised in the income statement, the treatment of changes in the initial consideration as a result of events occurring after the acquisition, and the fair value measurement of the interest previously held in the equity investment.

Translation of financial statements expressed in a currency other than the functional currency

The consolidated financial statements are presented in Euro, which is the functional and reporting currency adopted by the Parent Company. Each Group company defines its own functional currency, which is used to measure the items included in the individual financial statements.

Transactions in foreign currencies are initially recognised at the exchange rate (referring to the functional currency) in effect on the date of the transaction.

Monetary assets and liabilities, denominated in foreign currencies, are translated back into the functional currency at the exchange rate in force on the reporting date.

Non-monetary items measured at historical cost in foreign currency are translated using the exchange rates in effect on the initial date of recognition of the transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rate on the date of determination of that value.

At the reporting date, the assets and liabilities of subsidiaries that adopt a functional currency other than the euro are converted into the presentation currency of the Group’s consolidated financial statements at the year-end exchange rate, and their income statement is converted using the average exchange rate for the year.

Exchange rate differences arising from translation are recognised in other comprehensive income and are shown separately in a special reserve in shareholders' equity ("*Translation difference reserve*" for the Group's share and "*Non-controlling interests in capital and reserves*" for the non-controlling interest).

Upon the disposal of one such subsidiary, the accumulated exchange rate differences related to it are reclassified from equity and recognised in the income statement.

Upon the disposal of one such subsidiary, the accumulated exchange rate differences related to it are reclassified from equity and recognised in the income statement.

Below are the exchange rates applied when translating financial statements in currencies other than the Euro for the years ended 31 December 2022 and 31 December 2021:

Currency	2022		2021	
	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
AED	3.86730	3.91710	4.34360	4.15950
BRL	5.43990	5.63860	6.37790	6.31010
CAD	1.36950	1.44400	1.48260	1.43930
CHF	1.00470	0.98470	1.08110	1.03310
CNY	7.07880	7.35820	7.62820	7.19470
GBP	0.85276	0.88693	0.85960	0.84028
HK\$	8.24510	8.31630	9.19320	8.83330
TWD	31.32230	32.76030	33.03610	31.36710
SGD	1.45120	1.43000	1.58910	1.52790
USD	1.05300	1.06660	1.18270	1.13260

Revenues

The Group is active in the market involved in the production and distribution of coffee and derivative, similar and complementary products, coffee machines, and food and ancillary products, in Italy and abroad, and the corresponding industrial activities.

Revenues from contracts with customers are recognised in accordance with IFRS 15. Based on the five-step model introduced by IFRS 15, the Group recognises revenues after identifying the contracts with its customers and the related services to be fulfilled (transfer of goods and/or services), determining the consideration to which it believes it is entitled in exchange for the fulfilment of each of these services, and evaluating the manner in which these services will be fulfilled.

The Group recognises revenues only when the requirements for identifying the “contract” with the customer are met and the parties have committed to fulfil their respective obligations and it is probable that the Group will receive the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer.

Revenues from sales of coffee are recognised when the control of the goods passes to the customer, generally at the time of delivery, for an amount that reflects the consideration the Group expects to receive in exchange for the sale. The Group considers whether there are other promises in the contract that represent obligations to perform on which a portion of the transaction consideration is to be allocated, such as in relation to customer loyalty programmes. In determining the price of the coffee sales transaction, the Group considers the effects of variable consideration and consideration to be paid to the customer.

If the consideration promised in the contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in return for transferring the goods to the customer.

The Group applies either the most probable amount method or the expected value method to estimate the variable consideration of the contract. The choice of the best method to use to predict the amount of variable consideration depends on the number of thresholds in the contract.

The measurement of consideration is adjusted for volume discounts on quantities sold, early payments with respect to normal payment terms, fees to be acknowledged to customers and customer loyalty programmes.

In particular, the Group recognises volume discounts on quantities sold to certain customers when the quantities of coffee purchased during the period exceed specific contractually defined thresholds, which adjust the related revenues; the Group also grants its customers discounts for early payment, with respect to the normal payment terms. These discounts, even when already contractualised and shown on the invoice, are not considered representative of a significant financial component and are accounted for as a reduction of the related revenues by applying the practical expedient of not taking financial components into account for short-term advances received from customers.

Revenues from the sale of coffee are also adjusted for fees to be paid to customers, including, for example, the conditional premiums for promotional services, contributions for dealing with their own contacts or contributions for marketing support and visibility activities, since the fair value of the service received from customers cannot be reliably estimated.

The Group has loyalty programmes that allow customers to accumulate points that can be redeemed for free with products, discounts or promotional codes. Loyalty points entail a separate obligation to perform as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers on the basis of the related stand-alone sales price and recognised as an obligation to perform as long as the points are used. Consequently, a reduction in sales revenue is estimated in the presence of a current contractual liability. Revenue is recognised when the products are redeemed by the customer.

In assessing the stand-alone price of loyalty points, the Group considers the probability that the customer will redeem the points. The Group updates its estimates of points that will be redeemed quarterly and any adjustments to the balance of contractual liabilities are booked to revenues.

## Contractual liabilities

A contractual liability is an obligation to transfer to the customer goods or services for which the Group has already received payment (or for which a portion of the payment is due). If the customer pays the consideration before the Group has transferred control of the goods or services, the liability deriving from the contract is recognised when the payment is made or (if prior) when it is due.

## Public grants

Public grants are recognised when it is reasonably certain that they will be received and that all conditions referring to them have been met.

Grants related to cost components are recognised as a reduction of the relevant cost item or are shown as income where not directly attributable to a specific cost item and are systematically allocated between periods so as to be commensurate with the recognition of the costs they are intended to offset. Grants related to an asset are spread on a straight-line basis over the expected useful life of the relevant asset.

## Recognition of costs

Costs are recognised when related to goods and services purchased or consumed during the year or when no utility beyond the reporting period can be recognised.

Costs directly attributable to capital transactions are recognised as a direct reduction of shareholders' equity.

Commercial costs relating to the acquisition of new customers are charged to the income statement when incurred.

## Dividends

Dividends to be paid to shareholders are recognised at the date of approval of the resolution by the Shareholders' Meeting.

## Financial income and expense

Financial income and expense are recognised in the income statement on an accrual basis. Interest income and expense are recognised using the effective interest method. Dividend income is recognised when the Group's right to receive payment arises.

Dividends are recognised in profit (loss) for the year only when:

- the entity's right to receive the dividend payment arises. Under current European company law, a distribution is authorised when it is approved by the shareholders;
- it is probable that the economic benefits deriving from the dividend will flow to the entity;
- and the amount of the dividend can be reliably measured.

## Income taxes and indirect taxation

The tax expense for the year includes current and deferred taxes recognised in profit/(loss) for the year, with the exception of those relating to business combinations or items recognised directly in equity or other comprehensive income.

Interest and penalties relating to income taxes are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as they do not meet the definition of income taxes.

### Current income taxes

Current tax assets and liabilities for the year are determined and recorded on the basis of a realistic estimate of taxable income in compliance with tax regulations in force or substantially approved at the reporting date in the countries where the Group operates and generates its taxable income, taking into account the applicable exemptions and any tax receivables due.

Current taxes relating to items recognised directly under shareholders' equity are also recognised under shareholders' equity and not in the profit and loss statement for the year. Management periodically assesses the position adopted in the tax return in cases where tax rules are subject to interpretation and, where appropriate, makes provisions.

Starting from 2005, the Parent Company, acting as the consolidated company, together with *Gruppo illy S.p.A.* as consolidating company, implemented the national tax consolidation regime option that enables IRES to be determined on a taxable base corresponding to the algebraic sum of the positive and negative taxable bases of the individual participating companies. The option for the national tax consolidation regime was renewed for the three-year period 2020-2022.

Financial transactions, as well as the mutual responsibilities and obligations between the consolidating company and the consolidated companies are defined in the *"Consolidation Regulation"* for Group companies. In the statement of financial position, current tax payables or receivables are posted respectively to the item *"Other current liabilities"* or *"Other current assets"*, net of payments on account, taxes withheld and, in general, tax receivables, while in the income statement, current taxes are booked under the item *"Income taxes for the year"*, for the portion due from the consolidated companies.

Any consolidation adjustments that generate benefits in the consolidated statement are recorded in the income statement under the item *"Tax revenues from consolidated taxation"*, classified under the item *"Income taxes for the year"* with an offsetting entry in the balance sheet under *"Other current assets"*. With regard to the transfer of withholding taxes, IRES surpluses, as well as the advances autonomously paid by the consolidated companies, since this is a real sale of assets to the consolidated company, the Group companies recognise a receivable from the consolidated company.

## Deferred and prepaid income taxes

Deferred and prepaid income taxes are calculated on the temporary differences between the values of the assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes, as well as in relation to the tax losses of previous years deductible from taxable income.

Deferred taxes are recognised on all taxable timing differences, with the following exceptions:

- deferred taxes arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit/loss nor the taxable income;
- temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of reversal of the temporary differences and it is probable that, in the foreseeable future, the temporary difference will not reverse;
- the taxable temporary differences relating to the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses and tax receivables, as well as for deductible temporary differences, to the extent that it is probable that future taxable income will be available against which these assets can be used.

The value of deferred tax assets is reviewed at the end of each period and is reduced to the extent that it is no longer probable that sufficient tax profits will become available in the future for the use of all or part of said asset.

Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent that it becomes probable that future taxable income will be sufficient to allow recovery of these deferred tax assets.

Prepaid and deferred taxes are measured on the basis of the tax rates that are expected to be applied in the year in which those assets will be realised or those liabilities will be settled, considering the rates in force and those already issued, or essentially in force, at the balance sheet date in the various countries in which the Group operates.

Current and deferred taxes are charged or credited directly to equity if they relate to items charged directly to equity.

Deferred tax assets and liabilities are not discounted.

Indirect taxes

Costs, revenues, assets and liabilities are recognised net of indirect taxes, such as value added tax, with the following exceptions:

- the tax applied to the purchase of goods or services is non-deductible, in which case it is recognised as part of the purchase cost of the asset or part of the cost recognised in the income statement;
- the trade receivables and payables include the applicable indirect tax.

The net amount of indirect taxes to be recovered or paid to the tax authorities is recorded in the financial statements under the item “Other current assets” or under “Other current liabilities”.

Property, plant and equipment

Property, plant and equipment are recognised at purchase cost (including ancillary charges), if acquired separately, or at production cost (including direct and indirect production costs), if produced internally, or at fair value at the acquisition date if acquired through business combinations.

Property, plant and equipment are systematically depreciated (with the exception of the component relating to land and assets held for sale). The depreciation process takes place on a straight-line basis on the basis of rates deemed representative of the estimated useful life. The useful life and the depreciation criterion are periodically reviewed and if there are significant changes with respect to the assumptions adopted previously, the depreciation charge is adjusted on a prospective basis.

If an asset is composed of several components with different useful lives, these components are accounted for separately (significant components) and depreciated independently.

Costs incurred for improvements, modernisation and transformation of an incremental nature of property, plant and equipment are recognised as assets only if they can be recovered through expected future economic benefits and can be reliably estimated. Ordinary maintenance expenses are charged to the income statement in the year in which they are incurred.

Any decommissioning costs are estimated and added to the asset as a contra-entry to a provision for decommissioning costs. They are then depreciated over the residual duration of the useful life of the asset of reference.

The Group grants professional coffee equipment free of charge to its customers. This equipment is recognised at purchase cost and systematically depreciated on a straight-line basis at rates deemed representative of its useful life.

The depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Property	3.00%
- Plant and equipment	12.50%
- Specific spare parts for plant and machinery	based on the useful life of the main asset
Industrial and commercial equipment	
- Coffee equipment	25.00% - 30.00%
- Internal vehicles	20.00%
- Printing equipment	40.00%
Other assets:	
- Electronic equipment	20.00%
- Furniture and office equipment	12.00%
- Motor vehicles	25.00%
- Light constructions	10.00%
- Printing equipment	40.00%
- Furnishings, trade shows and events	27.00%
- “Concept Bar” furniture	12.00%
- Laboratory fittings	40.00%
- Equipment of modest value	20.00% - 100.00%

Assets held for sale are classified separately under non-current assets held for sale and are no longer depreciated, but written down if their fair value is lower than the cost recognised in the financial statements.

The book value of an asset is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. The gain/loss that emerges at the time of derecognition of the asset (calculated as the difference between the net book value of the asset and the consideration received) is recognised in the income statement when the item is derecognised.

Assets are assessed for impairment indicators to identify any impairment losses.

Leases

During the first-time application of the international accounting standards (1 January 2020), the Group chose to apply IFRS 16 retrospectively (modified retrospective method). At the time of signing a contract, the Group assesses whether it is, or contains, a lease. In other words, whether the contract confers the right to control the use of an identified asset for a period of time in exchange for a fee.

The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases involving low-value assets.

At the commencement date of a lease agreement, the Group recognises an asset consisting of the right of use of the underlying asset (right-of-use asset) and a liability relating to the lease payments.

Specifically:

- it accounts for a right of use on the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the amount of recognised lease liabilities, initial direct costs incurred and lease payments made at the commencement date or prior to commencement net of any incentives received. Right-of-use assets are amortised on a straight-line basis from the commencement date to the end of the useful life of the asset consisting of the right of use. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease duration or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee shall amortise the right-of-use asset from the commencement date until the end of the useful life of the underlying asset. Right-of-use assets are subject to impairment. Assets for operating leases are presented separately under non-current assets, while those for financial leases are included under property, plant and equipment.
- it accounts for a financial liability on the commencement date of the lease. The Group recognises lease liabilities by measuring them at the current value of the lease payments due but not yet paid at that date. Lease payments due include fixed payments (including fixed payments in essence) net of any lease incentives receivable, floating lease payments that depend on an index or rate, and amounts expected to be paid as security for the residual value. Lease payments also include the exercise price of a purchase option, if it is reasonably certain that such an option will be exercised by the Group, and lease termination penalty payments, if the lease duration takes into account the Group's exercise of its lease termination option. Floating lease payments that are not index- or rate-dependent are recognised as costs in the period in which the event or condition giving rise to the payment occurs. In calculating the present value of payments due, the Group uses the marginal borrowing rate at the start date if the implied interest rate cannot be easily determined. After the commencement date, the amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect payments made. In addition, the book value of the lease liabilities is restated in the event of any changes to the lease or for the review of the contractual terms for the change in payments; it is also restated for changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments. Liabilities for operating leases are presented separately, distinguishing between current and non-current; liabilities for financial leases are presented under financial liabilities - payables for loans to other providers of finance.

The Group applies the exemption for the recognition of leases relating to low-value assets such as computers, telephones and tablets, printers and electronic equipment, and to contracts with a duration of 12 months or less that do not contain purchase options (short-term leases). Fees relating to short-term leases and leases of low-value assets are recognised as costs on a straight-line basis over the lease duration.

As required by the standard, the Group has adopted certain elements of professional judgement and the use of assumptions and estimates in relation to lease terms, and the definition of the incremental borrowing rate. The main elements of judgement are summarised below:

- renewal clauses, extension options and early termination of contracts are taken into account in determining the term of the contract when their exercise is deemed reasonably certain, i.e. when the Group has the right to exercise them without the need to obtain the consent of the counterparty;
- incremental borrowing rate: the Group has decided to use the incremental borrowing rate as the discount rate for discounting back lease payments. This rate consists of the risk-free rate adjusted on the basis of three different credit spreads of the Group, determined on the basis of three different loans taken out by the same, at different times and with different durations.

Intangible assets and goodwill

Intangible assets are resources that are clearly identifiable and controllable by the Group, from which future economic benefits are expected for the Group. They are recognised at purchase cost if acquired separately, and are capitalised at fair value at the acquisition date if acquired through business combinations. Internally generated intangible assets, with the exception of development costs that meet specific requirements as defined in IAS 38, are not capitalised and are recognised in the income statement for the year in which they are incurred.

Both the useful life and the amortisation criterion are reviewed periodically and, if significant changes are found with respect to the assumptions previously adopted, the amortisation charge for the year and subsequent years is adjusted.

Intangible assets with a definite useful life are amortised over their useful life and are tested for impairment whenever there are indications of possible impairment. Amortisation begins when the asset is available for use and ceases when its useful life ends or it is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortisation criterion of an intangible asset with a finite useful life are reviewed periodically (at least at the end of each year) and, if significant changes are found with respect to the assumptions previously adopted, the amortisation charge for the year and subsequent years is adjusted.

Amortisation charges for intangible assets with a definite useful life are recognised in the income statement in the cost category consistent with the function of the intangible asset.

The amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Development costs	3-5 years
- Industrial patent rights	10 years
- Know-how, intellectual property and internet domain rights	2-10 years
- Concessions, licences, trademarks and similar rights	5-10 years
- Other intangible assets	from 2 to 33 years

Goodwill and fixed assets with an indefinite useful life are not subject to amortisation, but rather periodic tests to identify any impairment losses. If the recoverable value is lower than the carrying amount, the recognised asset is appropriately written down.

The assessment of the indefinite useful life is reviewed annually to determine whether this designation continues to be sustainable, otherwise, the change from indefinite to definite useful life is applied on a forward-looking basis.

## Research and development costs

Costs for research activities are charged to the income statement for the year in which they are incurred. Development costs incurred in connection with a specific project are recognised as intangible assets only if:

- the project is clearly identified and the related costs are identifiable and reliably measurable;
- the technical feasibility of the project is demonstrated;
- the intention to complete the project and to sell the assets generated by the project has been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset for the production of the assets generated by the project is demonstrated;
- the technical and financial resources necessary for the completion of the project are available;
- the intangible asset will generate probable future economic benefits.

After initial recognition, the development activities are measured at cost reduced by the amortisation or the accumulated impairment losses. The amortization of assets begins when development is complete and the asset is available for use. Development activities are amortised over the period of the expected benefits, normally identified as a period of up to 5 years. During the development period, the asset is subject to an annual impairment test.

## Impairment on non-financial assets

At each balance sheet date, the Group assesses whether there are any indicators of impairment of non-financial assets.

In the case of goodwill, other intangible assets with an indefinite useful life and intangible assets not yet available for use, this assessment is made at least annually, even in the absence of impairment indicators. In the case of property, plant and equipment as well as equity investments and intangible assets with a finite useful life, the measurement of the recoverable value is carried out whenever the periodic analysis carried out at each reporting date shows trigger events.

The recoverability of the values recorded is verified by comparing the book value recorded in the financial statements with the higher of the fair value of the asset or cash-generating unit, net of disposal costs, and its value in use. If the book value of an asset is greater than its recoverable value, that asset has suffered an impairment loss and is consequently written down to its recoverable value.

Fair value is the price that could be received to sell an asset or pay to transfer a liability in an ordinary transaction between market participants at the measurement date. Therefore, recent transactions on the market are taken into account. If it is not possible to identify such transactions, an appropriate valuation model is used.

The value in use is determined with reference to the present value of estimated future cash flows, which are assumed to result from the continuous use of an asset and its disposal at the end of its useful life, discounted by applying a post-tax discount rate that reflects the current market valuations of the present value of money and the specific risks associated with the asset. If an individual asset does not produce independent cash flows, it is not possible to determine its value in use: in this case, it will be estimated with reference to the cash-generating unit to which the asset belongs.

The Group bases its impairment test on the most recent and up-to-date forecast estimates drawn up and approved by the administrative body. These forecast estimates generally cover a period of four to five years. To project future cash flows beyond the fourth or fifth year, a long-term growth rate is calculated.

Impairment losses are recognised in the income statement when the book value of the asset is higher than the recoverable value.

With the exception of goodwill, for which impairment losses cannot be reversed, the book value of the asset is increased to the recoverable value when an impairment loss is reversed or is reduced. The value of a previously impaired asset may be reinstated only if there have been changes in the assumptions on which the calculation of the determined recoverable value was based, subsequent to the recognition of the last impairment loss. However, the increased book value of an asset due to a reversal of an impairment loss does not exceed the book value that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised in prior years. Reversals of an asset's value are recognised immediately as income in the income statement unless the asset is recorded at revalued value, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment at least annually, or more frequently if circumstances indicate that the book value may be impaired.

Goodwill impairment is determined by assessing the recoverable value of the flow generating unit or group of cash generating units to which the goodwill relates. If the recoverable value of the cash-generating unit is lower than the book value of the cash-generating unit to which the goodwill was allocated, an impairment loss is recognised. Impairment losses of a cash-generating unit or group of cash-generating units are charged firstly as a reduction in the book value of any goodwill allocated to it and then as a reduction in the book values of other assets, in proportion to their book value.

## Financial instruments

A financial instrument is any contract which gives rise to a financial asset for an entity and to a financial liability or to an instrument representative of capital for another entity.

The financial instruments held by the Group are included in the following financial statements items:

- *“Non-current financial assets”*: these include non-current loans and receivables;
- *“Current financial assets”*: these include trade receivables, receivables from loan activities, current securities and other current financial assets (including the positive fair value of derivative financial instruments);
- *“Cash and cash equivalents”*: these include bank deposits, units of liquidity funds and other highly marketable securities that can be readily converted into cash and are subject to an insignificant risk of change in value;
- *“Financial liabilities”*: these refer to financial payables, other financial liabilities, the negative fair value of derivative financial instruments, trade payables and other payables.

## Financial assets

### Recognition, initial measurement and measurement

Upon initial recognition, financial assets are classified, as appropriate, according to subsequent measurement methods, i.e. at amortised cost, at fair value in the other components of comprehensive income (OCI) and at fair value in the income statement.

The classification of financial assets at the time of initial recognition depends not only on the nature of the instrument, but also on the contractual cash flow characteristics of the financial assets and the business model the Group uses to manage them. With the exception of trade receivables, the Group initially values a financial asset at its fair value plus any transaction costs.

Upon initial recognition, trade receivables, which do not contain a significant financing component, are measured at the transaction price determined in accordance with IFRS 15.

For the purposes of subsequent measurement, financial assets are classified into two categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value recognised in the income statement.

### Financial assets at amortised cost (debt instruments)

The Group measures the financial assets at amortised cost if both the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset envisage cash flows at certain dates consisting solely of payments of principal and interest on the principal amount to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

### Financial assets measured at fair value recognized in the comprehensive income statement

A financial asset must be measured at fair value if both of the following conditions are met:

- the financial asset is held as part of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows on specified dates consisting solely of payments of principal and interest on the principal amount outstanding.

These assets are initially recognized in the financial statements at their fair value increased by any ancillary costs directly attributable to the transactions that generated them. During the subsequent measurement, the valuation made at the time of recognition is updated and any changes in fair value are recognized in the comprehensive income statement.

### Financial assets measured at fair value through other income

Financial assets that are not classified in any of the previous categories are classified in this category.

Assets belonging to this category are recognised at fair value at the time of their initial recognition.

The ancillary costs incurred at the time of recognition of the asset are charged immediately in the consolidated income statement. At the time of subsequent measurement, financial assets are measured at fair value.

Gains and losses deriving from changes in fair value are accounted in the consolidated income statement in the period in which they are recognised.

### Removal from the financial statements

A financial asset or, where applicable, part of a financial asset or part of a group of similar financial assets, is removed from the Group's statement of financial position, when:

- the rights to receive cash flows from the asset are extinguished;
- the Group has transferred to a third party the right to receive cash flows from the asset or has undertaken a contractual obligation to pay them in full and without delay and (a) has essentially transferred all risks and benefits of ownership of the financial asset, or (b) has neither transferred nor retained essentially all risks and benefits of the asset, but has transferred control of it.

In cases where the Group has transferred the rights to receive cash flows from an asset or has entered into an agreement whereby it retains the contractual rights to receive the cash flows from the financial asset, but undertakes a contractual obligation to pay the cash flows to one or more beneficiaries (pass-through), it assesses whether and to what extent it has retained the risks and benefits inherent in ownership. If it has neither transferred nor retained essentially all of the risks and benefits or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its continuing involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and associated liability are measured to reflect the rights and obligations that remain with the Group.

When the entity's residual involvement is a guarantee on the transferred asset, the involvement is measured at the amount of the asset or the maximum amount of consideration received that the entity could be required to repay, whichever is the lower.

## Losses in value on financial assets

The Group recognises a write-down for expected losses (so-called expected credit loss) for all financial assets represented by debt instruments not held at fair value recognised in the income statement. Expected losses are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows the Group expects to receive, discounted back to an approximation of the original effective interest rate. Expected cash flows include cash flows arising from the enforcement of secured guarantees held or other credit guarantees that are an integral part of the contractual terms.

With regard to trade receivables and assets, the Group applies a simplified approach in the calculation of the expected losses, therefore it does not monitor changes in credit risk, but recognises the expected loss in full at each balance sheet date. The Group has defined a matrix system based on historical and market information, revised to consider forward-looking elements with reference to specific types of debtors and their economic environment, as an instrument for determining expected losses.

## Financial liabilities

### Recognition, initial and subsequent measurement

The Group's financial liabilities include mortgages, loans, derivative financial instruments, and a bond issue. Financial liabilities are classified, at the time of initial recognition, under mortgages and loans, or as derivative instruments designated as hedging instruments. There are no financial liabilities at fair value recognised in the income statement, including therein derivative financial instruments entered into by the Group that are not designated as hedging instruments in a hedging relationship as defined by IFRS 9.

All financial liabilities are initially recognised at fair value plus, in the case of mortgages, loans and payables, directly attributable transaction costs. Subsequently, since they are loans and financing, they are measured at amortised cost. The value of the payables is subsequently reduced for the amounts paid, both as principal and interest.

### Financial liabilities at amortised cost (loans and financing)

After initial recognition, loans are measured using the amortised cost approach, applying the effective interest rate method.

With regard to the change in the contractual terms of a financial liability, the Group assesses when such a change can be considered "substantial", thus giving rise to an accounting derecognition of the financial liability. If the change is not substantial in nature ("*modification*"), the financial liability is not extinguished and the Group recognises the profit or loss deriving from this change in the income statement.

In the case of instruments maturing within twelve months, the nominal value is used as an approximation of the amortised cost.

It follows that if the interest rate of the transaction is not significantly different from the market rate, the payable is initially recorded at a nominal value net of all transaction costs and all premiums, discounts and rebates directly derived from the transaction that generated the payable. These transaction costs, as ancillary costs for obtaining the loans, any commission and any difference between the initial value and the nominal value at maturity are spread over the duration of the payables using the effective interest approach.

On the other hand, when it appears that the interest rate of the transaction based on contractual conditions is significantly different from the market rate, the payables (in addition to the corresponding cost in the case of commercial transactions) is initially recognised at a value equal to the present value of future cash flows taking into account any transaction costs. The rate used to discount future flows is the market rate.

Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that form integral part of the effective interest rate. Amortisation at the effective interest rate is included in financial expense in the income statement.

## Removal from the financial statements

A financial liability is removed from the financial statements when the obligation underlying the liability is extinguished, cancelled or discharged. Where an existing financial liability is exchanged for another financial liability of the same lender under substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a removal of the original liability from the accounts, accompanied by the recognition of a new liability, with any differences between the book values recognised in the income statement.

## Derivative financial instruments and hedge accounting

### Recognition, initial and subsequent measurement

The Group uses derivative financial instruments including currency forwards, interest rate swaps, commodity swap transactions and options to purchase commodities to hedge, respectively, its exchange rate risks, interest rate risks and price risks in relation to the raw material green coffee or washed coffee. The Group's policy is to use these instruments within the limits defined by the needs of ordinary operations, and not to take on positions for speculative purposes.

For the purposes of accounting for these derivative financial instruments, the Group adopts the provisions of IFRS 9.

The documentation that formalises the hedging relationship to which hedge accounting is to be applied includes the identification of:

- the hedging instrument;
- the hedged item or transaction;
- the nature of the risk;
- the methods with which the company intends to assess the effectiveness of the hedge in offsetting the exposure to changes in the fair value of the hedged item or the cash flows attributable to the hedged risk.

The hedging relationship meets the eligibility criteria for hedge accounting if:

there is an economic relationship between the hedged item and the hedging instrument;

- the effect of the credit risk does not override the changes in value resulting from the aforementioned economic relationship;
- a ratio of coverage is determined equal to the ratio between the quantities of derivative financial instruments used and the quantity of items hedged to an extent that does not entail ex ante the ineffectiveness of the hedge.

The verification of the economic relationship is carried out qualitatively, verifying that the supporting elements of the hedging instrument and the hedged element are corresponding or closely aligned, and in a quantitative manner.

On initial recognition, these instruments are measured at fair value. At subsequent reporting dates, the fair value of derivatives must be remeasured and:

- (i) if these instruments do not meet the requirements for hedge accounting, the changes in fair value that arise after initial recognition are charged to the income statement;
- (ii) if these instruments meet the requirements of a fair value hedge, from that date the changes in fair value of the derivative are recognised in the income statement; at the same time, changes in fair value due to the hedged risk are recognised as an adjustment to the book value of the hedged item and, as a balancing entry, to the income statement; any ineffectiveness of the hedge is recognised in the income statement, in a separate item from that in which the changes in fair value of the hedging instrument and the hedged item are classified;
- (iii) if these instruments meet the requirements of a cash flow hedge, starting from that date, the changes in fair value of the derivative are recognised in equity limited to the effective portion of the hedge and in the income statement for the ineffective portion; the changes in fair value of the derivative recognised in equity are reclassified to the income statement in the period in which the hedged transaction affects the income statement; when the object of the hedge is the purchase of a non-financial asset, the changes in fair value of the derivative recognised in equity are reclassified as an adjustment to the purchase cost of the hedged asset;
- (iv) if these instruments meet the requirements of a hedge of a net investment of a foreign operation, starting from that date the changes in fair value of the derivative adjust the "translation difference" limited to the effective portion of the hedge and are allocated to the income statement for the ineffective portion;
- (v) hedging is carried out by the designated instrument, considered as a unit. In the case of options or forward contracts, however, only a part of the derivative is designated as a hedging instrument; the residual component is charged to the income statement. In particular, in the case of options, only changes in fair value due to changes in intrinsic value are designated as hedging instruments; on the other hand, changes in fair value of the option due to changes in time value are recognised in the income statement and are not considered in the measurement of the effectiveness of the hedge. In the case of forward contracts, only changes in fair value due to changes in the spot rate are designated as a hedging instrument; on the other hand, changes in fair value due to changes in forward points are recognised in the income statement and are not considered in the measurement of the effectiveness of the hedge.

If the hedge becomes ineffective or if there is a change in the Group's hedging strategies, hedge accounting is discontinued. Specifically, hedge accounting stops, with prospective effects, when hedging becomes ineffective or when the change in hedging strategies occurs.

If, in a fair value hedge, the hedged item is a financial instrument measured using the effective interest rate method, the adjustments made to the book value of the hedged item are amortised starting from the date on which the fair value hedge accounting is discontinued and therefore the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk.

Transactions hedging exchange rate risk due to forecasted transactions and firm commitments are recognised in the financial statements according to the cash-flow hedge accounting model.

Derivatives are recognised as assets if the fair value is positive and as liabilities if negative. These balances are shown under current assets or liabilities if they relate to derivatives that do not meet the hedging requirements, while they are classified in line with the hedged item in the other cases.

In particular, if the hedged item is classified under current assets or liabilities, the positive or negative fair value of the hedging instrument is shown under current assets or liabilities; if the hedged item is classified under non-current assets or liabilities, the positive or negative fair value of the hedging instrument is shown under non-current assets or liabilities.

## Inventories

Inventories are measured at the lower of purchase or production cost and the net estimated realisable value based on market trends. For raw materials, the acquisition cost is determined using the weighted average cost.

For finished products and goods, the purchase or production cost is determined on the basis of the weighted average costs for the year, including ancillary purchase costs and direct and indirect production costs for the reasonably attributable part.

Obsolete and slow-moving stocks are written down in relation to their possibility of use or sale.

## Cash and cash equivalents

Cash and cash equivalents includes liquid financial assets and financial investments with a residual maturity at the date of purchase of less than three months and subject to an insignificant risk of change in their value. The aforementioned financial assets are recognised at their nominal value.

## Provisions for risks and charges

Provisions for risks and charges concern costs and charges of a determined nature and of certain or probable existence that at the year-end date cannot be determined with certainty in terms of amount or date of occurrence.

Provisions are recognised when the following conditions are met:

- (i) the Group has a current legal or implied obligation arising from a past event;
- (ii) it is probable that the fulfilment of the obligation will require the use of resources likely to produce economic benefits;
- (iii) the amount of the obligation can be reliably estimated.

The amount allocated in the financial statements represents the best estimate of the amount that the company would rationally pay to settle the obligation or to transfer it to third parties at the reporting date.

When the financial effect of time is significant and the settlement dates of obligations can be reliably estimated, the provision is discounted; when the provision is discounted, the increase in the provision related to the passage of time is charged to the income statement as a financial expense.

Employee benefits

Short-term employee benefits are recognised as an expense when the service that gives rise to these benefits is provided. The Group recognises a liability for the amount that is expected to be paid when it has a current, legal or implied obligation to make such payments as a result of past events and it is possible to make a reliable estimate of the obligation.

Post-employment benefits are defined on the basis of plans, albeit not formalised, which according to their characteristics are divided into defined contribution plans and defined benefit plans.

In defined contribution plans, the obligation of the company is limited to the payment of the contributions agreed with the employees and is determined on the basis of the contributions due at the end of the period, less any amounts already paid.

In defined benefit plans, the amount recognised as a liability is equal to: (a) the present value of the defined benefit obligation at the reporting date; (b) plus any actuarial gains (less any actuarial losses); (c) less any social security costs relating to past service not yet recognised; (d) less the fair value at the reporting date of the assets servicing the plan (if any) outside of which the obligations must be extinguished directly.

In defined benefit plans, the cost charged to the income statement is equal to the algebraic sum of the following elements: (a) the social security cost related to current employment services; (b) financial expense deriving from the increase in liabilities as a result of the passage of time; (c) the expected return on any assets serving the plan; (d) the social security cost relating to past employment services; (e) the effect of any reductions or terminations of the programme. Actuarial gains and losses are recognised in other comprehensive income.

All net financial expenses on defined benefit plans are recognised under financial income (expense) in the income statement.

Share-based payments

The Group pays some members of senior management and other beneficiaries who hold key positions in the Group incentives consisting of share capital plans.

The value of these share-based payments is measured by reference to the fair value at the grant date. Fair value is determined using an appropriate valuation model.

The cost of transactions settled with securities, together with the corresponding increase in shareholders' equity, is recognised in the period starting from the moment in which the conditions relating to the achievement of objectives and/or the provision of the service are met and ends on the date on which the employees concerned have fully accrued the right to receive the remuneration ("vesting date").

The cumulative costs recognised for these transactions at each year-end date until the vesting date are commensurate with the expiry of the vesting period and the best available estimate of the number of equity instruments that will actually vest. The cost or revenue in the income statement represents the change in the cumulative cost recognised at the beginning and end of the period.

Assets and liabilities held for sale

Assets and liabilities held for sale include, respectively, non-current assets (or groups of assets held for sale) and the associated liabilities, the sale of which is highly probable within one year according to a specific plan and the book value of which will therefore be recovered primarily through a sale transaction rather than through continued use. These items are measured at the lower of the net book value at which these assets and liabilities were recognised and the fair value less foreseeable costs of disposal. From the date on which these assets are classified in the category of non-current assets held for sale, the related amortisation/depreciation is suspended. Any losses deriving from this valuation are recognised in a specific item of the income statement.

Change in accounting standards and disclosure

**New accounting standards, interpretations and amendments adopted by the Group**  
The Group has not adopted any other standards, interpretations or amendments in advance that have been issued but are not yet effective.

**IFRS standards/Interpretations approved by the IASB and endorsed by the European Union**  
The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in the European Union and applied for the first time in the current year.

Description	Approval date	Publication in OJEU	Effective date envisaged by the standard	Effective date
Amendments to:				
- IFRS 3 <i>Business Combinations</i>				
- IAS 16 <i>Property, Plant and Equipment</i>				
- IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	28 Jun '21	2 Jul '21	1 Jan '22	1 Jan '22
- Annual Improvements 2018-2020				
(all issued on 14 May 2020)				

The amendments to IFRS 3 “*Reference to the Conceptual Framework*” aim to: (i) complete the updating of the references to the *Conceptual Framework for Financial Reporting* in the accounting standard; (ii) provide clarifications on the prerequisites for the recognition, at the acquisition date, of provisions, contingent liabilities and liabilities for levies assumed as part of a business combination transaction; (iii) make it clear that contingent assets cannot be recognised as part of a business combination.

The amendments to IAS 16 “*Property, Plant and Equipment: Proceeds before Intended Use*” are aimed at clarifying that proceeds from the sale of goods produced by an asset before it is ready for its intended use are recognised in the income statement together with the related production costs.

The amendments to IAS 37 “*Onerous Contracts - Cost of Fulfilling a Contract*” are intended to provide clarifications on how to determine the cost of a contract.

The “*Annual Improvements to IFRS Standards 2018-2020*” contain amendments, essentially of a technical and editorial nature, to the accounting standards.

With reference to the standards and interpretations detailed above, the adoption did not have a material impact on the measurement of the Group’s assets, liabilities, costs and revenues.

The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in the European Union the mandatory effective date of which is after 31 December 2022.

Description	Approval date	Publication in OJEU	Effective date envisaged by the standard	Effective date
Amendment to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021)	2 March '22	3 March '22	1 Jan '23	1 Jan '23
IFRS 17 “Insurance Contracts” (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)	19 Nov '21	23 Nov '21	1 Jan '23	1 Jan '23
Amendment to IFRS 17 “Insurance contracts” and IFRS 9 (issued on 9 December 2021)	8 Sep '22	9 Sep '22	1 Jan '23	1 Jan '23
Amendment to IAS 12 “Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction” (issued on 7 May 2021)	11 Aug '22	12 Aug '22	1 Jan '23	1 Jan '23
Amendment to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates” (issued on 12 February 2021)	02-Mar-22	03-Mar-22	1 Jan '23	1 Jan '23

The amendments to IAS 1 “*Presentation of Financial Statements*” and “*IFRS Practice Statement 2: Disclosure of Accounting Policies*” are aimed at improving the disclosure on accounting policies in order to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.

IFRS 17 “*Insurance Contracts*” is a new comprehensive accounting standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure and will replace IFRS 4, issued in 2005. This standard applies to all types of insurance contracts regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation characteristics.

The amendments to IAS 12 “*Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*” provide for exceptions to the “*initial recognition exemption*” envisaged by IAS 12.25 (b) and IAS 12.24. The new provision specifically impacts the calculation of taxes resulting from the “*initial recognition*”.

The amendments to IAS 8 “*Accounting policies, Changes in Accounting Estimates and Errors*” allow entities to distinguish between accounting standards and accounting estimates, by introducing a new definition of “*accounting estimates*”.

With reference to the standards and interpretations detailed above, the adoption is not expected to have a material impact on the measurement of the Group’s assets, liabilities, costs and revenues.

Forthcoming accounting standards and interpretations

IFRS standards/Interpretations approved by the IASB and not endorsed by the European Union

Below are the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB that have not yet been endorsed for adoption in the European Union at 18 November 2022.

Description	Effective date envisaged by the standard
Amendments to IAS 1: “Presentation of Financial Statements - Classification of liabilities as current or non-current” and “Classification of Liabilities as Current or Non-current - Deferral of Effective Date” (issued on 23 January 2020 and 15 July 2020, respectively)	Financial years beginning on or after 1 Jan '23
Amendments to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback” (issued on 22 September 2022)	Financial years beginning on or after 1 Jan '24

The amendments to IAS 1 concern the definitions of current and non-current liabilities, and provide a more general approach to the classification of liabilities based on contractual arrangements.

The amendments to IFRS 16 concern the definitions of liabilities deriving from the leaseback and the recognition of any gains or losses deriving from the transaction.

With reference to the standards and interpretations detailed above, the adoption is not expected to have a material impact on the measurement of the Group’s assets, liabilities, costs and revenues.

## Discretionary assessments and significant accounting estimates

The preparation of the financial statements requires the Directors to apply accounting standards and methods which, in certain circumstances, are based on valuations and estimates based on historical experience and assumptions that are considered reasonable and realistic from time to time in relation to the related circumstances.

The application of these estimates and assumptions has an effect on the values of the assets and liabilities, of the costs and revenues recognised in the financial statements and on the disclosure relating to contingent assets and liabilities at the year-end date. The final results could differ from these estimates.

Below is a brief description of the financial statement items that require more subjectivity on the part of the Directors in preparing the estimates than others and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data.

- **Measurement of receivables:** trade receivables are adjusted by the related allowance for doubtful receivables to take into account their actual recoverable value. Determining the amount of the write-downs made requires the Directors to exercise subjective judgement based on the documentation and information available also regarding the customer's solvency, as well as on experience and historical trends.
- **Measurement of goodwill and intangible assets with an indefinite useful life:** in accordance with the accounting standards applied by the Group, goodwill and intangible assets with an indefinite useful life are subject to an impairment test at least annually in order to ascertain whether there is any indication of impairment. This test requires the Directors to make subjective assessments based on the information available within the Group and from the market, as well as on historical experience; they also depend on factors that may vary over time, influencing the valuations and estimates made by the Directors. In addition, if it is determined that a potential impairment may have been generated, the Group proceeds to determine it using valuation techniques deemed appropriate.
- **Provisions for risks:** the identification of the existence or otherwise of a current obligation (legal or implicit) is not easy to determine in some circumstances. The Directors assess these phenomena on a case-by-case basis, together with the estimate of the amount of economic resources required to fulfil the obligation. When the Directors believe that the occurrence of a liability is only possible, the risks are indicated in the specific disclosure section on commitments and risks, without giving rise to any allocation.
- **Valuation of closing inventories:** the closing inventories of products with obsolescence or slow turnover characteristics are periodically subjected to valuation tests and written down if their recoverable value is lower than the book value. The write-downs made are based on assumptions and estimates by management deriving from its experience and from the historical results achieved.
- **Pension plans and other post-employment benefits:** Group companies participate in pension plans and other post-employment benefits in various countries. Management uses multiple statistical assumptions and valuation factors with the aim of anticipating future events to calculate the charges, liabilities and assets relating to these plans. The assumptions concern the discount rate, the expected return on assets servicing the plan and the rates of future salary increases. In addition, the Group's consulting actuaries also use subjective factors, such as mortality and resignation rates.

- **Lease term:** determined on the basis of the individual agreement and consisting of the "non-cancellable" period together with the effects of any extensions or early terminations the exercise of which was deemed reasonably certain and considering the terms of the contract itself. Specifically, for properties, this valuation considered the specific circumstances of each asset on a consistent basis with the Group's long-term plans. With regard to other categories of assets, the Group has generally considered it unlikely that any extension or early termination clauses would be exercised in consideration of the approach usually followed by the Group.
- **Discount rate of leases falling under IFRS 16 (incremental borrowing rate):** the Group cannot easily determine the implicit interest rate of the operating lease and therefore uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the interest rate that the lessee would have to pay for a loan, with a similar duration and with similar collateral, required to obtain an asset of similar value to the right-of-use asset in a similar economic context. The Group has estimated the incremental borrowing rate using observable data, such as, for example, market interest rates for the various durations of the lease agreements.
- **Depreciation and amortisation** of property, plant and equipment, intangible assets and right-of-use assets, recognised on the basis of the estimate of the residual useful life and their recoverable value. The estimate of the useful lives, also with reference to any capital gains allocated at the time of business combinations, is made by management on the basis of generally applicable valuation practices, based on industry experience and knowledge, and is critically reviewed at each period end.
- **Taxes:** income taxes are recognised on the basis of the best estimate of the rate expected for the entire year. Deferred tax assets are recognised to the extent that it is probable that there will be a taxable profit in the future that will allow the utilisation of the losses. Significant estimation by management is required to determine the amount of tax assets that can be recognised based on the level of future taxable profits, the timing of their occurrence and the applicable tax planning strategies.

### Measurement of fair values

Various accounting standards and some disclosure obligations require the Group to measure the fair value of financial and non-financial assets and liabilities.

In measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. The fair values are divided into various hierarchical levels based on the input data used in the valuation techniques, as illustrated below.

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: input data other than the quoted prices referred to in Level 1 that are observable for the asset or liability, both directly (prices) and indirectly (derived from prices);
- Level 3: input data relating to the asset or liability that are not based on observable market data.

If the input data used to measure the fair value of an asset or liability can be classified in the different levels of the fair value hierarchy, the entire measurement is included in the same hierarchy level as the lowest level input that it is significant for the entire assessment. The Group recognises the transfers between the various levels of the fair value hierarchy at the end of the period in which the transfer took place.

Segment information

The Parent Company does not have any securities traded or that may soon be issued for trading on financial markets and is therefore exempt from the obligation to report segment financial information, as required by IFRS 8.

Earnings per share

The Parent Company has no ordinary shares or potential ordinary shares traded or that may soon be issued for trading in the financial markets; therefore, it does not apply IAS 33, which governs the disclosure on earnings per share.

Financial risk management criteria and objectives

The Group constantly monitors its exposure to financial risks with the aim of stabilising cash flows and ensuring the alignment of the operating result with what was planned in the budget.

These risks are managed centrally by the Administration, Finance and Control Department, based on the guidelines agreed with senior management. In particular, market risk management with regard to raw materials, exchange rates and interest rates is regulated by a Group policy approved in February 2017 and updated at the end of 2021, which defines the perimeter of exposure, the time horizon, the roles and responsibilities as well as the derivative instruments allowed for hedging against said risks.

With regard to the health emergency, the impacts and probabilities of different risk scenarios have been further developed.

Commodity price risk

The Group is exposed to the risk of changes in commodity prices, given the extremely volatile nature of the coffee market, which is influenced by macroeconomic factors (supply and demand) and financial factors (e.g. index funds, hedge funds, etc.).

The objective of commodity risk management is to stabilise the purchase cost of the raw material in order to ensure alignment with the values defined in the forecast and multi-year plan as far as is possible. In addition to defining pre-defined price agreements with producers, derivative financial instruments are used with banks specialised in the agricultural sector, with a time horizon that is at most equal to the multi-year plan, always following the guidelines defined in the *Financial Risk Policy*.

In 2022, the Group entered into derivative contracts for the purchase of green coffee, which hedge around 20% of the estimated coffee purchases for 2023. Predefined price agreements with green coffee producers account for around 38% of the estimated coffee purchases for 2023.

Exchange rate risk

The Group operates in an international context in which transactions are also conducted in currencies other than the euro, exposing it to the risk of fluctuating exchange rates. The exchange rate risk is managed (deriving from changes in the euro values of cash flows in foreign currencies due to an exchange rate that is different from what was defined in the budget) and partly also the accounting exchange risk to reduce the impact of changes in the exchange rate between the date of invoicing and the date of collection. The centralisation in the Parent Company of activities related to the management of such risk allows – where possible - natural hedging between the incoming and outgoing forecast cash flows. If the net balance is higher than Euro five hundred thousand per annum, any hedging transactions are decided in accordance with the provisions of the budget/multi-year plan and using the financial instruments defined in the *Financial Risk Policy*.

The translation risk associated with the translation of the assets/liabilities of consolidated companies that prepare their financial statements in currencies other than the euro is not managed.

Foreign exchange derivative transactions outstanding at 31 December 2022 are described in Note 22.

The following table shows the sensitivity to a reasonably possible change in the exchange rate of the US dollar and the Brazilian real, with all other variables held constant. The effect on the Group's profit before tax is due to changes in fair value of monetary assets and liabilities outstanding at year end, including derivatives in foreign currency, while that on shareholders' equity before taxation also includes the effect of the translation of the net assets/liabilities of the American consolidated companies. The Group's exposure to exchange rate changes for all other foreign currencies is not significant.

Appreciation/depreciation of the exchange rate	Increase/decrease in the pre-tax profit	Increase/decrease before taxation in shareholders' equity
5% EUR vs. USD	(564,329)	(1,853,271)
-5% EUR vs. USD	623,733	2,048,352
5% EUR vs. BRL	(427,665)	(269,792)
-5% EUR vs. BRL	472,682	298,191

Interest rate risk

Borrowing from banks exposes the Group to the risk of changes in interest rates. Specifically, loans at floating rates determine the risk of an increase in financial expense, whereas fixed-rate loans (including the bond loan issued in 2015) entail a potential change in the fair value of the loans.

Interest rate risk, in terms of increase in financial expense, is managed by the *Financial Risk Policy* where the use of financial hedging instruments is envisaged.

At 31 December 2022, there were two Interest Rate Swap agreements in place, the characteristics of which are more fully described in Note 17, where the Group agrees to exchange, at defined intervals, the difference in amount between the fixed rate and the floating rate calculated making reference to an agreed notional principal amount. These swap agreements are designated to hedge the underlying debt. At 31 December 2022, after taking into account the effect of the IRSs, approximately 56% of the Group's loans are fixed-rate (2021: 66%).

The following table illustrates the sensitivity to a reasonably possible change in interest rates on that portion of debt and loans, after the effects of hedge accounting. With all other variables held constant, and thus based on the value of the financial debt/credit at the end of the year, the Group's profit before of taxes is affected by the impact on floating-rate loans as follows:

Increase/decrease in the basis points	Increase/decrease in the pre-tax profit
+100BPS	(487,467)
-100BPS	459,625

Credit risk

Credit exposure is divided among a high number of counterparties and customers. The Group strives to reduce the risk resulting from the insolvency of customers through rules ensuring that sales are made to reliable and solvent customers, especially in Italy. These rules, based on the available information on customer solvency and historic data, combined with exposure limits per individual customer, reduce credit concentration and minimize the relative risk. In the event of changes in the payment terms, guarantee measures are put in place to protect payments. Positions involving significant amounts for which the Group identifies situations of objective, total or partial, non-recoverability, taking into consideration any guarantees obtained and the costs and expenses of recovery, are written down individually. Also, the Group makes appropriate provisions for receivables that have not been written down individually on the basis of the expected losses. The write-down percentages are determined on the basis of that which the reference standard suggests, estimating the probability of default on the historical basis of past losses and collection experience in the previous twenty-four months. In particular, the write-down percentages in the previous twenty-four months are based on the days past due for each class of customers grouped in the various segments that show similar historical loss trends (by geographical area and by past due class). Disclosure on the credit risk exposure on the trade receivables is illustrated in note 20.

Liquidity risk

This risk could be manifested in inability on the part of the Group to find, at optimal financing conditions, the financial resources needed to sustain operations. The Group's cash flows, borrowing requirements and liquidity are constantly monitored centrally by the Finance and Treasury department in order to ensure the effective and efficient management of financial resources; these include bank overdrafts, medium/long-term bank loans, a bond issue and financial lease agreements. The Group's capacity for generating operating cash flows, structuring its financial debt maturities and the confidence that the banking system has in it, with the consequent availability to access sources of funding, mean that the liquidity risk is regarded as well-controlled.

Capital management

For the purpose of the Group's capital management, it has been defined to include the issued share capital, the share premium reserve and all other reserves, including retained earnings (Group shareholders' equity). The main objective of capital management is chiefly related to obtaining a strong credit rating, in order to support operations and maximise value for shareholders. The Group monitors capital by following the trend of the debt ratio, which is derived from the comparison between the value of the net financial position and consolidated shareholders' equity. The Group includes in the net financial position loans and funding, including financial lease payables (but not operating lease payables), derivative contracts, cash and cash equivalents.

	31/12/2022	31/12/2021
Short and medium-term net financial debt	179,805,041	171,804,329
Net value of derivative contracts	(1,034,713)	98,208
Cash and other current financial assets	(24,481,064)	(48,434,819)
<b>Net financial position</b>	<b>154,289,264</b>	<b>123,467,718</b>
<b>Group shareholders' equity</b>	<b>149,031,985</b>	<b>140,398,431</b>
<b>NFP/Group shareholders' equity ratio</b>	<b>104%</b>	<b>88%</b>

The Group's capital management aims, among other things, to ensure that covenants related to interest-bearing loans and the like (excluding operating leases), which define capital structure requirements, are met. Breaches of the covenants would allow banks to demand immediate repayment of loans and financing. In the current year, there were no breaches of covenants related to interest-bearing loans and the like. There were no changes to objectives, policies or processes during the years ending 31 December 2022 and 31 December 2021, nor were there any significant capital transactions during the two periods, with the exception of the distribution of dividends.



Explanatory Notes

## Note 1 - Sales revenue

Revenue at 31 December 2022 amounted to €567,655.7 thousand and mainly refers to sales of coffee products.

The breakdown of revenues by geographical area is provided below:

amounts in thousands of euros

Net sales by geographical area	Year 2022	%	Year 2021	%
Italy	181,436	32.0%	165,144	33.1%
EMEA	212,072	37.4%	198,601	39.8%
Americas	107,305	18.9%	84,242	16.9%
Asia and Rest of the World	66,843	11.8%	51,518	10.3%
<b>TOTAL</b>	<b>567,656</b>	<b>100%</b>	<b>499,505</b>	<b>100%</b>

In 2022, the breakdown of revenues by geographical area was restated in order to provide a better representation of trends.

Consolidated revenues in 2022 amounted to €567,656 thousand, an increase of €68,151 thousand (13.6%) compared to the comparative period, thanks to the growth of all the main markets.

Italy grew by 9.9% compared to 2021, mainly with reference to the Out-of-Home channels (mainly Ho.Re.Ca and Retail) and the continued growth of Home channels (mainly Modern Distribution).

EMEA (excluding Italy) was also up 6.8% compared to 2021, driven by the positive performance of its target markets (mainly France, the United Kingdom, Spain and Greece) and strengthened presence in the Middle East and Northern Europe.

The Americas recorded growth of 27.4% compared to 2021 due to the positive performance in all the main distribution channels and the favourable impact linked to the strengthening of the dollar.

The Asian market, up 29.7% compared to 2021, benefited from strong performance in China and South Korea, particularly in the online channel.

amounts in thousands of euros

Net sales by products	Year 2022	%	Year 2021	%
Coffee products	502,725	88.6%	455,086	91.1%
Espresso machines	29,710	5.2%	28,949	5.8%
Other products	35,221	6.2%	15,469	3.1%
<b>TOTAL</b>	<b>567,656</b>	<b>100%</b>	<b>499,505</b>	<b>100%</b>

In line with channel trends, marked by growth in both Home and Out-of-Home due to the gradual easing of restrictions related to the Covid-19 pandemic, coffee product revenues in 2022 increased by 10.5% compared to 2021.

The increase in sales of the item Other Products is attributable to the increase in sales of coffee-based products (illycrema, instant coffee, cold brew).

## Note 2 - Other operating income

Description	Year 2022	Year 2021	Change
Net capital gains on disposal of property, plant and equipment and intangible assets	135,828	130,250	5,578
Public grants	1,837,440	2,349,392	(511,952)
Contract termination penalties	165,108	126,367	38,741
Reimbursement of transport expenses	1,429,045	1,218,073	210,972
Other operating income	2,470,203	2,328,846	141,357
<b>TOTAL</b>	<b>6,037,624</b>	<b>6,152,928</b>	<b>(115,304)</b>

The item “*Other operating income*” amounted to €6,037.6 thousand in 2022 (€6,152.9 thousand in 2021) and is made up as follows:

“*Other operating income*” for €2,470.2 thousand (€2,328.8 thousand in the previous year), which mainly consisted of sundry income for €1,326.7 thousand related to collaboration with business partners (€899.5 thousand in the previous year), sundry damage compensation for €97.9 thousand (€253.4 thousand in the previous year), and coffee damage compensation for €7.5 thousand (€30.5 thousand in the previous year), which consisted of insurance reimbursements on damages sustained by green coffee lots purchased during the year and differences for weight losses recognised by our Group coffee suppliers;

“*Public grants*” amounting to €1,837.4 thousand (€2,349.4 thousand in the previous year), include the operating grants received by the Parent Company for €1,621.8 thousand (€2,059.7 thousand in the previous year) and grants received by *illycaffè France S.A.S.*, *Espressamente Retail London Ltd.* and *illycaffè Shanghai Co. Ltd.*, as state aid supporting the effects of the pandemic;

“*Reimbursement of transport expenses*” amounting to €1,429.0 thousand (€1,218.1 thousand in the previous year) consisting mainly of reimbursements of transport expenses recognised in the financial statements by the US affiliated company for €568.7 thousand at 31 December 2022 (€414.0 thousand at 31 December 2021), and by the Parent Company for €719.5 thousand at 31 December 2022 (€440.6 thousand at 31 December 2021);

“*Contract termination penalties*” amounting to €165.1 thousand (€126.4 thousand in the previous year), includes the amounts charged to customers as penalties in the event of early termination of the contract;

“*Net capital gains on disposal of property, plant and equipment and intangible assets*” of €135.8 thousand (€130.3 thousand in the previous year) includes the capital gains recognised during the year following the disposal of some property, plant and equipment and intangible assets.

## Note 3 - Change in inventories of finished and semi-finished products

Description	Year 2022	Year 2021	Change
Changes in inventories of finished and semi-finished products	6,849,757	7,478,453	(628,696)
<b>TOTAL</b>	<b>6,849,757</b>	<b>7,478,453</b>	<b>(628,696)</b>

The change in inventories of finished and semi-finished products had a positive effect on the income statement amounting to €6,849.8 thousand in 2022 (€7,478.5 thousand in 2021). The change in the period underwent a significant increase compared to the previous year due to increased production of finished and semi-finished products not yet placed on the market at year-end. Please refer to Note 18 for an analysis of the change in inventories.

## Note 4 - Consumption of raw, ancillary and consumable materials and goods for resale

Description	Year 2022	Year 2021	Change
Change in inventories of raw, ancillary and consumable materials and goods for resale	(22,221,975)	(5,520,399)	(16,701,576)
Raw materials and sundry items	164,680,465	116,632,693	48,047,773
Charges on purchases of coffee	4,950,665	2,460,374	2,490,291
Espresso machines, packaging, advertising materials	110,197,877	86,335,054	23,862,823
Sundry and other purchases	6,697,912	5,235,542	1,462,370
<b>TOTAL</b>	<b>264,304,945</b>	<b>205,143,263</b>	<b>59,161,681</b>

"Costs for the purchase of raw, ancillary and consumable materials and goods for resale" amounted to €264,304.9 thousand in 2022 (€205,143.3 thousand in 2021), an increase of €59,161.7 thousand compared to the previous year. The increase is mainly attributable to the item "Purchases of raw materials and sundry goods" for €48,047,8 thousand due to the price trend of the raw material green coffee and the increase in costs for espresso machines, packaging and advertising materials for €23,862.8 thousand.

With reference to the purchase of raw materials, it is noted that during the year, no hedging transactions were carried out by the Parent Company on coffee commodities for purchases made during the year, compared to 2021 when the positive amount was €4,330.6 thousand.

## Note 5 - Costs for employee benefits

Description	Year 2022	Year 2021	Change
Salaries and wages	70,555,209	68,729,014	1,826,195
Social security contributions	18,700,860	19,229,056	(528,196)
Benefits subsequent to the termination of the employment relationship	3,148,793	3,118,576	30,217
Other personnel costs	5,960,031	4,072,480	1,887,551
Temporary employment	4,780,286	4,458,531	321,755
<b>TOTAL</b>	<b>103,145,179</b>	<b>99,607,657</b>	<b>3,537,522</b>

The item "Costs for employee benefits" amounted to €103,145.2 thousand in 2022 (€99,607.7 thousand in 2021), an increase of €3,537.5 thousand compared to the previous year.

The item includes all personnel costs, including promotions, changes of category, paid holidays accrued but not taken and provisions required by law and collective employment contracts. This item also includes "Other personnel costs" relating, directly or indirectly, to employees for €5,960.0 thousand in 2022 (€4,072.5 thousand in 2021), as well as costs for "Temporary employment" for €4,780.3 thousand in 2022 (€4,458.5 thousand in 2021).

The item also includes non-recurring costs linked to the reorganisation plan for €2 million.

The following table shows the number of employees of the company by category, broken down between those on the payroll at 31 December 2022 and 31 December 2021 and the average number over the two years:

	2022	2021	Current year average	Previous year average
Senior managers	50	57	54	53
White-collar workers and middle managers	875	893	884	906
Production workers	305	355	330	340
<b>TOTAL</b>	<b>1,230</b>	<b>1,305</b>	<b>1,268</b>	<b>1,298</b>

## Note 6 - Costs for services

Description	Year 2022	Year 2021	Change
Maintenance and repair costs	4,532,599	3,679,655	852,944
Consultancy fees	7,834,742	14,171,657	(6,336,914)
Insurance costs	1,577,011	1,459,486	117,524
Energy, similar and telephone expenses	11,463,221	9,083,691	2,379,530
Marketing and communication expenses	18,032,803	28,540,283	(10,507,479)
Sales organisation expenses	9,531,657	8,843,552	688,105
Travel expenses	2,751,399	1,917,650	833,749
Transport and shuttle expenses	27,697,651	21,229,902	6,467,749
Outsourced processing	6,436,479	4,471,047	1,965,432
Storage costs	5,345,463	4,996,530	348,932
Compensation to directors	6,196,409	4,756,231	1,440,178
Compensation to auditors	304,420	354,066	(49,646)
Industrial costs	5,458,065	5,872,739	(414,675)
Supervisory body fee	75,322	70,000	5,322
Canteen management costs	705,354	660,869	44,485
Staff training	297,032	770,657	(473,625)
Cleaning and reception services	2,018,590	1,942,191	76,399
Other costs for services	7,222,530	10,699,009	(3,476,478)
<b>TOTAL</b>	<b>117,480,745</b>	<b>123,519,215</b>	<b>(6,038,469)</b>

The item “Costs for services” amounted to €117,480.7 thousand in 2022 (€123,519.2 thousand in 2021). This item generally shows a decrease of around 4.9% compared to the previous year, due to greater cost control by the Group in an extremely uncertain environment with sharp increases in the price of goods and services and energy sources worldwide in addition to inflationary pressure.

“Marketing and communication expenses” include advertising and marketing activities conceived and developed for the year. There was a substantial reduction in 2022 compared to the previous year as a result of improved promotional effectiveness on channels.

Costs for “Travel expenses” rose by 43.4%, an effect mainly due to the resumption of domestic and international business travel due to the easing of restrictions related to the Covid-19 pandemic. “Energy, similar and telephone expenses” increased mainly due to the increase in prices applied by the energy companies themselves, which has had a global impact.

“Outsourced processing” expenses refer to work orders with subcontractors. The increase in the item is mainly due to an increase in processing by subcontractors in line with the increase in turnover recorded during the year.

The item “Other costs for services” includes costs for non-recurring services linked to consulting on projects of an extraordinary nature for €0.4 million.

Shown below are the total compensations due to the Directors and Statutory Auditors for the performance of their duties, both at the Parent Company and at the companies within the scope of consolidation, as well as the fees due to the independent auditors appointed to audit the consolidated financial statements (the latter including fees for the audit of the subsidiaries carried out by the same auditing company and by the Parent Company auditor's network, as well as fees for non-audit services and tax and legal advisory services).

Description	Remuneration
Directors	6,196,409
Board of Statutory Auditors	304,420
Official audit of the Parent Company	67,000
Accounts audit of the subsidiaries and branches carried out by the network of the Parent Company and other auditing firms	244,581

## Note 7 - Amortisation and depreciation

Description	Year 2022	Year 2021	Change
Depreciation of property, plant and machinery	26,352,614	24,339,884	2,012,729
Amortisation of intangible assets	8,531,457	8,525,441	6,016
Amortisation of right-of-use assets	9,666,955	7,965,074	1,701,881
<b>TOTAL</b>	<b>44,551,025</b>	<b>40,830,399</b>	<b>3,720,626</b>

Depreciation of property, plant and equipment amounted to €26,352.6 thousand in 2022 (€24,339.9 thousand in 2021). The increase in depreciation of property, plant and equipment compared to the previous year, equal to €2,012.7 thousand, is mainly a result of the entry into operation of the investments incurred during the year, as commented on in note 14.

Amortisation of intangible assets amounted to €8,531.5 thousand in 2022 (€8,525.4 thousand in 2021).

Amortisation of right-of-use assets amounted to €9,667.0 thousand in 2022 (€7,965.1 thousand in 2021). The increase is mainly due to the increase in right-of-use assets with reference to *stores & buildings*, as indicated in note 16.

## Note 8 - Impairment loss on non-current assets

Description	Year 2022	Year 2021	Change
With a definite useful life	947,393	69,295	878,099
<b>TOTAL</b>	<b>947,393</b>	<b>69,295</b>	<b>878,099</b>

The item “Impairment loss on non-current assets” amounted to €947.4 thousand in 2022 (€69.3 thousand in 2021) mainly due to write-downs of coffee equipment on free loan made by the American affiliate.

## Note 9 - Other operating costs

Description	Year 2022	Year 2021	Change
Costs for leases and rentals	2,939,065	2,591,520	347,545
Losses on receivables	1,738,293	1,885,383	(147,090)
Provisions for risks	637,789	1,343,305	(705,516)
Net capital losses on disposal of property, plant and equipment and intangible assets	576,755	843,594	(266,839)
Indirect taxes and levies	5,084,891	4,196,980	887,911
Entertainment expenses and external relations	3,975,821	3,107,611	868,210
Annuity and patent management	429,293	249,017	180,276
Royalty payments	351,180	549,852	(198,672)
Membership fees	580,785	576,346	4,439
Environmental contributions (CONAI and WEEE)	1,245,636	1,947,315	(701,680)
Other operating costs	6,658,788	5,931,120	727,668
<b>TOTAL</b>	<b>24,218,295</b>	<b>23,222,042</b>	<b>996,254</b>

The increase in this item, compared to the previous year, is mainly due to the increase in the item *"Other operating costs"*, in *"Indirect taxes and levies"* and *"Entertainment expenses and external relations"*.

The item *"Entertainment expenses and external relations"* recorded an increase compared to the previous year due to the resumption of participation in fairs and organised events, in particular, the organisation of the exhibition celebrating the thirtieth anniversary of the illy Art Collection, following the easing of pandemic-related restrictions.

The remaining item *"Other operating costs"* consists mainly of other operating expenses of €3,336.6 thousand, including, for example, costs for the Terracycle® agreement for the collection and recycling of materials from our products for €290.7 thousand, costs for prize-winning contest operations for €1,541.2 thousand, social utility expenses for €604.1 thousand and contingent liabilities of €391.4 thousand. This item also includes non-recurring costs for the reorganisation of the sales network for €2,254.8 thousand.

## Note 10 - Financial expense

Description	Year 2022	Year 2021	Change
Interest on bank loans and charged by other providers of finance	3,103,159	2,925,131	178,028
Interest on other amounts due to banks	156,168	1,916	154,252
Realised exchange losses	5,919,984	1,798,683	4,121,301
Unrealised exchange losses	996,010	167,516	828,494
Exchange losses on miscellaneous transactions	88,631	150,362	(61,731)
Interest expense on lease agreements	1,025,245	998,018	27,226
Write-down of derivatives and other financial assets	190,681	166,750	23,931
Other expense	1,571,365	1,416,241	155,124
<b>TOTAL</b>	<b>13,051,244</b>	<b>7,624,617</b>	<b>5,426,627</b>

The item *"Financial expense"* amounted to €13,051.2 thousand, an increase of €5,426.6 thousand compared to the previous year, mainly due to the realised exchange losses of €5,920 thousand in 2022 (€1,798.7 thousand in 2021) and unrealised exchange losses of €996.0 thousand (€167.5 thousand in 2021). The item *"Other expense"* consists almost entirely of the amount of the item *"Bank charges and fees"* in the amount of €1,445.3 thousand (€1,386.7 thousand in 2021).

The item *"Write-down of derivatives and other financial assets"* includes the write-down of financial receivables for €190.7 thousand, which it is estimated will no longer be recoverable.

## Note 11 - Financial income

Description	Year 2022	Year 2021	Change
Unrealised exchange gains	628,133	280,382	347,752
Realised exchange gains	4,809,291	3,494,615	1,314,676
Interest income on loans	5,500	8,333	(2,833)
Revaluation of derivatives		8,211	(8,211)
Other income	1,054,322	805,295	249,027
<b>TOTAL</b>	<b>6,497,246</b>	<b>4,596,836</b>	<b>1,900,410</b>

The item *"Financial income"*, equal to €6,497.2 in 2022, recorded an increase of €1,900.4 thousand compared to the previous year (€4,596.8 thousand), mainly due to the positive effect of realised and unrealised exchange gains.

The item *"Other income"* is essentially made up of *"Dividends from other companies"* for €140.0 thousand being the dividend from Kafea Terra Food & Drink SA, *"Interest income on sundry receivables"* for €171.0 thousand, and *"Financial income from securities recognised under current assets"* for €461.9 thousand.

## Note 12 - Profit (loss) deriving from associated companies, other companies and joint ventures

Description	Year 2022	Year 2021	Change
Profit/(loss) deriving from associated companies, other companies and joint ventures		(1,420)	1,420
<b>TOTAL</b>	<b>0</b>	<b>(1,420)</b>	<b>1,420</b>

## Note 13 - Income taxes

Description	Year 2022	Year 2021	Change
Current taxes for the year	6,390,669	9,484,135	(3,093,466)
Current taxes relating to previous years	(207,060)	(1,128,781)	921,721
Deferred taxes	(1,023,622)	(2,569,245)	1,545,623
<b>TOTAL</b>	<b>5,159,987</b>	<b>5,786,108</b>	<b>(626,121)</b>

The tax burden for 2022 totalled €5,160.0 thousand, as a result of the net effect of:

- current taxes for €6,390.7 thousand;
- the positive effect of deferred taxes for €1,023.6 thousand;
- current taxes related to previous years, which had a positive impact of €207.1 thousand, deriving from the tax burden restated on the basis of the tax returns submitted with respect to the payment of taxes made at the time of preparation of the financial statements for the previous year.

With reference to current taxes, the tax charge is determined on the basis of the taxable income deriving from the result for the year, applying the nominal tax rates in force in the reference countries (for the Italian companies of the Group, respectively 24% for IRES and the 3.9% for IRAP).

The breakdown of income taxes is as follows:

Description	Year 2022	Year 2021	Change
IRES	4,188,789	7,412,953	(3,224,164)
IRAP	911,633	1,365,877	(454,244)
Other current taxes	1,290,247	705,305	584,942
<b>Current taxes</b>	<b>6,390,669</b>	<b>9,484,135</b>	<b>(3,093,466)</b>
IRES	723,963	(1,229,872)	1,953,835
IRAP	8,721	(306,090)	314,811
Other deferred (prepaid) taxes	(1,756,306)	(1,033,283)	(723,023)
<b>Deferred (prepaid) taxes</b>	<b>(1,023,622)</b>	<b>(2,569,245)</b>	<b>1,545,623</b>
Taxes from previous years	(207,060)	(1,128,781)	921,721
<b>Taxes from previous years</b>	<b>(207,060)</b>	<b>(1,128,781)</b>	<b>921,721</b>
<b>TOTAL INCOME TAXES</b>	<b>5,159,987</b>	<b>5,786,108</b>	<b>(626,121)</b>

The total tax burden compared to the pre-tax result stood at 26.7% compared to 32.7% in the previous year, due to improved group tax management.

## Deferred tax assets

Description	31/12/2022		31/12/2021	
	Amount of temporary difference	Tax Effect	Amount of temporary difference	Tax Effect
Allowance for doubtful receivables	1,969,673	472,722	2,013,531	483,247
Trademark amortisation	1,286,132	358,831	1,299,037	362,431
Goodwill amortisation	1,495,213	417,165	1,616,025	450,871
Unrealised negative exchange rate differences	1,722,993	413,518	805,203	193,249
Other provisions and write-downs of intangible assets and property, plant and equipment	16,013,461	4,374,404	17,186,742	4,659,498
Financial derivative hedging instruments			69,676	16,722
Directors' remuneration	1,402,766	336,664	926,736	222,417
Amount of deferred tax assets deriving from the consolidation of subsidiaries		10,015,784		8,666,536
<b>Total deferred tax assets</b>		<b>16,389,087</b>		<b>15,054,971</b>

It should be noted that the change in deferred tax assets relating to derivative financial instruments, totalling €16.7 thousand, did not affect the deferred tax charge in the income statement, as it is linked to derivative financial instruments qualified as hedges.

## Deferred tax liabilities

Description	31/12/2022		31/12/2021	
	Amount of temporary difference	Tax effect	Amount of temporary difference	Tax effect
Dividends recorded on an accruals basis	2,950	708	16,073	3,857
Unrealised exchange gains	623,018	149,524	288,954	69,349
Derivative financial instruments	1,034,713	248,331		
Amount of deferred taxes deriving from fully consolidated companies		847,970		461,159
<b>Total provision for taxation, including deferred taxes</b>		<b>1,246,533</b>		<b>534,365</b>

It should be noted that the change in the provision for deferred tax liabilities relating to derivative financial instruments, totalling €248.3 thousand, did not affect the deferred tax charge in the income statement, as it is linked to derivative financial instruments qualified as hedges.

## Note 14 - Property, plant and equipment

Description	Year 2022	Year 2021	Change
Land and buildings	41,704,268	43,184,061	(1,479,793)
Plant and machinery	31,491,445	33,084,954	(1,593,508)
Industrial and commercial equipment	32,462,703	31,003,743	1,458,961
Leasehold improvements	2,909,659	3,143,992	(234,333)
Other property, plant and equipment	5,906,497	6,028,545	(122,048)
Asset construction in progress and advance payments	3,801,912	2,403,959	1,397,952
<b>TOTAL</b>	<b>118,276,484</b>	<b>118,849,253</b>	<b>(572,769)</b>

The item *"Property, plant and equipment"* amounted to €118,276.5 thousand at 31 December 2022 (€118,849.3 thousand at 31 December 2021) and is made up as follows:

- *"Land and buildings"*, equal to €41,704.3 thousand at 31 December 2022, down €1,479.8 thousand. The change in the year is mainly attributable to the depreciation for the period, partially offset by the increases in the period.
- *"Plant and machinery"*, equal to €31,491.4 thousand at 31 December 2022, a decrease of €1,593.5 thousand. The change for the period is mainly attributable to the effect of depreciation for €7,732.7 thousand, divestments for a net value of €156.2 thousand, reclassifications from assets in progress for €2,336.0 thousand, and investments for €3,959.5 thousand mainly referring to costs incurred by the Parent Company for the construction of production facilities, and in particular to the optimisation of the assembly of the body of Iperespresso capsules, the updating of a tin packaging plant, a raw coffee processing and bagging plant and the optimisation of departments in terms of efficiency and effectiveness. Decreases are mainly attributable to the Parent Company as a result of the disposal of obsolete or unused assets.
- *"Industrial and commercial equipment"*, which amounted to €32,462.7 thousand at 31 December 2022, an increase of €1,459 thousand mainly due to the purchase of professional coffee equipment granted on free loan and/or leased to customers, and due to the purchase and renovation of printing systems used for the production of Iperespresso system products.
- The item *"Leasehold improvements"* equal to €2,909.7 thousand at 31 December 2022 (€3,144.0 thousand at 31 December 2021) is mainly attributable to the preparation of directly operated sales outlets.
- *"Other property, plant and equipment"*, equal to €3,801.9 thousand (€6,029.5 thousand at 31 December 2021), refer to investments made by the Group companies mainly for electronic equipment, office furniture and furnishings, laboratory equipment, furnishings for fairs and events, light constructions, illy bar furnishings and for the purchase of vehicles.
- *"Asset construction in progress and advance payments"* refers to the construction of works not yet completed, with particular reference to research and innovation in the field of cutting-edge professional machines and the renovation and adaptation of a store located in a residential area for which the refurbishment works are still ongoing. Decreases reflect the reclassification made during the year to the specific reference property, plant and equipment.

The table with a breakdown of the changes is presented below:

	Land and buildings	Plant and machinery	Equipment	Other assets	Leasehold improvements	Assets in progress and payments on account to suppliers	Total property, plant and equipment
<b>Historical cost 01/01/2021</b>	<b>66,706,939</b>	<b>129,118,666</b>	<b>143,770,649</b>	<b>43,131,609</b>	<b>9,190,283</b>	<b>7,120,935</b>	<b>399,039,081</b>
Increase	1,923,184	10,861,758	14,931,399	1,387,784	629,537	1,914,249	31,647,910
Decrease		(1,687,076)	(3,987,199)	(785,218)	(1,162,592)	(11,934)	(7,634,020)
Exchange differences		19,358	1,877,656	313,968	332,197		2,543,179
Reclassifications	6,399	3,589,348	402	177,044	(360,147)	(3,766,637)	(353,591)
<b>Historical cost 31/12/2021</b>	<b>68,636,522</b>	<b>141,902,054</b>	<b>156,592,906</b>	<b>44,225,187</b>	<b>8,629,278</b>	<b>5,256,612</b>	<b>425,242,559</b>
<b>Accumulated depreciation 01/01/2021</b>	<b>(23,780,415)</b>	<b>(102,600,279)</b>	<b>(114,634,261)</b>	<b>(36,128,342)</b>	<b>(5,230,267)</b>		<b>(282,373,563)</b>
Increase	(1,672,047)	(7,284,872)	(12,483,776)	(2,364,833)	(995,955)		(24,801,483)
Decrease		1,528,660	3,418,542	592,964	737,443		6,277,609
Exchange differences		(14,193)	(1,319,122)	(241,173)	(142,960)		(1,717,447)
Other changes		1,241					1,241
Reclassifications		462	264	(4,265)	146,452		142,914
<b>Accumulated depreciation 31/12/2021</b>	<b>(25,452,461)</b>	<b>(108,368,981)</b>	<b>(125,018,352)</b>	<b>(38,145,650)</b>	<b>(5,485,286)</b>		<b>(302,470,729)</b>
<b>Provision for write-downs</b>		<b>131,569</b>	<b>(1,563,160)</b>	<b>(50,993)</b>		<b>(2,662,653)</b>	<b>(4,145,236)</b>
Decrease		103,707	287,638				391,345
Exchange differences			(37,889)				(37,889)
Write-downs			(185,968)				(185,968)
Reclassifications		(738,567)	928,567			(190,000)	0
<b>Provision for write-downs</b>		<b>(448,119)</b>	<b>(570,811)</b>	<b>(50,993)</b>		<b>(2,852,653)</b>	<b>(3,922,576)</b>
<b>Net book value 31/12/2021</b>	<b>43,184,061</b>	<b>33,084,954</b>	<b>31,003,743</b>	<b>6,028,545</b>	<b>3,143,992</b>	<b>2,403,959</b>	<b>118,849,253</b>
<b>Historical cost 01/01/2022</b>	<b>68,636,522</b>	<b>141,902,054</b>	<b>156,592,906</b>	<b>44,225,187</b>	<b>8,629,278</b>	<b>5,256,612</b>	<b>425,242,559</b>
Increase	317,308	3,959,520	15,742,341	1,686,842	1,355,952	3,808,824	26,870,788
Decrease		(7,533,557)	(3,960,451)	(1,116,635)	(1,782,187)	(1,239)	(14,394,068)
Exchange differences		(10,197)	730,282	152,637	83,114		955,835
Other changes	(99,125)	2,347,261	(316,984)	105,276	251,883	(2,409,633)	(121,322)
<b>Historical cost 31/12/2022</b>	<b>68,854,705</b>	<b>140,665,082</b>	<b>168,788,094</b>	<b>45,053,307</b>	<b>8,538,040</b>	<b>6,654,564</b>	<b>438,553,792</b>
<b>Accumulated depreciation 01/01/2022</b>	<b>(25,452,461)</b>	<b>(108,368,981)</b>	<b>(125,018,352)</b>	<b>(38,145,650)</b>	<b>(5,485,286)</b>		<b>(302,470,729)</b>
Increase	(1,698,113)	(7,732,742)	(13,430,670)	(1,937,289)	(1,636,102)		(26,434,916)
Decrease		7,377,329	3,674,522	1,036,922	1,551,163		13,639,937
Exchange differences		10,171	(234,281)	(110,668)	(5,688)		(340,466)
Other changes	137	(11,294)	81,891	60,868	(52,469)		79,133
<b>Accumulated depreciation 31/12/2022</b>	<b>(27,150,437)</b>	<b>(108,725,517)</b>	<b>(134,926,889)</b>	<b>(39,095,817)</b>	<b>(5,628,381)</b>		<b>(315,527,041)</b>
<b>Provision for write-downs</b>		<b>(448,119)</b>	<b>(570,811)</b>	<b>(50,993)</b>		<b>(2,852,653)</b>	<b>(3,922,576)</b>
Decrease			132,935				132,935
Exchange differences			(13,232)				(13,232)
Write-downs			(947,393)				(947,393)
<b>Provision for write-downs</b>		<b>(448,119)</b>	<b>(1,398,502)</b>	<b>(50,993)</b>		<b>(2,852,653)</b>	<b>(4,750,267)</b>
<b>Net book value 31/12/2022</b>	<b>41,704,268</b>	<b>31,491,445</b>	<b>32,462,703</b>	<b>5,906,497</b>	<b>2,909,659</b>	<b>3,801,912</b>	<b>118,276,484</b>

Note 15 - Intangible assets and goodwill

Description	Year 2022	Year 2021	Change
Goodwill	14,419,907	14,641,633	(221,727)
Development costs	1,325,085	2,136,858	(811,772)
Concessions, licences, software, trademarks and similar rights	3,258,899	4,309,543	(1,050,645)
Other intangible assets	8,490,435	10,595,910	(2,105,475)
Assets in process of formation and advance payments	12,300,902	9,152,360	3,148,542
TOTAL	39,795,227	40,836,305	(1,041,077)

The item “Intangible assets and goodwill” amounted to €39,795.2 thousand at 31 December 2022 (€40,836.3 thousand at 31 December 2021) and is made up as follows:

- “Development costs” total €1,325.1 thousand at 31 December 2022 (€2,136.8 thousand at 31 December 2021) and include the capitalisation of costs to develop new espresso machine prototypes and new projects aimed at dealing ethically with the complex life cycle of capsules, their recycling and even their disposal while respecting the environment and nature.
- “Concessions, licences, software, trademarks and similar rights” refers to trademark rights, as well as licences for the use of software.The item also increased during the year as a result of fees paid to new artists for decorations created on illy Art Collection espresso cups as well as rights on images and videos to promote the brand.



The table with a breakdown of the changes is presented below:

	Goodwill	Development costs	Concessions, licences, software, trademarks and similar rights	Other intangible assets	Assets in process of formation and advance payments	Total other intangible assets
Historical cost 01/01/2021	14,554,576	16,488,506	22,264,043	54,972,601	6,567,560	130,518,079
Increase	10,000	345,121	798,079	5,814,417	3,419,427	10,387,045
Decrease		(53,240)	(91,012)	(169,200)		(313,452)
Exchange differences	567,891		14,821	699,615	11,183	1,339,077
Other changes	(490,834)	56,941	69,293	802,834	(584,970)	(173,364)
Historical cost 31/12/2021	14,641,633	16,837,329	23,055,224	62,120,265	9,413,200	141,757,385
Accumulated amortisation 01/01/2021		(13,377,637)	(17,174,353)	(45,239,032)		(91,461,815)
Increase		(1,333,482)	(1,586,455)	(5,323,569)		(8,114,933)
Decrease		10,648	25,544	70,888		107,080
Exchange differences			(10,418)	(698,974)		(754,958)
Other changes				40,290		(61,656)
Accumulated amortisation 31/12/2021		(14,700,471)	(18,745,681)	(51,150,397)		(100,286,282)
Provision for write-downs 01/01/2021				(373,958)		(373,958)
Write-downs					(260,840)	(260,840)
Provision for write-downs 31/12/2021				(373,958)	(260,840)	(634,798)
Net book value 31/12/2021	14,641,633	2,136,858	4,309,543	10,595,910	9,152,360	40,836,305
Historical cost 01/01/2022	14,641,633	16,837,329	23,055,224	62,120,265	9,413,200	141,757,385
Increase		192,744	489,699	3,424,754	4,006,257	8,113,454
Decrease		(371,747)	(20,015)	(379,581)	(95,785)	(867,129)
Exchange differences	(91,424)		(6,646)	603,631	18,867	668,168
Other changes	(130,302)	75,018	152,479	568,018	(780,797)	14,718
Historical cost 31/12/2022	14,419,907	16,733,344	23,670,741	66,337,087	12,561,742	149,686,597
Accumulated amortisation 01/01/2022	0	(14,700,471)	(18,745,681)	(51,150,397)		(100,286,282)
Increase		(1,078,164)	(1,549,285)	(5,796,883)		(8,457,315)
Decrease		370,377	18,363	37,645		426,384
Exchange differences			4,823	(558,758)		(697,676)
Other changes		(1)	(140,062)	(4,301)		(241,683)
Accumulated amortisation 31/12/2022	0	(15,408,259)	(20,411,842)	(57,472,694)		(109,256,571)
Provision for write-downs 01/01/2022				(373,958)	(260,840)	(634,798)
Provision for write-downs 31/12/2022				(373,958)	(260,840)	(634,798)
Net book value 31/12/2022	14,419,907	1,325,085	3,258,899	8,490,435	12,300,902	39,795,227

The increases in the item “Other intangible assets” mainly refer to the investments made by the Parent Company in updating the integrated information system and developing the Global Site.

The increase in the item “Assets in progress and advance payments” mainly represents the costs relating to projects to update the current Oracle JD Edwards integrated information system used by the Group and ongoing technological innovations on espresso machines. Also included are the costs incurred for the printing equipment for the capsules, to make them increasingly performing and, above all, sustainable.

### Goodwill and intangible assets with indefinite useful life

Description	Year 2022	Year 2021	Change
Goodwill	14,419,907	14,641,633	(221,727)
<b>Total assets with an indefinite useful life</b>	<b>14,419,907</b>	<b>14,641,633</b>	<b>(221,727)</b>

Goodwill mainly refers to the values determined at the time of acquisition of *Mitaca S.r.l.* (€5,292 thousand) and of *illycaffè UK Ltd.* (€8,304 thousand). The remaining balances are mainly associated with minor acquisitions made by the Parent Company's branches.

Goodwill is considered to be an asset with an indefinite useful life and is therefore not subject to amortisation, but is at least annually subjected to an impairment test at the balance sheet date.

The Group has therefore subjected the Net Invested Capital (NIC), including goodwill, to an impairment test, for each cash-generating unit (CGU), understood as an entity with respect to which management monitors its flows.

With reference to the *illycaffè UK Ltd.* business, the impairment test was carried out with reference to the reference CGU identified in the company *illycaffè UK Ltd.*, a company operating in the UK retail market.

With reference to the goodwill deriving from the acquisition of the Mitaca business, it should be noted that in 2022 the company Mitaca S.r.l., with a view to simplifying and reorganising the management of the group, was merged into illycaffè S.p.A. and therefore for the purposes of the impairment test, illycaffè S.p.A. was considered as the reference CGU.

The recoverable value of the CGUs was determined by means of the value in use, determined by applying the discounted future cash flows model, considering the cash flows forecast by management in the business plan up to 2026 (submitted to the Board of Directors during its meeting on 2 December 2022), plus the terminal value, calculated as the present value of the perpetual annuity. For the purposes of calculating the terminal value, the normalised cash flow for the last year of the explicit forecast period was considered, based on a growth rate (“g”) consistent with the CGU's reference market.

For discounting purposes, management has identified a WACC rate which weights the cost of debt with that of shareholders' equity, considering the characteristics of the markets in which the CGUs operate. The following considerations were made to determine the WACC:

- the cost of equity capital considering a risk-free rate;
- a market share risk premium and an additional risk premium;
- an unlevered beta coefficient;
- the cost of gross debt, including the spread;
- the reference tax rate of the individual CGU;
- the debt to equity ratio.

The sensitivity analysis performed to verify the impacts of possible changes in certain estimate parameters did not reveal any impairment issues with regard to intangible assets with an indefinite useful life.

## Note 16 - Right-of-use assets

	Store & Buildings	Means of transport	Industrial and commercial equipment	Other right-of-use assets	Total
<b>Historical cost 01/01/2021</b>	<b>33,264,631</b>	<b>4,021,083</b>	<b>1,078,955</b>	<b>1,551,713</b>	<b>39,916,382</b>
Increase	3,668,105	1,305,060	109,098	269,666	5,351,929
Decrease	(1,626,780)	(523,843)	(75,157)	(49,840)	(2,275,620)
Exchange differences	1,043,517	7,452		20,249	1,071,219
<b>Historical Cost 31/12/2021</b>	<b>36,349,473</b>	<b>4,809,752</b>	<b>1,112,896</b>	<b>1,791,788</b>	<b>44,063,910</b>
Increase	5,591,743	1,667,431	147,470	1,121,595	8,528,239
Decrease	(7,649,904)	(1,316,692)	(31,260)	(446,535)	(9,444,392)
Other changes	802,996				802,996
Exchange differences	256,577	(1,999)		16,259	270,838
<b>Historical cost 31/12/2022</b>	<b>35,350,886</b>	<b>5,158,492</b>	<b>1,229,105</b>	<b>2,483,108</b>	<b>44,221,591</b>
<b>Accumulated amortisation 01/01/2021</b>	<b>(4,821,872)</b>	<b>(1,295,574)</b>	<b>(268,839)</b>	<b>(383,094)</b>	<b>(6,769,378)</b>
Increase	(5,540,241)	(1,642,762)	(283,666)	(498,405)	(7,965,074)
Decrease	551,198	420,021	49,825	49,840	1,070,883
Exchange differences	(265,863)	(1,617)		(5,829)	(273,310)
<b>Accumulated amortisation 31/12/2021</b>	<b>(10,076,778)</b>	<b>(2,519,933)</b>	<b>(502,681)</b>	<b>(837,487)</b>	<b>(13,936,879)</b>
Increase	(7,069,057)	(1,614,043)	(252,573)	(744,182)	(9,679,854)
Decrease	3,257,568	1,038,268	31,260	445,499	4,772,596
Exchange differences	15,105	1,481		(5,366)	11,220
<b>Accumulated amortisation 31/12/2022</b>	<b>(13,873,162)</b>	<b>(3,094,226)</b>	<b>(723,993)</b>	<b>(1,141,536)</b>	<b>(18,832,917)</b>
<b>NET BOOK VALUE 31/12/2021</b>	<b>26,272,695</b>	<b>2,289,820</b>	<b>610,215</b>	<b>954,301</b>	<b>30,127,031</b>
<b>NET BOOK VALUE 31/12/2022</b>	<b>21,477,724</b>	<b>2,064,266</b>	<b>505,112</b>	<b>1,341,572</b>	<b>25,388,673</b>

The Group companies, as lessees, have presented rights of use separately in the statement of financial position referring only to operating leases, while financial leases have been included in the same items in which the corresponding underlying assets would be shown if they were owned. This is mainly in order to isolate current and non-current liabilities related to operating leases with respect to financial leases. Amortisation was determined on the basis of the estimated duration of each contract, carried out taking into account the renewal clauses that can be exercised by the Group without the need to obtain the consent of the counterparty.

The increases in right-of-use assets of leased assets acquired during the year relate to the renewal of existing lease agreements and the signing of new leases relating to the opening of new stores.

The decreases relate to the reduction in the duration of some leases in addition to the early closure of direct stores in the United States.

## Note 17 - Non-current financial assets

	31/12/2022	31/12/2021
Other financial receivables	2,510,099	2,948,580
Other equity investments	16,794,268	4,224,507
Derivative financial assets	660,877	1,760
<b>Total non-current financial assets</b>	<b>19,965,245</b>	<b>7,174,847</b>

The item “*Non-current financial assets*” amounted to €19,965.2 thousand at 31 December 2022 (€7,174.8 thousand at 31 December 2021) and consists of:

- “*Other financial receivables*” for €2,510.1 thousand, which includes the financial receivables of the financing activities carried out by *Bar Finance International S.p.A.*
- “*Other equity investments*” for €16,794.3 thousand, which includes the 100% equity investment held by the Parent Company in the share capital of *illycafé AG*, with registered office in Thalwil in Switzerland. This equity investment does not qualify as a controlling interest by virtue of the recognition of the usufruct right to the previous shareholders for a defined period of time equal to 5 years as agreed in the share purchase transaction. Indeed it is noted that during the year, the Parent Company acquired an additional 67% of bare ownership shares for €12,413.8 thousand.
- “*Derivative financial assets*” amounting to €660.9 thousand at 31 December 2022, relating to two “*Interest Rate Swap*” contracts, commented on below.

For equity investments in other companies, there were no further reversals of write-downs.

The changes in equity investments in other companies during the year are shown below:

	Purchase cost 31/12/2021	Provision for write-downs 31/12/2021	Initial net value 31/12/2021	Increase	Decrease	Purchase cost 31/12/2022	Provision for write-downs 31/12/2022	Final net value 31/12/2022
CAAF Interreg. Dipendenti S.r.l.	5		5			5		5
Kafea Terra Food & Drinks S.A.	247,000		247,000			247,000		247,000
OCM S.r.l.	2,169		2,169			2,169		2,169
CONAI	1,605		1,605			1,605		1,605
ERP Italia Srl - WEEE	4,010		4,010	10	(10)	4,010		4,010
Illycafé Thalwil AG	3,546,184		3,546,184	12,413,762		15,959,946		15,959,946
Consorzio E.S.E.	3,533		3,533			3,533		3,533
Little Italy Espresso Machines SL	120,202	(120,202)	0					0
Trieste Convention Center	420,000		420,000	156,000		576,000		576,000
<b>TOTAL</b>	<b>4,344,709</b>	<b>(120,202)</b>	<b>4,224,507</b>	<b>12,569,772</b>	<b>(10)</b>	<b>16,794,268</b>	<b>0</b>	<b>16,794,268</b>

## Interest rate transactions

At 31 December 2022 the Group has two “*Interest Rate Swap*” contracts with positive fair value, the main characteristics of which and the book value corresponding to their fair value at that date are shown in the following table.

Type of contract	Start date	Settlement date	Currency	Notional at 31/12/2022	Fair value at 31/12/2022	Fixed Rate (Paid)	Floating Rate (Collected)	Nature of derivative
IRS	Apr-20	Apr-25	EUR	12,500,000	557,775	(0.100%)	6M Euribor	Hedge
IRS	Nov-20	Nov-25	EUR	2,257,771	103,102	(0.300%)	3M Euribor	Hedge
				<b>14,757,771</b>	<b>660,877</b>			

These are contracts signed by the Parent Company to hedge interest rate risk and through which the company is able to “convert” part of its debt from floating rate to fixed rate. The fair value of these instruments is determined through the use of valuation models based on market inputs (source: Bloomberg).

With reference to 31 December 2021, the Group had an IRS contract in place as shown in the following table:

Type of contract	Start date	Settlement date	Currency	Notional at 31/12/2021	Fair value at 31/12/2021	Fixed Rate (Paid)	Floating Rate (Collected)	Floor
IRS	24/11/2020	24/11/2025	EUR	3,000,000	1,760	-0.30%	3M Euribor previous monthly average	-1.20%

## Note 18 - Other non-current assets

	31/12/2022	31/12/2021
Guarantee deposits	949,388	896,377
<b>Total other non-current assets</b>	<b>949,388</b>	<b>896,377</b>

The item “*Other non-current assets*” amounted to €949.4 thousand at 31 December 2022 and consists entirely of “*Guarantee deposits*”.

## Note 19 - Inventories

	31/12/2022	31/12/2021
Raw, ancillary and consumable materials	72,146,037	60,514,841
Work in progress	1,580,421	1,060,319
Finished products	63,513,726	48,789,532
Payments on account	621,064	835,375
<b>Total Inventories</b>	<b>137,861,248</b>	<b>111,200,067</b>

The item “*Inventories*” amounted to €137,861.2 thousand at 31 December 2022 (€111,200.1 thousand at 31 December 2021). The increase compared to the previous year of €26,661.2 thousand is mainly attributable to the increase in raw material and finished product inventories in stock at the end of the year care of the Group companies.

Inventories are stated net of the provision for write-downs amounting to €7,344.9 thousand.

The changes in the provision for write-downs are shown below:

	2022	2021
<b>Starting balance</b>	<b>(6,648,355)</b>	<b>(4,852,463)</b>
Provision	(3,898,725)	(2,774,843)
Uses and releases	3,111,098	1,179,608
Other changes	202,933	
Exchange differences	(111,804)	(200,657)
<b>End balance</b>	<b>(7,344,853)</b>	<b>(6,648,355)</b>

## Note 20 - Trade receivables

	31/12/2022	31/12/2021
Receivables from customers	97,014,290	95,348,258
Receivables from the parent company	3,860	10,374
Receivables from other related parties	18,180	48,392
<b>TOTAL</b>	<b>97,036,330</b>	<b>95,407,024</b>

The item “*Trade receivables*”, gross of the allowance for doubtful receivables, amounted to €97,014.3 thousand at 31 December 2022 (€95,348.3 thousand at 31 December 2021) and consists of:

- “*Receivables from customers*”, the increase of which compared to the previous year is mainly related to the increase in turnover recorded during the year;
- “*Receivables from the parent company*”, which includes trade receivables from *Gruppo illy S.p.A.*;
- “*Receivables from other related parties*” represent trade receivables from subsidiaries of *Gruppo illy S.p.A.* and detailed in the statement of transactions with related parties.

Trade receivables are shown net of the allowance for doubtful receivables of €7,184.6 thousand at 31 December 2022 (€7,612.0 thousand at 31 December 2021), allocated on the basis of an estimate model that takes into account, in addition to the estimated loss on non-performing loans, also the expected losses on currently performing loans.

The changes in the allowance for doubtful receivables are shown below:

	Year 2022	Year 2021	Change
<b>Balance at the start of the year</b>	<b>(7,611,975)</b>	<b>(7,205,392)</b>	<b>(406,583)</b>
Provisions	(1,689,634)	(1,824,938)	135,304
Uses and releases	2,201,775	1,473,866	727,909
Exchange differences	(25,971)	(66,244)	40,273
Changes in the scope of consolidation	(58,754)	10,733	(69,487)
<b>Balance at the end of the year</b>	<b>(7,184,560)</b>	<b>(7,611,975)</b>	<b>427,415</b>

During the year, the allowance for doubtful receivables increased by €1,689.6 thousand by way of allocation and decreased by €2,201.8 thousand by way of use.

The credit quality of customers is assessed on the basis of an assessment of creditworthiness, and individual credit limits are established. Outstanding receivables from customers and assets arising from contracts are regularly monitored. At each reporting date, an impairment analysis is carried out on receivables, using a matrix to measure expected losses. Impairment rates are determined on the basis of days past due and by grouping customer receivables that are characterised by similar causes of impairment (geographical area and past due brackets).

The calculation is based both on the probability of recovery of the receivable and on a historical analysis of the losses on receivables, which have never been of a significant amount.

In addition, non-performing trade receivables are subject to specific write-downs if brought to litigation.

The provision made during the year was affected both by the allocation made against a position that is difficult to collect, and by the adjustment of expected losses on receivables that are still performing and on the various past due brackets not subject to specific write-downs.

The following table shows the distribution of trade receivables by geographical area, which does not take into account the allowance for doubtful receivables:

Description	31/12/2022	31/12/2021
Italy	42,988,105	42,519,980
EU	23,090,828	23,102,281
Outside EU	30,957,397	29,784,763
<b>Total trade receivables</b>	<b>97,036,330</b>	<b>95,407,024</b>

Trade receivables, net of the allowance for doubtful receivables, are shown in the table below:

	31/12/2022	31/12/2021
Trade receivables	97,036,330	95,407,024
Allowance for doubtful receivables	(7,184,560)	(7,611,975)
<b>TOTAL</b>	<b>89,851,771</b>	<b>87,795,049</b>

## Note 21 - Current tax receivables

	31/12/2022	31/12/2021
Current tax receivables	7,034,224	6,634,164
<b>TOTAL</b>	<b>7,034,224</b>	<b>6,634,164</b>

## Note 22 - Current financial assets

	31/12/2022	31/12/2021
Other financial receivables	409,817	1,141,675
Derivative financial assets	373,836	8,211
Other securities	7,490,950	4,154,887
<b>Total current financial assets</b>	<b>8,274,603</b>	<b>5,304,773</b>

The item “*Current financial assets*” amounted to €8,274.6 thousand at 31 December 2022 (€5,304.8 thousand at 31 December 2021). This item includes €7,490.9 thousand in investments in readily convertible bank cash equivalents by *Experimental Agricola do Brasil Ltda* (€4,254.0 thousand), *illy Sud America comercio, importacao e exportacao Ltda* (€383.0 thousand) and *illycaffè Shanghai Co. Ltd.* (€2,854.0 thousand).

The balance of the item “*Current financial assets*” at 31 December 2022 also consists of the positive value of €373.8 thousand (€8.2 thousand in 2021) relating to some derivative financial instruments in place at that date. The tables below show the derivative financial assets outstanding at 31 December 2022 (foreign exchange derivatives) and at the end of the previous year (coffee commodity and foreign exchange derivatives), their main characteristics and the carrying amount corresponding to the fair value at these dates, calculated using the elements provided by the Bloomberg Mars application.

## Transactions on coffee purchases

At 31 December 2022, the company had transactions in place to hedge coffee purchases for a total of approximately 5,443 tonnes. The instruments used by the Group are called “*Zero Cost Collars*”. The positive value of the “*Zero Cost Collars*” at 31 December 2022 was €374.8 thousand.

The “*Zero Cost Collar*” is an option consisting of the combination of the purchase of a Call option and the simultaneous sale of a Put option. The contract makes it possible to contain fluctuations in the price of coffee within a corridor, delimited at the top by the strike level of the Call Option and, at the bottom, by the strike level of the Put option. The premiums of the two options cancel each other out completely, entailing a zero outlay. At the maturity date of the derivative, the settlement of the spread takes place between the purchase price interval defined at the date of the derivative's opening and that of the underlying commodity, recorded on the New York coffee stock exchange.

As these are cash flow hedging transactions carried out with the aim of limiting exposure to the risk of fluctuations in cash flows attributable to highly probable transactions, the Company recognised the fair value of the hedging instruments in the Statement of Financial Position, by offsetting the equity item “Reserve for expected cash flow hedging transactions”.

Type of contract	Start date	Settlement date	Underlying value in EUR	Fair value at 31/12/2022
COLLAR	Nov-22	Aug-23	8,859,929	153,116
COLLAR	Nov-22	Nov-23	11,391,337	220,721
			<b>20,251,266</b>	<b>373,836</b>

At 31 December 2021, the company had no hedging transactions in place for coffee purchases that show a positive fair value.

## Exchange rate transactions

At 31 December 2022, the company had no hedging transactions in place on exchange rates that show a positive fair value.

At 31 December 2021, there were two US dollar forward sale transactions in place to hedge the accounting exchange rate on foreign receivables.

Type of contract	Start date	Settlement date	Notional in USD	Fair value at 31/12/2021
FORWARD AVERAGE RATE	Nov-21	Feb-22	1,800,000	2,080
FORWARD AVERAGE RATE	Nov-21	Feb-22	1,190,000	6,131
			<b>2,990,000</b>	<b>8,211</b>

## Note 23 - Other current assets

	31/12/2022	31/12/2021
Guarantee deposits	15,629	20,493
Consolidated tax receivable with Gruppo Illy	3,195,153	123,207
Receivables for advance payments	949,609	931,644
Receivables for reimbursements to be received	578,831	781,685
Employee travel advances	87,293	17,927
Accrued income and prepaid expenses	1,706,287	2,101,487
Other receivables	1,674,457	792,836
<b>TOTAL</b>	<b>8,207,258</b>	<b>4,769,280</b>

This item includes “Other current assets” and consists mainly of:

- “Guarantee deposits” for €15.6 thousand at 31 December 2022 (€20.5 thousand at 31 December 2021);
- the “Consolidated tax receivable with Gruppo Illy”, which includes the receivable of the companies participating in the tax consolidation together with the parent company *Gruppo illy S.p.A.* and derives from the calculation of the taxes relating to the current year, net of the advances paid in the period and the adjustment relating to the final calculation of the taxes pertaining to the previous year.
- “Accrued income and prepaid expenses” for €1,706.3 thousand at 31 December 2022 (€2,101.5 thousand at 31 December 2021), which measure income and expenses whose accrual comes before or after their actual cash payment; they are irrespective of the date of payment or collection of the related income and expenses, common to two or more years and distributable over time.
- “Other receivables” for €1,674.5 thousand at 31 December 2022 (€792.8 thousand at 31 December 2021), which includes a refund to be received from a French bank for €1,187.8 thousand for an erroneous banking transaction.

## Note 24 - Cash and cash equivalents

Description	31/12/2022	31/12/2021
Cash and equivalents on hand	205,711	394,257
Bank and post office deposits	16,784,403	43,885,675
<b>TOTAL</b>	<b>16,990,114</b>	<b>44,279,932</b>

The item in question mainly consists of the liquidity of the Group companies deposited with leading banks and remunerated at market conditions.

For the change during the year, please refer to the cash flow statement for a detailed analysis.

## Note 25 - Shareholders' equity

At 31 December 2022, consolidated “shareholders' equity” totalled €149,044.2 thousand (€140,410.5 thousand at 31 December 2021).

### Share capital

The share capital at 31 December 2022, fully subscribed and paid in, currently consists of 49,500,000 ordinary shares, with no par value, as per the resolution of the Shareholders' Meeting of 19 February 2021, which cancelled the treasury shares in the portfolio at 31 December 2020 (500,000 shares), equal to 10% of its share capital, keeping the share capital unchanged.

### Other reserves

These items break down as follows:

	Balance at 31/12/2022	Balance at 31/12/2021	Change
Extraordinary reserve	71,143,179	68,516,332	2,626,847
Reserve for capital grants	797,731	797,731	
Translation reserve	(695,986)	(2,057,434)	1,361,449
Consolidation reserve	1,795,223	1,795,223	
Merger surplus reserve	80,595	80,595	
FTA reserve	(8,371,930)	(8,371,930)	
Stock Options Reserve	47,382		47,382
Benefit plan reserve	(239,086)	(433,386)	194,300
Revaluation reserves	6,308,963	6,308,963	
Legal reserve	8,619,276	8,059,968	559,308
Reserve for expected cash flow hedging transactions	785,045	(51,616)	836,661
<b>Total Other Reserves</b>	<b>80,270,391</b>	<b>74,644,445</b>	<b>5,625,946</b>

The item "Other reserves" includes:

- The extraordinary reserve amounted to €71,143.2 thousand, which increased by €2,627.8 thousand following the allocation of the profit for the previous year.
- The reserve for capital grants pursuant to Article 55 of Italian Presidential Decree no. 917, equal to €797.8 thousand, represents 50% of the contributions disbursed in previous years, in accordance with the provisions of Article 55 of the Income Tax Consolidation Act (TUIR) in force at that time, on capital grants.
- The translation reserve, negative in the amount of €696.0 thousand, is based on the effect of exchange rates arising from the translation of foreign companies' financial statements prepared in local currencies. During the year, the translation reserve decreased by €1,361.4 thousand, mainly as a result of the strengthening of the US dollar against the euro.
- The consolidation reserve amounted to €1,795.2
- The merger surplus reserve was equal to €80.6 thousand.
- The IFRS first-time adoption reserve arising from the effects of the transition to the IFRS with respect to Italian accounting standards, reflected in the opening shareholders' equity at the transition date (1 January 2020), net of the tax effect.
- The stock option reserve of €47.4 thousand, which includes the effect on equity resulting from the assignment of the stock option plans promoted in favour of management during the year ended 31 December 2022.
- The benefit plan reserve, equal to €239.1 thousand, which includes the effect on equity of the application of IAS 19.

The revaluation reserve of €6,309 thousand, composed as follows:

Reserves	Monetary revaluation	Non-monetary revaluation
Law no. 72/83	556,121	
Law no. 413/91	284,024	
Law no. 342/00	5,468,818	
<b>TOTAL</b>	<b>6,308,963</b>	

- The legal reserve recognised by the Parent Company at 31 December 2022 was €8,619.3 thousand, which changed during 2022 at the time of the allocation of the profit for the previous year. This reserve is fed by the mandatory allocation of a sum of not less than one twentieth of the annual net profits, up to an amount equal to one fifth of the share capital.
- The reserve for expected cash flow hedging transaction includes the changes in fair value of the effective component of derivative financial instruments hedging financial flows. This reserve is recorded net of the prepaid/deferred tax effect. The following table shows the changes of the reserve in question during the 2022 financial year.

Description	31/12/2021	Increase	Decrease	31/12/2022
Reserve for expected cash flow hedging transactions	(51,616)	837,998	(1,338)	785,045
<b>TOTAL</b>	<b>(51,616)</b>	<b>837,998</b>	<b>(1,338)</b>	<b>785,045</b>

## Distributions made and proposed

During the year, based on the Shareholders' Meeting held on 20 June 2022, dividends were distributed for €8,000.0 thousand.

The dividends proposed on ordinary shares for the year ending 31 December 2022 amounted to €8,000.0 thousand. These dividends are subject to approval by the Shareholders' Meeting and are not recognised as a liability at 31 December.

## Management incentive plan - Management Equity Plan 2022-2029

On 2 December 2022, the Board of Directors of the Parent Company, subject to the positive opinion of the Appointments and Remuneration Committee on 29 November 2022, approved the regulations for the "Management Equity Plan 2022-2029", an incentive plan with the following characteristics:

- the plan provides for the assignment free of charge of a maximum number of 600,000 options to the beneficiaries – chief executive officer and key managers of the Parent Company or its subsidiaries – identified by name at the sole discretion of the Board of Directors;
- the vesting of the rights and, consequently, the assignment of the related shares is subject to the beneficiary having been employed by the company or one of its subsidiaries for a minimum period of time;
- the options, once vested when the exercise conditions are met, grant the beneficiaries the right to subscribe category G shares (without voting rights pursuant to the Articles of Association) deriving from a share capital increase with the exclusion of the option right approved by the Extraordinary Shareholders' Meeting of 2 December 2022.

The Board of Directors of the Parent Company may make any changes to the regulations that may be necessary and/or appropriate in relation, in particular, to the case of a change in the applicable legislation.

The determination of the fair value of the plan, which takes into account the current value of the share at the grant date, the volatility, the flow of expected dividends, the duration of the option and the risk-free rate, was entrusted to an independent external expert and was carried out by applying a Black-Scholes type closed formula method (a methodology universally used for the valuation of financial instruments of an optional nature).

The costs relating to this plan amounted to €47.4 thousand in 2022.

	Number of options
Options that can be assigned from the plan	600,000
Options assigned in 2022	294,996
Options to be assigned at 31 December 2022	305,004

Through this plan, the company aims to incentivise and retain the beneficiaries according to the company's value growth in the medium to long term, aligning the interests of the beneficiaries with those of the shareholders of the Parent Company over a multi-year time horizon.

Below we provide a table reconciling the Parent Company's shareholders' equity and net profit for the year.

	2022		2021	
	Shareholders' Equity	Income Statement	Shareholders' Equity	Income Statement
<b>Parent Company ITA GAAP</b>	<b>144,936,883</b>	<b>7,202,094</b>	<b>144,896,790</b>	<b>11,186,154</b>
- Effect of applying IFRS	(7,575,645)	548,788	(7,938,460)	633,193
<b>Parent Company IFRS GAAP</b>	<b>137,361,237</b>	<b>7,750,882</b>	<b>136,958,329</b>	<b>11,819,348</b>
- Share of shareholders' equity and profit of consolidated companies, net of the equity investments' book value	8,960,318	3,548,096	(6,027,038)	(5,699,201)
- Elimination of equity investment write-downs in consolidated companies and receivables in consolidated companies		2,110,637		6,409,523
- Consolidation difference emerging from the reversal of consolidated equity investments	7,111,306	1,387,419	13,398,057	
- Effect of financial leases of the consolidated companies	1,026,076	(3,863)	1,029,939	20,186
- Elimination of intercompany asset sales	(22,603)		(22,603)	
- Elimination of profits on sales to subsidiaries included in inventories, net of the related tax effect	(5,873,670)	(447,717)	(5,425,953)	(456,769)
- Elimination of intercompany receivables and payables	533,106	17,190	521,052	(516)
- Elimination of intercompany costs and revenues	(51,586)	(181,141)	(21,276)	(163,056)
<b>Shareholders' Equity and net profit as reported in the consolidated financial statements (including non-controlling interests)</b>	<b>149,044,185</b>	<b>14,181,502</b>	<b>140,410,508</b>	<b>11,929,516</b>
Non-controlling interests	(12,200)	(89)	(12,078)	(10)
<b>Group share of Shareholders' Equity and net profit</b>	<b>149,031,985</b>	<b>14,181,414</b>	<b>140,398,431</b>	<b>11,929,506</b>

## Note 26 - Non-current financial liabilities

	31/12/2022	31/12/2021
Derivative financial liabilities		59,294
Payables for loans to other providers of finance	1,720,024	2,075,237
Payables for bank loans	56,982,327	43,003,481
Bond issues	56,000,000	70,000,000
<b>TOTAL</b>	<b>114,702,352</b>	<b>115,138,012</b>

"Payables for bank loans" of €56,982.3 thousand at 31 December 2022 (€43,003.5 thousand at 31 December 2021) express the actual payable for principal, interest and ancillary charges accrued and payable for the non-current portion.

The table below summarises the maturity profile of payables for loans to other providers of finance, payables for bank loans and bond issues.

	Maturity in years		Total at 31/12/2022	Total at 31/12/2021
	From 1 to 5 years	Beyond 5 years		
Payables for bank loans	56,748,994	233,333	56,982,327	43,003,481
Bond issues	56,000,000		56,000,000	70,000,000
Payables for loans to other providers of finance	1,720,024		1,720,024	2,075,237
<b>Total</b>	<b>114,469,018</b>	<b>233,333</b>	<b>114,702,352</b>	<b>115,078,718</b>

The content of the Group's loans is specified below:

### ■ Parent Company:

Medium/Long-term loans	Fair Value	Nominal value	Start date	Maturity date	Pre-amortisation	Instalments
Loan 2	10,000,000	10,000,000	14/11/2022	09/05/2024	6 months	Half-yearly
Loan 6	2,566,667	2,566,667	28/07/2010	30/06/2028	30 months	Half-yearly
Loan 7	7,000,000	7,000,000	10/07/2018	05/07/2024	6 months	Half-yearly
Loan 9	2,139,242	2,138,888	15/12/2017	30/09/2025	9 months	Quarterly
Loan 11	5,000,000	5,000,000	10/07/2019	10/07/2024	42 months	Half-yearly
Loan 12	12,502,254	12,500,000	02/04/2020	02/04/2025	24 months	Half-yearly
Loan 14	1,264,603	1,265,503	16/07/2020	16/07/2023		Quarterly
Loan 15	10,000,000	10,000,000	23/07/2020	26/07/2024		bullet at maturity
Loan 16	2,266,073	2,259,054	24/11/2020	24/11/2025		Quarterly
Loan 17	15,000,000	15,000,000	12/10/2022	12/04/2024		bullet at maturity
<b>TOTAL</b>	<b>67,738,838</b>	<b>67,730,111</b>				

Note that Loan 6 is backed by a second mortgage on the Distripark logistics hub building complex.

During the year, the Parent Company took out new loans for a total of €25,000.0 thousand, while the amount of repayments for loans still in place came to €22,570.1 thousand.

### ■ Companies included in the scope of consolidation:

Medium/long-term loans	Currency	Residual amount	Equivalent value in euro	Start date	Maturity date	Pre-amortisation	Instalments
Loan 1	BRL	1,836,300	325,666	30/12/2020	27/12/2024	6 months	Monthly

Some medium/long-term loans, which have been finalised over the years, include contractual clauses that require compliance with certain economic/financial parameters (covenants) based on the results of the separate and/or consolidated financial statements at 31 December of each year. In the event of non-compliance, banks may exercise their right to demand early repayment, for the residual portion, of the loans disbursed.

Based on the figures of the Parent Company's financial statements and the consolidated financial statements at 31 December 2022, the balance sheet and income statement ratios stipulated in the loan agreements, have been met.

With reference to loans, the ratios of financial covenants complied with by the Group are shown below:

Ratio	Threshold
NFP/SE ratio	1.7
NFP/EBITDA ratio	4

The item “*Bond issues*” includes the bond loan taken out on 30 July 2015 by the Parent Company, fully subscribed by the institutional investor Prudential Management Investment, for a total value of USD 140 million, of which €70 million already disbursed during the same year.

The option to reach USD 140 million expired in 2018 and no extension was renegotiated.

The bond loan has the following characteristics:

- maturity date 30 July 2027;
- pre-amortisation until 30 July 2023;
- fixed rate of 3.35%;
- interest payments on 30 January and 30 July of each year.

Lastly, the bond issue agreement called for compliance with certain economic/financial parameters (covenants) based on the results of the consolidated financial statements at 30 June and 31 December of each year. Based on the figures of the consolidated financial statements at 31 December 2022, on the basis of Italian national accounting standards, there was full compliance with the balance sheet and income statement ratios specified in the agreement.

The financial covenants for the bond loan complied with by the Parent Company are shown below:

Ratio	Maximum threshold
Net worth ratio (NFP/Equity)	1.70
Maximum Leverage ratio (NFP/EBITDA)	4.00

At 31 December 2022, based on the expectations of management (the Group's plan until 2026 submitted to the Board of Directors of the Parent Company on 2 December 2022), no circumstances are envisaged that would suggest non-compliance with the covenants for the entire period of the plan.

“*Payables for loans to other providers of finance*”

Note that in November 2020, “Frie Loan 00050005449” was taken out for €9,980.0 thousand with a duration of 10 years, with a pre-amortisation period, secured by a mortgage subsequent to the third on Distripark and a lien on equipment covered by the programme. During 2022, the start of the pre-amortisation period was postponed for a further 12 months. The FRIE loan is therefore expected to be disbursed during 2023.

This item includes financial payables relating to capital goods subject to financial leases for the non-current portion amounting to €1.720,0 thousand.

“*Derivative financial liabilities*” in place at that date, for which reference is made to the description in the following paragraph.

## Interest rate transactions

At 31 December 2022, the Group had no interest rate transactions outstanding with negative fair value.

At 31 December 2021 the Group had two *Interest Rate Swap* contracts with negative fair value in place, the main characteristics of which and the book value corresponding to their fair value at that date are shown in the following table.

These are contracts with which the company transforms part of its liabilities from a floating rate to a fixed rate. The fair value was calculated using valuation models based on market inputs (source: Bloomberg).

Type of contract	Start date	Settlement date	Currency	Notional at 31/12/2021	Fair value at 31/12/2021	Fixed Rate (Paid)	Floating Rate (Collected)	Nature of derivative
IRS	Apr-20	Apr-25	EUR	15,000,000	(59,294)	(0.100%)	6M Euribor	Hedge
IRS	Jul-20	Jul-25	EUR	5,000,000	(10,382)	1.125%	Euribor 6M +1.4450%	Hedge
				<b>20,000,000</b>	<b>(69,676)</b>			

## Exchange rate transaction

At 31 December 2022, there were no exchange rate transactions in place.

At 31 December 2021, there was a US dollar forward sale transaction to hedge the exposure to foreign currency receivables.

Type of contract	Start date	Settlement date	Notional in USD	Fair value at 31/12/2021
FORWARD AVERAGE RATE	Nov-21	Jan-22	3,940,000	(38,503)
			<b>3,940,000</b>	<b>(38,503)</b>

These are exchange rate hedging transactions on foreign receivables in foreign currency.

## Transactions on coffee purchases

At 31 December 2022, the Group has no hedging transactions in place for coffee purchases that show a negative fair value, just as at 31 December 2021.

## Note 27 - Liabilities for current and non-current leases

Financial liabilities for current and non-current leases refer to the payable that arose as a result of the application of IFRS 16 as from 1 January 2020 and refer to the contracts in place for the rental of buildings, hire of equipment and vehicles, used in operating units. The liability recognised corresponds to that arising from the non-cancellable period of the contract, together with the best estimate of the effects related to the extension or early termination clauses the exercise of which was deemed reasonably certain. The latter estimate did not concern company cars and certain equipment, in consideration of the procedure usually followed by the Group.

In addition, the Group has a number of leases for machinery and vehicles whose duration is equal to or less than 12 months and office equipment whose value is modest. The Group has chosen to apply the exemptions envisaged by IFRS 16 regarding short-term or low-value leases for these contracts.

The following provides information on the financial statement values of lease liabilities and their changes during the period:

	Store & building	Means of transport	Industrial and commercial equipment	Other right-of-use assets	Total
<b>Opening balance at 01/01/2021</b>	<b>29,185,288</b>	<b>2,668,070</b>	<b>822,159</b>	<b>1,084,845</b>	<b>33,760,363</b>
New contracts	3,668,105	1,256,494	109,098	269,666	5,303,363
Interest	863,146	71,981	20,511	27,115	982,754
Payments	(6,790,180)	(1,751,348)	(323,617)	(515,668)	(9,380,813)
Exchange differences	864,517	7,005		16,730	888,252
<b>Closing balance at 31/12/2021</b>	<b>27,790,876</b>	<b>2,252,204</b>	<b>628,152</b>	<b>882,688</b>	<b>31,553,919</b>
New contracts	5,662,215	1,585,326	147,470	1,121,595	8,516,606
Interest	842,608	65,309	14,506	43,221	965,645
Payments	(10,481,236)	(1,849,692)	(267,063)	(714,307)	(13,312,299)
Reclassification	(38,798)	0	0	0	(38,798)
Exchange differences	143,465	(2,353)		10,539	151,651
<b>Closing balance at 31/12/2022</b>	<b>23,919,131</b>	<b>2,050,795</b>	<b>523,064</b>	<b>1,343,735</b>	<b>27,836,725</b>

	31/12/2022	31/12/2021
<b>Current leasing liabilities</b>	<b>7,307,566</b>	<b>7,194,769</b>
Store & building	5,428,225	5,279,801
Means of transport	1,094,011	1,292,006
Industrial and commercial equipment	237,780	246,909
Other right-of-use assets	547,550	376,053
<b>Non-current leasing liabilities</b>	<b>20,529,159</b>	<b>24,359,149</b>
Store & building	18,490,906	22,511,075
Means of transport	956,784	960,197
Industrial and commercial equipment	285,284	381,243
Other right-of-use assets	796,185	506,635

Below is a breakdown of the effects recognised in the income statement:

	31/12/2022	31/12/2021
Amortisation of right-of-use assets	9,666,955	7,965,074
Interest expense on lease agreements	1,025,245	998,018
<b>Total amount in income statement</b>	<b>10,692,200</b>	<b>8,963,093</b>

## Note 28 - Employee benefits

The changes in the item are detailed below:

<b>Future benefit plan</b>	
<b>Defined benefit obligations at 01/01/2021</b>	<b>3,813,801</b>
Service cost	195,158
Financial expense	27,957
Actuarial gains and losses	(63,497)
Other changes	(375,740)
<b>Defined benefit obligations at 31/12/2021</b>	<b>3,597,679</b>
Benefits paid	(690,659)
Service cost	132,262
Financial expense	79,718
Actuarial gains and losses	(256,470)
<b>Defined benefit obligations at 31/12/2022</b>	<b>2,862,529</b>

The item mainly includes the payable for post-employment benefits of the Italian companies and post-employment benefits of the subsidiaries. It should be noted that the increase in interest rates led to a decrease in the present value of the provisions compared to the previous period.

The way in which these benefits are guaranteed varies according to the legal, tax and economic conditions of each country in which the Group operates.

The economic and technical bases used are shown in the table below:

	31/12/2022	31/12/2021
Annual discount rate	3.19% - 3.70%	0.98% - 1%
Annual inflation rate	2.00%	2.00%
Advance rate	0.91% - 3.06%	0.38% - 2.56%
Staff turnover rate	5.49% - 8.70%	2.20% - 11.53%

Specifically, it is noted that the annual discount rate used to determine the present value of the obligation was derived, consistent with paragraph 83 of IAS 19, by reference to market yields, as of the year-end date, of bonds of leading companies referring to Italian and French companies.

## Note 29 - Non-current provisions for risks and charges

	31/12/2022	31/12/2021
Provisions for risks and charges	4,371,119	6,161,907
<b>TOTAL</b>	<b>4,371,119</b>	<b>6,161,907</b>

"Non-current provisions for risks and charges", equal to a total of €4,371.1 thousand, are mainly represented by allocations made for legal and tax disputes for €676.2 thousand and for trade disputes for €3,665.0 thousand.

In 2016, the Parent Company received notification of two notices of assessment issued by the FVG Regional Revenue Directorate for IRES and IRAP purposes for the 2011 tax period, concerning higher revenues hypothesised on intragroup trade transactions and other minor items for IRAP purposes. The appropriate documentation prepared by the company has allowed the removal of the sanctions. The total amount requested is € 1.15 million, plus interest. With the judgement 32/2019 delivered on 20 November 2018 and filed on 5 February 2019, Section 1 of the Trieste Provincial Tax Commission (CTP) upheld both appeals and cancelled the assessment notices. In August 2019, the FVG Regional Revenue Directorate appealed this ruling to the Regional Tax Commission (CTR) and filed an injunction with an appeal served at the end of October of the same year. As a result of postponement, the hearing before the FVG 2nd instance Tax Court has been set for 3 April 2023. Based on the ruling of the court of first instance the company remains convinced of the non-existence of any tax claim.

During the year 2017, the Parent Company received notification of an assessment notice issued by the FVG Regional Revenue Directorate for the 2013 tax period, which disputes the exemption from withholding tax as per Directive 2003/49/EC applied by the company – based on the documentation and the required certifications – to the interest expense paid to a Dutch subsidiary on an intragroup loan outstanding in that tax period; the amount requested as deduction is equal to €86 thousand, plus interest and penalties. The Parent Company promptly appealed to the Provincial Tax Commission (CTP) of Trieste, which ruled in favour of the appeal, annulling the notice of assessment and ordering the tax authority Office to pay the costs of litigation. The FVG Regional Revenue Directorate appealed this ruling in January 2020 and the company proceeded with the timely filing of this second instance in order to have the Provincial Tax Commission's ruling confirmed.

In March 2019, the FVG Regional Revenue Directorate also served two further notices of assessment on the same case (exemption from withholding tax pursuant to Directive 2003/49/EC on interest paid to the Dutch subsidiary) for the 2014 and 2015 tax periods, for €70.0 thousand and €93.0 thousand respectively (plus penalties and interest). In May, the company filed the relevant appeals with the CTP of Trieste, and at the hearing held on 13 October 2020 the Commission ruled in favour of the appeal, annulling the notice of assessment and ordering the tax authority Office to pay the costs of litigation.

Following an appeal by the FVG Regional Revenue Directorate and the appearance in court by the company, the three years referring to the dispute on withholdings will be discussed before the FVG 2nd instance Tax Court on 3 April 2023. The company expects to see the previous rulings of first instance confirmed, otherwise it expects to be able to settle the disputes as envisaged by Italian Law 197/2022 by 30 June 2023.

On 5 February 2020, the FVG Regional Revenue Directorate initiated a general tax audit for the 2017 tax period, which was suspended after a short time due to the intervening Covid-19 emergency. Audits resumed in February 2023.

## Note 30 - Current financial liabilities

	31/12/2022	31/12/2021
Payables for bond loans	14,000,000	
Payables for bank loans	25,249,729	26,311,183
Payables for loans to other providers of finance	296,710	262,656
Derivative financial liabilities		48,885
<b>TOTAL</b>	<b>39,546,439</b>	<b>26,622,724</b>

The balance of this item consists of:

- "*Payables for bond loans*" represents the short-term portion of the bond loan explained in note 26;
- "*Payables for bank loans*" for €25,249.7 thousand (€26,311.2 thousand at 31 December 2021). This item includes bank overdraft positions.
- "*Payables for loans to other providers of finance*" for €296.7 thousand (€262.7 thousand at 31 December 2021) represents the short-term payable of financial leases.

## Note 31 - Trade payables

	31/12/2022	31/12/2021
Payables to suppliers	118,568,737	111,858,836
Payables to the parent company	5,470	
Payables to other related parties	538,949	459,855
<b>TOTAL</b>	<b>119,113,156</b>	<b>112,318,691</b>

"*Payables to suppliers*" are recognised net of trade discounts, do not provide for the payment of interest and are settled on average at 60 days.

The item "*Payables to other related parties*" includes trade payables of the Group due to companies subject to the control of the parent company, *Domori S.r.l.*, *Damman Frères Sas* and *Polo del Gusto S.r.l.*, whose values are shown in the table on transactions with related parties.

## Note 32 - Other current liabilities

	31/12/2022	31/12/2021
Indirect tax payables	441,679	572,233
Other current tax payables	2,231,662	2,270,969
Payables to social security and pension organisations	5,404,824	5,823,111
Payables to employees and directors	10,340,826	13,240,694
Other current liabilities	4,654,910	5,578,321
<b>TOTAL</b>	<b>23,073,901</b>	<b>27,485,327</b>

"Indirect tax payables" mainly include VAT payables for €382.4 thousand.

"Other current tax payables" mainly consist of withholding agent payables for withholding taxes on salaries in the amount of €2,097.1 thousand and "Payables for coffee tax" of the German branch in the amount of €133.2 thousand. The item "Payables to social security and pension organisations" refers to payables due at the end of the year to these institutions for the portions payable by the Group companies and employees relating to wages and salaries for the month of December 2022, in addition to the payable for social security contributions relating to the Parent Company's sales network.

"Payables to employees and directors" relate to salaries accrued at the year-end date, as well as holidays accrued and not taken at the same date.

## Note 33 - Current provisions for risks and charges

	31/12/2022	31/12/2021
Agents' leaving indemnity provision	2,059,048	2,218,272
Product guarantee fund	446,364	476,839
Other current provisions for risks and charges	2,000,000	
<b>TOTAL</b>	<b>4,505,412</b>	<b>2,695,110</b>

The "Agents' leaving indemnity provision" of €2,059.0 thousand is allocated against the indemnity that the Group companies are required to pay to agents in the event that the termination of the agency relationship takes place at the initiative of the Group companies, or in the event of death, permanent disability or retirement of the agent. This indemnity is not however due if the agency relationship is terminated on the agent's initiative, or for just cause. The provision is made in accordance with collective financial agreements and mentioned in agency contracts stipulated with the agents.

The main assumptions used in the actuarial estimate of the agents' leaving indemnity provision are as follows:

	Italy	
	Year 2022	Year 2021
Economic assumptions		
Discount rate	3.18%	0.98%
Demographic assumptions		
Probability of mortality	ISTAT 21 Mortality tables broken down by gender and reduced to 85%	ISTAT 21 mortality tables broken down by gender and reduced to 85%
Probability of disability	INPS tables reduced to 70%	INPS tables reduced to 70%
Probability of termination of service	0% with just cause 10.40% without just cause	0% with just cause 10.44% without just cause

The "Product guarantee fund" for €446.4 thousand represents the amount set aside under this heading for sales of espresso machines under warranty. The amount of the provision reflects the best estimate of the possible interventions to be carried out over the years of the guarantee term. During the year it was increased by €300.0 thousand and used for the amount of €330.5 thousand against the interventions carried out.

The item "Other provisions for current risks and charges" includes the provision for early retirement incentives.

## Note 34 - Current contractual liabilities

	31/12/2022	31/12/2021
Provision for returned goods	58,894	41,501
Prize-winning contest provision	178,940	4,083,269
<b>TOTAL</b>	<b>237,834</b>	<b>4,124,769</b>

The "Provision for returned goods" of €58.9 thousand represents the best estimate of the returns of products delivered in 2022.

The "Prize-winning contest provision" of €178.9 thousand euros is related to existing loyalty programmes that allow customers to accumulate points that can be redeemed for free with products, discounts or promo codes. Loyalty points entail an obligation to perform separate from the sale of products made at the same time to customers as they provide a further material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers on the basis of the related stand-alone sales price and recognised as an obligation to perform as long as the points are used. Consequently, a reduction in sales revenue is estimated in the presence of a current contractual liability. Revenue is recognised when the products are redeemed by the customer.

In assessing the stand-alone price of loyalty points, the Group considers the probability that the customer will redeem the points. The Group updates its estimates of points that will be redeemed quarterly and any adjustments to the balance of contractual liabilities are booked to revenues.

The reduction compared to the previous year is due to the closure of a five-year programme during the year and the subsequent opening of a new programme.

## Note 35 - Current tax payables

	31/12/2022	31/12/2021
Current tax payables	2,422,694	2,263,279
<b>TOTAL</b>	<b>2,422,694</b>	<b>2,263,279</b>

"Current tax payables" include payables for IRAP for €908.1 of the Parent Company in addition to payables for income taxes of the other companies included in the scope of consolidation.

## Note 36 - Financial assets and liabilities measured at fair value

The following table shows the breakdown of the Group's assets and liabilities at 31 December 2022 measured at fair value (positive/negative in Euro) and their hierarchical level is indicated.

Derivative contracts	Level 1 (prices quoted on an active market)	Level 2 (observable significant inputs)	Level 3 (unobservable significant inputs)
Interest rate swaps		660,877	
Foreign currency forward sales agreements		0	
Commodity swap transaction on raw materials		0	
Call options on raw materials		373,836	
<b>Total</b>		<b>1,034,713</b>	

The assets and liabilities of the Group at 31 December 2021 measured at fair value and the hierarchical level to which they belong were as follows:

Derivative contracts	Level 1 (prices quoted on an active market)	Level 2 (observable significant inputs)	Level 3 (unobservable significant inputs)
Interest rate swaps		(67,916)	
Foreign currency forward sales agreements		(30,292)	
Commodity swap transaction on raw materials		0	
Call options on raw materials		0	
<b>Total</b>		<b>(98,208)</b>	

During the 2022 financial year, there were no transfers between the levels.

## Note 37 - Commitments, guarantees and contingent liabilities

### Guarantees

At the end of the year, the Group had the following direct and indirect sureties given to third parties for a total of €1,764.8 thousand:

Guarantor	Party guaranteed	Amount
UniCredit Banca	Ministry of Economic Development - cumulative guarantees	250,000
BNL	illy Shop Porta Nuova, Milan	201,910
BNL	illy Shop ARP, Rome	51,000
BNL	Trieste Chamber of Commerce - illy Shop Trieste	40,147
UniCredit	Porta di Roma shopping gallery	105,701
BNL	Albergo Nazionale Srl - illy Montecitorio	10,950
BNL	Bloomfleet - Telepass	39,000
BNL	Reale Immoblie S.p.A. - Milan Offices	80,000
BNL	Venice Gardens Foundation non-profit - illy Venice	220,000
BNL	Ministry of Economic Development - illy Dieci	140,000
BNL	Finnapo Srl - illy Montenapoleone	314,989
BNL	illycaffè UK/Monbana - Stand by	250,000
UniCredit Banca	Generali Reale Estate - Citylife	28,019
BNL	Singapore Airlines Ltd Singapore	33,061
<b>TOTAL</b>		<b>1,764,776</b>

### Commitments

At 31 December 2022, there were no commitments not shown in the financial statements.

### Contingent liabilities

The Group is not currently subject to particular risks, uncertainties or legal disputes exceeding the amounts already allocated in the financial statements. There are the usual tax audits that are part of the periodic monitoring activities and currently no significant findings have emerged and in any case the Group is confident in the correctness of its actions.

Note 38 - Disclosure on related parties

Transactions carried out with related parties, including intercompany transactions, cannot be classified as atypical or unusual and fall within the ordinary course of business of the Group companies. These transactions are regulated at market conditions, taking into account the characteristics of the goods and services provided.

Relations with the parent company, with companies subject to the control of the parent company and other related parties are reported below:

	Trade receivables	Other current assets	Trade payables	Revenues from sales and services	Cost of production	Interest income and other financial income
Dealings with Parent Company						
Gruppo Illy S.p.A.	3,860	3,159,107	5,470	41,007		
Dealings with associates						
Kafea Terra Food & Drinks S.A.	3,786,900			22,957,899	20,000	
Illycafé Thalwil AG	29,185			29,185		
Dealings with companies under common control						
Domori S.r.l.	13,891		339,391	13,092	753,701	2,198
Damman Freres S.A.S.			199,558	4,230	3,070,393	10,405
Polo del Gusto S.r.l.	611					
PRESTAT					11,747	
Marasu's Petits Fours Ltd	777			2,891		
Pintaudi S.r.l.					90,007	
Dealings with other related parties						
Agrimontana S.p.A.				283,071	605,851	
Ernesto Illy Foundation					445,000	
FGEL S.r.l.	57,762			134,249		
TOTAL	3,892,986	3,159,107	544,419	23,465,624	4,996,699	12,604

The credit and debit relationships with the parent company Gruppo Illy S.p.A. derive mainly from adherence to national tax consolidation.

Transactions with companies under the control of the parent company and with other related parties mainly refer to commercial transactions for the sale and purchase of goods.

Events after the reporting date

No significant events occurred after the reporting date, with the exception of what is reported below.

In January 2023, the Parent Company sold the two directly managed stores in Trieste and Rome to Domori S.p.A., a company belonging to Gruppo Illy S.p.A.

illycaffè S.p.A.  
Chairman of the Board of Directors  
**Andrea Illy**



## Independent Auditors' Report



(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

# illycaffè Group

Consolidated financial statements as at and for the year ended 31 December 2022

(with independent auditors' report thereon)

KPMG S.p.A.  
11 April 2023



KPMG S.p.A.  
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

## Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of  
illycaffè S.p.A.

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of the illycaffè Group (the "group"), which comprise the statement of financial position as at 31 December 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the illycaffè Group as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of illycaffè S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matters - Comparative figures

The group's 2021 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 19 May 2022.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

Ancona Bari Bergamo  
Bologna Bolzano Brescia  
Catania Como Firenze Genova  
Lecce Milano Napoli Novara  
Padova Palermo Parma Perugia  
Pescara Roma Torino Treviso  
Trieste Varese Verona

Società per azioni  
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**illycaffè Group**  
Independent auditors' report  
31 December 2022

### **Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements**

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

### **Auditors' responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;



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- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal and regulatory requirements**

#### **Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10**

The parent's directors are responsible for the preparation of the group's directors' report at 31 December 2022 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2022 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report is consistent with the group's consolidated financial statements at 31 December 2022 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 11 April 2023

KPMG S.p.A.

(signed on the original)

Paola Maiorana  
Director of Audit

# IMPACT REPORT



“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**



## Introduction and objectives of the document

In 2019, the adoption of the status of **“Benefit Corporation”** (as per Italian Law 208 of 28/12/2015, paragraphs 376-384) was a step to crystallise the guiding principle of doing business of illycaffè: 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 on the communities it operates in (social sustainability, environmental sustainability).

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-financial objectives with social and environmental objectives to be pursued in synergy with a clear long term view, thanks to an integrated thinking approach.

Benefit Companies have two fundamental characteristics:

- a. protect and align the mission:** they express their attention to all stakeholders in the corporate purpose of the articles of association, balancing the interests of shareholders and the interests of the community.
- b. 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.

Consistent with this approach, illycaffè has identified its “Impact Manager”, a person responsible for the pursuit of the functions and tasks aimed at pursuing the purposes of common benefit, as per the regulatory provision of Article 380 of Italian Law No. 208 dated 28 December 2015 (2016 Stability Law). This role is flanked by the Sustainability Committee which, besides performing preliminary, proposal and advisory functions in favour of the Board of Directors in relation to sustainability assessments and decisions, approves the common benefit goals and monitors the projects during the year.

The 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 corporation 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. The document concludes with a section dedicated to representing the score that illycaffè, B Corp® since 2021, obtained by measuring itself against the standard used by certified **B Corporation®** companies.

## illycaffè Benefit Corporation: the specific purposes of common benefit

As a Benefit Corporation, illycaffè operates in a responsible, sustainable, inclusive and transparent manner towards people, local communities and the environment, cultural and social assets and activities, entities and associations. It produces social and environmental shared benefits, which contribute to the growth of economic value for stakeholders, through the search for well-being, the circular economy and the regeneration of the biosphere.

The guiding principles of its work are:

- the interdependence of environmental, economic and social sustainability;
- the need for the ecological transition towards a regenerative model, which involves the transition to renewable energy, agro-ecology and circular economy;
- innovation and continuous improvement as a process of change.

In line with the latter principle, in 2022 the company decided to further define its common benefit purposes. This choice reflects the will of the governance to ensure that illycaffè's operations are always consistent with the evolution of the context in which it operates.

The areas of intervention incorporated in the articles of association and on which the company focuses its efforts are as follows:

- creation of economic value for stakeholders;
  - pursuit of well-being, understood as health and happiness;
  - circular economy and regeneration of the biosphere.
- These three areas of action, in their declinations, are even better integrated with the company's path towards a progressive reduction of climate-altering gas emissions and testify how the transition to Benefit Corporation was the natural evolution of the approach adopted by the company so far. As proof of this, this year illycaffè decided to join CO2alizione Italia, an initiative that promotes the inclusion of the climate neutrality objective in the articles of association.

Again in 2022, illycaffè is committed to describe how, through its practices and actions, it contributed to the achievement of its own common benefit purposes and how, in 2023, it will act in accordance with the new purposes described above.



## Creation of economic value for stakeholders

### Goal 1

#### *Contribute to reducing the risks of the coffee supply chain, promoting actions for the adaptation of coffee cultivation to climate change.*

Climate change is one of the main risks in coffee growing. For this reason, the company is strongly committed to developing a model that makes it possible to assess the impacts of the various supply chains on the biosphere and the effectiveness of the regenerative practices on which research is ongoing.

Consistent with this approach, over the last year we worked on the evolution of the tool used by illycaffè technicians to conduct audits on growers' land. Specifically, this was equipped with a module in preparation for modelling the emission impacts of coffee growers.

This integration of the data collection tool for the calculation of green coffee emissions/removals<sup>1</sup> took place in accordance with the following standards:

- GHG Protocol<sup>2</sup> Land Sector and Removals for rules to be respected regarding the quantification of carbon emissions and removals from the agri-food sector;
- ISO 14064 - Carbon Footprint of Products for accounting rules regarding the product carbon footprint.

Once the tool was finalised, field data collection activities were launched, starting from the Brazilian supply chains. This exercise will allow the company to achieve a modelling of the supply chains by CO<sub>2</sub> equivalent emission classes and to define a scope

3 baseline devised on primary and non-inventory data. Furthermore, the definition of a clear calculation methodology and the identification of a 0 point will allow illycaffè to:

- clearly and scientifically record the results of the emission reduction plan;
- validate the effectiveness of regenerative practices identified by the company and considered more scalable from an agronomic point of view and sustainable from an environmental viewpoint.



(1) Capacity to remove and store carbon from the atmosphere.  
(2) International standard for the accounting of greenhouse gases.



Mitigating the effects of climate change and, at the same time, intensifying the production of sustainable coffee per hectare necessarily entails the adoption of increasingly integrated agricultural practices.

2022 results		
Action	Target	Result
Systematisation of primary data collection of CO <sub>2</sub> equivalent emissions throughout the supply chain of Free On Board green coffee <sup>3</sup>	Mapping and first results of the plan to reduce CO <sub>2</sub> equivalent emissions.	<b>Goal achieved:</b> <ul style="list-style-type: none"><li>■ finalised a module in preparation for modelling the emission impacts of coffee growers;</li><li>■ carried out the first update of emission factors. Reported a 19% incidence reduction in scope 3.</li></ul>

2023 goals	
Action	Target
Modelling of green coffee supply chains by CO <sub>2</sub> -equivalent emission classes.	Validation of the model on the Brazilian supply chain.

(3) Green coffee ready for export.

Goal 2

Contribute to the mitigation of climate change through socio-economically sustainable investments.

To ensure the sustainable quality of its raw materials, illycaffè's supply chain management model is based on three specific principles:

- traceability of resources and raw materials, throughout the entire production process in order to guarantee their sustainable quality;
- reciprocity in the relationship with the members of the supply chains;
- **economic, social and environmental sustainability.**

This approach is the expression of a holistic model that strengthens the economic sustainability that underlies the green coffee purchasing strategy and, at the same time, carries out awareness-raising and training actions along the supply chain during each visit from technicians and agronomists.

The transfer of knowledge through the activities of the University of Coffee and the constant visits to the plantations from illycaffè buyers, agronomists and technicians to motivate farmers to produce sustainable quality is one of the pillars supporting the system of direct relations with the stakeholders of its supply chains developed by illycaffè.

In 2000 – together with the establishment of a partnership with PENZA (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.

Again in 2022, illycaffè carried out intensive **stakeholder engagement** and training activities. These moments represented an important opportunity not only to share key sustainability aspects, but also to address in detail specific topics such as, for example, that relating to pesticides.



In particular, for 2022 the objective was to have direct involvement on this issue from the coffee supply chains in India, Brazil, Honduras and Guatemala (see former Goal 3 in the Impact Report 2021). This target has been achieved. The stakeholders concerned were involved in both engagement and training activities; remotely and with events carried out in person.

The plan for 2023 anticipates the provision of training and the direct involvement of the coffee supply chains and public and/or private institutions in Brazil and Central America on issues relating to regenerative agriculture and carbon reduction.



2022 results

Action	Target	Result
Training and engagement on pesticides.	Involvement of coffee supply chains and both public and private institutions in India, Brazil, Honduras and Guatemala.	<b>Goal achieved.</b> The supply chains concerned were involved in both engagement and training activities; remotely and with events carried out in person.

2023 goals

Action	Target
Training and engagement of supply chains on regenerative agriculture and carbon reduction.	Involvement of coffee supply chains and public and private institutions in Brazil and Central America.

Goal 3

Promote initiatives and global partnerships to improve sustainability, through research and knowledge transfer.

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

Precisely for this reason, the company has always been committed to encouraging and stimulating the development of global partnerships to promote sustainability and international awareness in this regard.

MASTER IN COFFEE ECONOMICS AND SCIENCE - ERNESTO ILLY

In synergy with the Ernesto Illy Foundation, the company supports the Master in Coffee Economics and Science - Ernesto Illy. The inter-university Master's program dedicated to the world of coffee was established by a group of partners of excellence in training: the University of Trieste, the University of Udine and SISSA (Scuola Internazionale Superiore di Studi Avanzati of Trieste - International School for Advanced Studies) and aims to offer in-depth and multidisciplinary training to graduates interested in working in the world of coffee along the entire production chain, from cultivation to catering and retail, including logistics, trading and the industrial process. The goal for 2023 is to continue to support the Master.

ASIC

illycaffè has always been on the Board of ASIC (Association for Science and Information on Coffee). The association, co-founded by Ernesto Illy at the beginning of the 1960s, organises a scientific Congress every two years that brings

together all the most important scientists dedicated to coffee in the various areas (agronomy, chemistry, biological activities, etc.) and industry experts, both academic and industrial, from both producing and consuming countries. The "mission" of ASIC conferences is:

- to be the world's leading conference on coffee science and technology;
- to evaluate existing and emerging scientific knowledge and techniques on coffee;
- to be an incubator for future research and innovation on coffee science and technology;
- to promote an interdisciplinary and international exchange and networking on coffee science and technology;
- to bring together stakeholders and coffee scientists, creating a platform for interdisciplinary dialogue and problem solving.

The last three editions were held in China, the USA and France. In 2023, the 29<sup>th</sup> edition is expected to be held in Vietnam. illycaffè is committed to actively contributing to this congress.

INTERNATIONAL COFFEE ORGANIZATION | THE COFFEE PUBLIC-PRIVATE TASK FORCE

The Coffee Public-Private Task Force was established by ICO (International Coffee Organization) in 2019 and aims to create a common ground for a global partnership between the coffee industry and governments guided by the priority vision of sustainability of the sector and prosperity of farming communities.

Also this year illycaffè participated, in the role of sherpa<sup>4</sup>, in sustainable production and sourcing and living prospering - income technical workstream<sup>5</sup> (see former Goal 7 in the Impact Report 2021). The mission 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.

WORLD COFFEE RESEARCH

illycaffè is also a member of the Board of World Coffee Research, a non-profit collaborative research and development program for the global coffee industry with the mission of cultivating, protecting and improving supplies of quality coffee while improving the livelihoods of the families that produce it through the selection of hybrids and their propagation.

ITALY FOR CLIMATE

The company reconfirmed its role as promoter of Italy for Climate (see former Goal 7 in the Impact Report 2021): an initiative of the Foundation for sustainable development promoted by a group of companies and business associations that are particularly sensitive to the issue of climate change. The aim of the initiative is to promote the implementation of an Italian climate roadmap, in line with the European Green Deal indications and the objectives of the Paris Agreement by mobilising and influencing all non-governmental actors to achieve carbon neutrality.

UNITED NATIONS GLOBAL COMPACT | CLIMATE AMBITION ACCELERATOR 2022

In terms of fighting climate change, illycaffè participated in "Climate Ambition Accelerator" (see former Goal 7 in the Impact Report 2021), a

six-month acceleration program for companies participating in the United Nations Global Compact and seeking to make progress towards setting science-based emissions targets.

Led by the United Nations Global Compact, the Climate Ambition Accelerator aims to intensify credible climate action among companies of all sizes, sectors and regions, enabling them to sustain significant commitments to reduce emissions.

Specifically, illycaffè contributed to the creation of a position paper entitled: "The sustainable management of supply chains: between responsibility and opportunities for businesses" [\(link to paper\)](#).

PROLIFIC

With regard to the PROLIFIC project (Integrated cascades of PROcesses for the extraction and enhancement of proteins and bioactive molecules from Legumes, Fungi and Coffee agro-industrial side streams) of the European Commission, studies on coffee by-products continued and in October 2022, the results obtained were presented at the University of Bologna, including prototypes of bio-plastic containers functionalised with coffee by-products (for example, selection waste and silverskin).

SYRMEP (X-ray microtomography)

The "Quantitative morphological analysis of Coffea Arabica beans roasted by different industrial processes" project was the winner at Elettra Sincrotrone Trieste in March 2022. The acquisition of high-resolution tomographic images of roasted coffee beans through various industrial processes and their subsequent processing, still in progress, provided valuable information about the effects of the roasting process on the morphoanatomy of the seeds.

(4) Operative role within a specific workstream.  
(5) Mechanism developed by ICO (International Coffee Organization) to implement a solution.

GENOME

In collaboration with Lavazza and the Istituto di Genomica Applicata (IGA - Institute of Applied Genomics) of Udine, experimental activities, aimed at improving the quality of the Arabica genome already available on the World Coffee Research website have led to the drafting of a manuscript, which will be sent for publication to one of the specialist scientific journals.

COLLABORATIONS WITH UNIVERSITIES AND RESEARCH INSTITUTES

In the chemical field, the scientific collaboration agreement with the University of Eastern Piedmont led to in-depth analyses on compounds of organoleptic interest presented in October 2022 in Florence during the MS Food Day congress, while the scientific collaboration agreement with the Bicocca University of Milan, which envisaged study and research activities relating to the characterisation of coffee through advanced MS-imaging techniques, still in progress, provided preliminary results presented last June during the Massa 2022 congress organised by Società Chimica Italiana and the University of Catania.

Also in the chemical field, a scientific collaboration agreement was signed with the Istituto di Ricerca sugli Ecosistemi Terrestri del Consiglio Nazionale delle Ricerche (CNR-IRET - Research Institute on Terrestrial Ecosystems of the National Research Council), which envisages in-depth studies on carbohydrates and polyalcohols in green coffee.

PRE-COMPETITIVE RESEARCH PROJECTS

illycaffè participates in important European pre-competitive research projects with global repercussions such as the following projects:

- Horizon 2020 "Breedcafs" just concluded, which had the following objectives:

- to develop new varieties of coffee suitable for cultivation in an agro-forestry system capable of meeting productivity, quality and environmental sustainability requirements;
  - to undertake research activities aimed at studying the adaptation of coffee to current and future climatic conditions;
  - to study new hybrids also with new bioinformatics tools, to promote their production and use.
- Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks) which has just begun and which aims to fine-tune the agronomic graft technique to make coffee production more sustainable and at the same time to study plant-soil interactions and the root system of coffee. This project has a four-year duration. illycaffè is committed to provide support to the project for its entire duration.

illycaffè also participates in the ECOFFEE project, led by the French research body CIRAD, divided into two phases and whose purpose is:

- the mapping of agro-chemicals (fertilizers, herbicides and pesticides) used in the cultivation of coffee by producing countries;
- the identification and study of replacement practices in order to reduce their negative impacts on the environment.

The commitment to promote initiatives to comply with the highest social and environmental standards, transparency and accountability through knowledge transfer is translated into a process of **continuous improvement** throughout the entire supply chain.

This includes ensuring appropriate welfare standards for farm animals and the ingredients used in our products. Since 2021, all illy directly operated shops only use eggs from cage-free farms, and

illycaffè has imposed the same obligation for products placed on the illy purchasing platform for franchisees as well. In 2022 the company extended the commitment globally to its entire franchise network, encouraging its franchisees to adhere to this commitment, with the goal of using only eggs from cage-free farms for all food products by 2025 (see former Goal 7 in the Impact Report 2021).

2022 results		
Action	Target	Result
Participation in major international sustainability networks in countries of interest to illycaffè.	Active participation in the initiatives of the Sustainable Development Foundation and UNGC (United Nations Global Compact) and UNGC Italian Network.	<b>Goal achieved.</b> The company has participated in the event and has contributed to the creation of a position paper entitled: "The sustainable management of supply chains: between responsibility and opportunities for businesses".
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.	<b>Goal achieved.</b> The company took part in the event in the role of "sherpa".
Italy for Climate.	Participation as promoter of the initiative.	<b>Goal achieved.</b> The role of initiative promoter was confirmed with the aim of promoting the implementation of a climate roadmap for Italy, in line with the European Green Deal guidelines and with the Paris Agreement objectives.
Extension of the commitment to only use eggs from cage-free farms to the entire global franchise network by including the indication in the operating manual.	Mapping and aggregation of participating franchisees	<b>Goal achieved.</b> Guidelines disseminated to the entire network and included in the Franchisees Operating Manual.

2023 goals	
Action	Target
Master in Coffee Economics and Science - Ernesto Illy.	Participation as promoter and operating actor.
Association for Science and Information on Coffee.	Actively contribute to the organisation of the 29 <sup>th</sup> edition to be held in Vietnam.
Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks).	Participation as promoter and operating actor.

Pursuit of well-being, understood as health and happiness

Goal 4

Promote a healthy lifestyle by enhancing the health benefits of coffee.

illycaffè is part of the Board of ISIC (Institute for Scientific Information on Coffee), a non-profit organisation founded in 1990. ISIC is dedicated to the study and dissemination of issues relating to coffee and human health through:

- scientific in-depth studies into coffee, health and the environment;
- evaluation of studies and scientific information on coffee, health and the environment;
- support of independent scientific research on coffee, health and the environment;
- dissemination of scientific information on coffee, health and the environment.

Through the website <https://www.coffeeandhealth.org/>, ISIC makes it possible to share the main scientific studies on issues ranging from cardiovascular and neurodegenerative diseases to type-2 diabetes and other liver diseases and to inform the public, enhancing the benefits of coffee for health.

Support for the institute's initiatives is also confirmed for 2023, when working groups will be doubled, providing a stream dedicated to positive impacts on the environment alongside studies on the health benefits of coffee.



2023 goals	
Action	Target
ISIC (Institute for Scientific Information on Coffee).	Confirm its role as a partner of the institute by supporting it both on studies relating to the benefits of coffee for health and on those for the environment.

## Goal 5

### *Promote the improvement of quality of life, through social sustainability, work environment and coffee culture.*

Through the Ernesto Illy Foundation, since 2017 illycaffè has been a partner and supporter of the World Happiness 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.

Also in 2022, illycaffè and the Ernesto Illy Foundation supported the realisation of the World Happiness Report. This year, the 10<sup>th</sup> anniversary of its first publication, the study "highlights how the pandemic has not only brought pain and suffering, but also an increase in social support and goodwill. While the

world struggles against the evils of disease and war, the universal desire for happiness and the ability of individuals to rally together at times of great need are essential elements".

Support for the Regenerative Society Foundation project was also renewed (see former Goal 6 in the Impact Report 2021). The mission of this initiative, which involves many entities including Nativa (the first Italian company to become B Corp® certified), is to contribute to the transition to a new society and economy by promoting the regenerative model among companies, to achieve the greatest impact possible in terms of circularity, ecosystem services and people's well-being; all this, thanks to prestigious public/private partnerships, collaborations with the best international universities and with institutions. The company's commitment to supporting the project will continue in 2023.

Again with Nativa and with the aim of supporting dialogue and the dissemination of well-being culture, illycaffè, represented by the Chairman Andrea Illy, participated in ConsulenTia, an event dedicated to the theme "nature, energy and health at the centre of ecological transition" (see former Goal 6 in the Impact Report 2021).

illycaffè recognises the central role of people in building a healthy and sound company. The development of human resources is based on respect for workers' rights, on their full enhancement, but also on the protection of their pursuit of happiness as a primary component of the identity of every person.



The year 2022 was a very important year of transition for the employee community, characterised by the return to a "new" normality. In fact, the constraints imposed by the pandemic have provided additional working methods with new ways of doing things such as, for example, flexibility, for compatible professional activities, in terms of times and workplaces useful to best reconcile professional and private life.

Also in 2022, the company started the implementation of a structured and global process for the mapping and management of talent, with a view to building a functional tool for highly meritocratic and equitable growth paths. Ensuring equal employment opportunities and professional growth to all employees on the basis of merit, professional skills and performance, without any discrimination and in full respect of the rights of the individual is, in fact, a material topic for illycaffè. This project will culminate in 2023, when

a first phase of talent assessment will be followed by the development of a multi-year resource management plan.

Having coffee at a bar is an act that can transcend the simple gesture and become a social commitment. Thus it is so for illycaffè which, in line with its commitment to improving the quality of life, in 2023 will launch illy 10: a new subscription system dedicated to consumers who want to drink a coffee at a bar. This program envisages that, for each subscription sold, in addition to the offer of a coffee, illy undertakes to donate €1 to a social sustainability project. The initiative that will be funded in this way in 2023 is "IEO<sup>6</sup> Second Opinion" (<https://www.ieo.it/ieosecondopinione/>), a project created with the aim of providing remote counselling to Italian and international patients wanting a second opinion regarding a diagnosis already received or treatment already prescribed.



(6) IEO, or European Institute of Oncology, is a scientific hospital and nursing home that, in addition to treating cancer, also carries out scientific research aimed at improving the diagnostic methods and treatment of all forms of cancer.

The same philosophy led the company to decide to commit for the next four years to Food For Soul, a non-profit organisation founded by Chef Massimo Bottura. Specifically, illycaffè undertakes to make a multi-year donation both in economic terms and in terms of technical support (coffee, related products and services).

As a supporter of Food For Soul, illycaffè will be involved in operations and organisational support for its non-profit projects, including:

- expansion and discovery of the Refettori (Refectories) project ([link to the project](#));

- support, education and commitment to the sustainability of the food system;
- in-kind support for the Refettori project for coffee products, supplies and training.

Common objectives are:

- promoting the sustainability of the food system, social inclusion and well-being;
- promoting fair and just livelihoods for all;
- sharing their respective knowledge and practical applications to improve consumer habits and responsible consumption.

2022 results

Action	Target	Result
Continue to support Regenerative Society Foundation for the development of a regenerative economy.	Continue to forge international alliances aimed at supporting the improvement of quality of life, also in cooperation with B Corp® certified companies.	<b>Goal achieved.</b> Support to the Regenerative Society Foundation has been confirmed with the aim of promoting the transition to a regenerative economy thanks to prestigious public/private partnerships, collaborations with the best international universities and with institutions.
Support dialogue and dissemination of the culture of well-being also in cooperation with B Corp® certified companies.	Participation in events and meetings dedicated to the topic.	<b>Goal achieved.</b> Participation of Chairman Andrea Illy in ConsulenTia, an event dedicated to the theme "nature, energy and health at the centre of ecological transition".

2023 goals

Action	Target
Creation and implementation of the Talent Management System.	Finalisation of talent mapping and preparation of a multi-year resource management plan.
Launch of the new illy 10 subscription program and support for a social sustainability project.	Support for IEO Second Opinion.
Support for Food For Soul, a non-profit organisation founded by Chef Massimo Bottura.	Ensure commitment both in economic terms and in terms of technical support.

Goal 6

*Promote social development in coffee growing areas, fuelling the virtuous cycle between well-being for those who consume it and economic value for those who produce it.*

Child labour is one of the main risks in coffee growing: the use of minors in coffee cultivation, in fact, undermines social development in those countries where the closure of schools coincides with the period of coffee harvesting. For this reason, also in 2022 illycaffè supported and promoted education in farming communities, through programs to support school facilities, quality educational offers and training for teachers with the aim of extending access to education in rural areas to as many children as possible, freeing them from poverty and child labour. illycaffè thus contributes to the process of sustainable generational change in the coffee supply chain.

In collaboration with PENSA (Agrobusiness Intelligence Center of the University of São Paulo), illycaffè carries out pioneering studies on topics considered strategic for coffee farmers in general

and for the company in particular. Every year a research study is carried out, at the end of which there are opportunities for the dissemination of the study, as well as publications in scientific journals.

The study on gender equity was released this year. The results of this research were integrated into the training proposal and webinars of the University of Coffee for illy producers (see former Goal 5 in the Impact Report 2021).

This phase was followed by intense work which, thanks also to the analysis of the data collected during field inspections - which provided a valuable definition of the context - allowed the identification of a set of projects on which to act in relation to this issue.

Starting from Brazil, in 2023 the first application tests of the activities thus identified will start.

2022 results

Action	Target	Result
Dissemination and integration of research results within the training proposal, webinars of the University of Coffee for illy Producers through PENSA (Agrobusiness Intelligence Center of the University of São Paulo) for a first practical declination of gender inclusion.	Identification of a set of project activities related to the theme of gender inclusion to be implemented in Brazilian or foreign supply chains.	<b>Goal achieved.</b> Integration of the proposal completed, training completed and projects identified for application in 2023.

2023 goals

Action	Target
Stakeholder engagement dedicated to gender inclusion.	Trial gender inclusion activities with learning-by-doing methodology starting from the Brazilian supply chain.

Circular economy and regeneration of the biosphere

Goal 7

Minimising consumption of natural resources, through production efficiency and the transformation of renewable or recyclable raw materials.

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 in which it operates, while respecting the rights of communities and future generations.

Consistent with this objective, since 2003 the company has an environmental management system that complies with ISO 14001 standard and since 2004 the European EMAS Regulation (Eco-Management and Audit Scheme), with which it undertakes to draw up an environmental statement communicating the environmental commitments assumed, with a view to on-going improvement.

The company's two main energy carriers are electricity and natural gas (methane). As far as electricity is concerned, at the production sites in Trieste, Robecchetto and Els Hostalets (Barcelona), in 2022, the KPI kWh/t (kilowatt-hours per tonne of coffee roasted) was 593 kWh/t, recording an improvement of 9% compared to 2021. With regard to natural gas used for roasting (only at the Trieste and Robecchetto sites), there was a slight improvement of 4%. A large part of this second benefit is due to the roasters chimneys heat recovery system, which allowed the company to save 114,687 Sm3 (standard cubic meters) of methane gas otherwise used for heating and domestic water (equal to the annual requirements of 114 Italian households).

In addition, during 2022, illycaffè installed two electric recharging stations at the Via Malaspina and Via Caboto sites in Trieste.



The construction of the executive project for the three-generation plant<sup>7</sup> from methane planned for 2022 was, on the other hand, postponed due to the scarcity risk and the uncontrolled increase in the price of the raw material. It will be reconsidered when the geopolitical context normalises.

2023 will be dedicated to the continuation of **illycaffè's energy transition**, with the aim of improving efficiency and resource consumption by means of the application of best practices and innovative solutions:

- an LPG system will be designed, built and put into operation for the combined refuelling of the 4 roasters at the Trieste site;
- a 500.17 kWp photovoltaic system will be built at the Robecchetto production site.



2022 results

Action	Target	Result
Efficiency and current environmental performance improved.	Electric mobility: installation of electric recharging stations (Via Malaspina and Via Caboto, Trieste headquarters).	<b>Goal achieved.</b> Installation of recharging stations completed.
Energy transition.	Tri-generation from methane gas (eventually from renewable sources): implementation of the executive project.	<b>The goal is postponed</b> due to the scarcity risk and the uncontrolled increase in the price of the raw material.

2023 goals

Action	Target
Energy transition.	Construction of the LPG system at the Trieste site.
Energy transition.	Construction of a 500.17 kWp photovoltaic system at the Robecchetto site.

(7) Tri-generation is a particular field of cogeneration systems that, in addition to producing electricity, allows the thermal energy recovered from thermodynamic transformation to also be used to produce cooling energy, i.e. cooled fluids (generally water with glycol/anti-freeze added) for air conditioning or industrial processes.

## Goal 8

### *Counteracting all types of residues, such as greenhouse gases, pollution, scraps and waste, by promoting regenerative agronomic practices and balancing production and disposal processes.*

As part of illycaffè's sustainability strategy, the constant commitment to reducing any type of residue is expressed in every phase of its value chain. Below are some of the activities set up by the company in 2022 and the projects planned for 2023.

**Agriculture.** The intense stakeholder engagement and training activities carried out in 2022 (see former Goal 4 in the Impact Report 2021) involved various Tiers (exporters, large/medium-sized producers, cooperatives, producer associations, small producer groups) of the coffee supply chains in Guatemala and Brazil. In the first case, the topics dealt with revolved around the reduction of CO<sub>2</sub>eq. emissions, in the second, the issue of the application of regenerative practices in the field was addressed with 10 producers. In addition to this, over 40 hours of alignment activities were carried out with illycaffè technicians to review check lists, as a tool for carrying out field inspections.

The key points that emerged during these moments highlighted training as a significant element, understood as training on agronomic practices, plant protection products and their alternatives, best practices for calculating carbon emissions, alternative sources of energy production, reuse and recycling of materials, waste and, lastly, training understood as education as a solution to the socio-economic development of local communities. For 2023, the goal is to train supply chains on issues related to the new European directives on environmental sustainability, which have an impact on their businesses as illycaffè suppliers.

#### **Procurement (Suppliers of goods and services).**

In accordance with the principles of sustainability and business ethics, illycaffè maintains mutually beneficial relationships with its suppliers of goods and services, selecting them based on its values. The company uses the 2018 Procurement Portal to collect, summarise and compare a significant amount of data and information on its suppliers. In addition to negotiation and contract activities, this instrument is aimed at the management and development of supply relationships based on effective collaboration.

The creation of a responsible supply chain plays a fundamental role in the pursuit of illycaffè's strategic and sustainability objectives. Goals such as carbon neutrality can only be achieved through effective collaboration and co-evolution with suppliers.

To this end, a multi-year project was launched in 2022, aimed at further strengthening the role played by ESG issues in the selection and assessment of its partners. In particular, a plan focused on the following objectives will be implemented in 2023:

- the integration of ESG aspects in the supplier qualification and assessment modules;
- the development of a module dedicated to the quantification of the supplier pool's emission impacts through the use of primary data;
- the training of suppliers with the greatest emission impact on the concepts that revolve around the issue of reducing the quantity of climate-altering gases in the atmosphere and the co-creation of improvement plans that act in line with this objective.

**Circular Economy.** With a view to reducing any type of residue, the principles of circular economy and eco-design, focused on a design based on the efficient use of resources and materials, guide the strategic choices along all phases of the illycaffè supply chain, from the procurement of materials to their disposal. This is also due to the use of methodologies such as LCA (Life Cycle Assessment), which contribute to reducing the amount of waste generated, intervening on the durability, repairability and recyclability of products and their packaging. Below are some projects, direct translation of the principles mentioned above and classified as follows:

#### ■ **Eco-design of products:**

- The X1 | lperespresso Version machine (designed on the principles of reduced consumption and circular economy, adopting the fast-heating mechanism and using materials to ensure a longer life) was launched (see former Goal 8 in the Impact Report 2021);

- The transition to a completely recyclable material for the single-dose sachet of the ESE (Easy Serving Espresso) portioned product, on the other hand, suffered a delay due to some critical issues due to the industrialisation of the new material (see former Goal 8 in the Impact Report 2021);
- In 2023, the "compostable industrial" version of the capsules pertaining to the portioned system dedicated to offices will be introduced in the product portfolio dedicated to this channel.

#### ■ **Capsule recycling programs**

- The "Alliance for the recycling of aluminium capsules", founded by Nespresso in 2021 in partnership with illy, is extended with the inclusion of Starbucks by Nespresso, which joins the circular economy project as a new member, helping to promote and increase the recycling of spent aluminium capsules in Italy. This is a new, important result achieved by the Alliance to once



again encourage virtuous processes for the protection of the environment and the responsible management of resources and materials throughout the life cycle of aluminium capsules.

– ReCap, an experimental project in the Friuli-Venezia Giulia region for the collection and subsequent recycling of plastic capsules, continues. The initiative was developed with the collaboration of the Region, the Regional Environmental Agency (Arpa Fvg), Nestlé Italiana S.p.A. and three companies that manage municipal waste in the region (Net S.p.A., A&T2000 S.p.A. and AcegasApsAmga S.p.A.). The capsules, thus conveyed to a specialised centre, undergo a process of separation into their components. The results have been positive and have shown that it is possible to extract clean used coffee powder, aluminium and good quality plastic from the plastic capsules, ready for recycling. Lastly, the economic feasibility of the project was demonstrated. These results were presented to the Unione Italiana Food group dedicated to the coffee sector. Given the excellent result, the goal for 2023 is to activate an Italian consortium for the recovery and recycling of coffee capsules. This is a historic decision based on the evidence of practical experience in Friuli Venezia Giulia and supported by illycaffè together with Nestlé.

– Membership of PodBack is confirmed (see former Goal 7 in the Impact Report 2021), the new recycling system introduced in the United Kingdom in 2021 and the partnership with TerraCycle in France, Belgium and the Netherlands (the collection, in this case, is open to plastic and aluminium capsules). Finally, thanks to the collaboration with Der Grüne Punkt, in Germany the possibility of recycling Iperespresso and Nespresso®

compatible capsules through the local recycling system is added to these initiatives.

– In addition to these initiatives, in 2023, in Spain the company will join the Circulo Recicap, a new system for recycling plastic and aluminium capsules that offers a network of 4,000+ collection points throughout the country.

■ **Company waste disposal practices**

– To give a second life to the plastic capsules production waste, a pilot project was launched with Kartell that led to the creation of the prototypes of Re-Chair, designed by Antonio Citterio and presented at the Salone del Mobile 2022. For the first time, plastic capsules waste was transformed into a design object. During the production process, in fact, capsules are subject to a high-precision perforation process that allows the coffee to escape. In the event of incorrect perforation, these are automatically discarded, accumulated and transported to an intermediary which undertakes preliminary processing which then leads to the production of the chair.

– Tests to validate the possibility of using waste deriving from coffee processing at the Trieste production plant as organic fertilizers were successfully completed (see former Goal 8 in the Impact Report 2021). This activity will be launched in 2023.

– The tests mentioned above have also shown how organic coffee waste could have greater added value uses. For this reason, the exploration of other possible options (e.g. cosmetics, nutraceuticals, design, etc.) has begun. The first experimental studies carried out in this direction have given promising results and foreshadow interesting developments for the coming years.

**2022 results**

Action	Target	Result
Training of the supply chains on environmental sustainability issues.	3 engagement trials with supply chains (various Tiers), institutions and alignment activities with illycaffè technicians (training the trainers).	<b>Goal achieved.</b> The supply chains of Guatemala and Brazil have been involved on issues such as the reduction of CO <sub>2</sub> eq. emissions and the application of regenerative practices in the field. Over 40 hours of alignment activities were carried out with illycaffè technicians to review check lists, as a tool for carrying out field audits.
Introduction, for the portioned ESE (Easy Serving Espresso), of a new pack with reduced environmental impact.	Use of a fully recyclable material for the ESE (Easy Serving Espresso) single-dose sachet.	<b>Goal not achieved</b> due to critical issues deriving from the industrialisation of the new material.
Transformation of coffee residual from the Trieste plant into organic fertilizers.	Launch of the X1 Iperespresso machine by Q1 2022.	<b>Goal partially achieved.</b> Launch done in Q4 2022.
Adoption, in the UK, of a new system for the recycling of plastic and aluminium capsules (PodBack).	Adopted.	<b>Finalised adoption.</b> The service will be made available to consumers in 2023.

**2023 goals**

Action	Target
Training of the green coffee supply chains on environmental sustainability issues.	Engagement of supply chains on the new European directives on environmental sustainability that have an impact on coffee supply chains.
Implementation of a new module for the qualification and assessment of suppliers of goods and services according to ESG criteria.	Module applied to 50%+ of suppliers on a cost basis.
Introduction, in the portioned office range, of two capsules - MPS and MPS.M - in "compostable" version.	Product launch by 2023.
Extension of circular economy projects of the illycaffè plant also to high value-added chains.	Implementation of at least one project by 2023.

## Goal 9

### *To promote the conservation of biodiversity and carbon sequestration through regenerative agronomic practices and the renewal of ecosystems.*

Respect for the environment, and in particular protection of the soil 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 constant and aims to ensure sustainable production both from an environmental and social point of view, involving and developing small farming communities.

The area of research conducted and promoted by Chairman Andrea Illy with respect to the themes of radical transformation and innovation of Virtuous Agriculture® is worthy of particular attention: a holistic research and scientific training project, which combines sustainable agriculture focussing, in part, on the regeneration of the environment, by enriching the soil with organic carbon.

The idea on which Virtuous Agriculture® is based is of a twofold benefit: for the environment, through the sequestration of carbon and the reduction of contaminants, and for human health, through natural nutritional products. The dual benefit strategy creates a virtuous circle driven by positive feedback and rewards for growers and communities. In 2022, an agreement was signed with the University of Udine for the activation of a course as part of the Agricultural Sciences and Biotechnology PhD program: the three-year "Production of secondary metabolites of nutraceutical interest from cell cultures of Coffea spp." research project will have as its objective the development of in vitro cellular systems of Coffea spp. able to synthesise metabolites with high biological activity.

This project is extremely ambitious and must necessarily rely on the implementation of trials and data collection. For this reason, illycaffè collaborates with various plantations, where applied research is continuous.

#### ■ Rabanales plantation - Guatemala

In the Rabanales plantation-laboratory studies are carried out to validate the **Precision Farming model** for medium-sized farms by collecting and processing applied research data. A database was constructed containing both climatic and agronomic data and, to supplement this data, spot checks were carried out in the field and information was gathered on which areas of the farm are most susceptible to the various types of plant diseases. By cross-referencing all these variables the objective is to manage correctly and promptly the phytosanitary aspect of coffee cultivation.

In the last four years, two hectares of the plantation were dedicated to the cultivation of the Laurina Arabica variety Bourbon Low Caffeine (BLC), which is characterised by a naturally very low caffeine content (less than 1%, about one third less than Arabica varieties). As it is a very delicate variety, drip irrigation and fractional fertilisation have been introduced with the aim of improving the yield.

During 2021, the goal of validating these sustainable agronomic practices was successfully achieved. Tests carried out have confirmed that, with drip irrigation, the increase in plant productivity is 30%.

The research activities carried out in 2022 (see former Goal 2 in the Impact Report 2021) have instead shown how drip fertigation has:

- brought forward the entry into production of new plantations by one year;
- stabilised coffee production.

#### ■ Jardines de Babilonia plantation - Guatemala

The Jardines de Babilonia plantation is located in the Jalapa region of Guatemala. This project, which is part of the Loyalty Program, also includes Precision Farming experiments, the conversion of the plantation into sustainable production. Unfortunately, for 2022, the impacts of climate change with rainfall of more than 3,000 mm/year from 2020 to date have affected the data collected by the studies carried out on this plantation on Precision Farming practices, compromising their validity.

Finally, also in 2022, studies were conducted on a plantation in Costa Rica and in the Rabanales plantation in Guatemala on the use of GMX, a US-produced biostimulant based on nanoparticles of essential nutrients (including boron, manganese and others). The results obtained made it possible to understand that the time of application and the phenological phase (150 days after flowering) are decisive. There was also a minor infection of rust in Guatemala, Rabanales, where the soil enrichment with useful microorganisms has further reduced the use of plant protection products. Also in the same plantation, productivity data confirm the effectiveness of drip fertigation, with the start of production of the new plantations brought forward by one year and with the stabilisation of production (see former Goal 2 in the Impact Report 2021).



During 2023, an activity to which illycaffè has been committed for several years and in various countries, namely the screening of supply chain environmental improvement projects, will be finalised. The objective is to identify the most promising regenerative practices, both from an environmental and social point of view, and:

- define a calculation methodology for quantifying the impacts of these practices;
- estimate a potential for reductions and removals of CO<sub>2</sub>eq.;
- analyse its actual impact and define monitoring KPIs.

This latter activity, the analysis of the actual impact of these practices, will be carried out mainly in Brazil, a geographical area where studies are being conducted for modelling supply chains by classes of CO<sub>2</sub> equivalent emissions.

This activity will be followed by the definition of a work plan that stimulates the implementation of practices with proven effectiveness and with the highest potential for scalability along the green coffee supply chains through which the company procures its raw materials.



2022 results

Action	Target	Result
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.	<b>Goal achieved.</b> The effectiveness of drip fertigation was demonstrated (the entry into production of the new plantations was brought forward by one year; the production of coffee was stabilised).
Validation of the Precision Farming model for medium-sized farms.	Collection and processing of data from applied research in Jardines de Babilonia and Rabanales in Guatemala.	<b>Goal not achieved.</b> The impacts of climate change (rainfall exceeding 3,000 mm/year from 2020 to date) have affected the data collected by the studies carried out.

2023 goals

Action	Target
Screening of environmental supply chain improvement projects and creation of an inventory of the most effective and scalable practices.	Identification of the most promising regenerative practices, from both an environmental and social point of view.

Climate neutrality

With regard to the decarbonisation objective, by joining CO2alition, an initiative promoted by the Sustainable Development Foundation and by Nativa, illycaffè undertakes to report annually and publish the objectives achieved, the methods and actions implemented during the year to pursue this purpose and the objectives planned for the following year.

The common objective of all participating companies was to integrate the objective of "climate neutrality" into the articles of association within 12 months of the initiative launch date (June 2022). illycaffè complied with this commitment by updating its Articles of Association in July 2022.

In addition to this, during the year, the company consolidated the foundations at the basis of all the projects that will guide illycaffè towards its carbon neutrality goal by 2033. Specifically, supported by Carbonsink (a company part of the South Pole group), the company has:

- carried out a critical analysis and review of the current model for calculating the company's carbon footprint according to the main reporting standards (e.g. GHG Protocol, ISO 14064);
- updated the form for the collection of primary data along the green coffee supply chains in line with the aforementioned analysis;
- launched an inventory phase of the regenerative practices considered more scalable from an agronomic point of view and sustainable from an environmental point of view to validate their effectiveness through data collected directly in the field.

As already written in Goal 1, the main objective for 2023 is to achieve a modelling of the supply chains by CO<sub>2</sub> equivalent emission classes and to define a scope 3 baseline devised on primary and non-inventory data. As this area has the greatest emission impact, it is crucial for illycaffè to have a solid and scientific tool for both reporting and designing an emission reduction plan based on activities with demonstrable effectiveness.



Finally, the results of CO<sub>2</sub> equivalent emissions reporting for the year 2022 are shown below.

GREENHOUSE GAS EMISSIONS (t CO<sub>2</sub>eq)

	2022	2021*
Scope 1	8,229	7,084
Total emissions of natural gas used for the production process	5,440	4,771
Total emissions of heating fuels	813	713
Total fugitive emissions	239	222
Total emissions of the company fleet	1,737	1,378
Scope 2	3,100	3,193
Total emissions deriving from electricity consumption (market-based)	3,100	3,193
Scope 3	258,648	266,958
Upstream:	227,207	229,699
Goods and services purchased	193,992	199,692
Activities related to fuels and energy not included in Scope 1 and 2	2,823	2,529
Upstream transport and distribution	26,053	25,213
Waste generated by operations	917	892
Business travel	300	87
Commuting by employees	3,122	1,286
Downstream:	31,441	37,259
Downstream transport and distribution	7,889	12,417
Use of products sold	7,115	7,801
End-of-life treatment of products sold	15,960	16,524
Downstream leased assets	478	517
Total	269,977	277,235

(\*) The data reported for 2021 have been updated in line with the approach used to calculate the 2022 data. The source used is the Ecoinvent database.

2022 results

Action	Target	Result
Insert climate neutrality in the articles of association.	Integrate the corporate purpose within 12 months from the launch date of CO2alition.	Goal achieved. CO2alition launched in June, Articles of Association integrated in July.

2023 goals

Action	Target
Modelling of green coffee supply chains by CO <sub>2</sub> equivalent emission classes.	Validation of the model on the Brazilian supply chain.

Assessment of the impact generated

In 2021, illycaffè achieved the B Corp® certification, a recognition awarded to organisations that are committed to high standards of social and environmental performance, transparency and accountability, operating in a way that optimises their positive impact toward employees, target communities and the environment.

The concept of “business as a force for good” is emerging as a priority for all companies and **B Corps®** are leaders in translating this concept into practice through the rigorous measurement of the value they create and through their deep commitment to continuous improvement.

Being sustainable is a daily choice that illycaffè has always put into practice along the entire supply chain, confirming its desire to grow by operating in a responsible, transparent and sustainable manner for the communities it interacts with. The **sustainable supply chain** of illycaffè is based on a system of direct relationships with its suppliers based on four fundamental pillars:

- select and work with the best producers, i.e. those engaged in the production of sustainable quality coffee;
- transfer knowledge to them through the activities of the University of Coffee and the constant visits to the plantations by the illy technicians and agronomists, motivating them to produce sustainable quality;
- acknowledge, including economically, the quality achieved and encourage continuous improvement;
- build a community (illy Club) for the creation of a culture of excellence, establishing human and direct relations based on knowledge, exchange and growth.

These are precisely some of the main assets that have motivated the company to undertake this path: the supply chain, attention to environmental impacts and the enhancement of resources.

In compliance with Italian Law 208/2015 on Benefit Companies and, specifically, for the purposes referred to in paragraphs 376 to 384, Benefit Companies, in the report they prepare annually, include the assessment of the impact generated using an external assessment standard: the score obtained by illycaffè in the certification phase using the standard developed by B Lab and recognised by the aforementioned law is 80.7 (with reference to the assessment areas identified by the standard itself, namely: governance, workers, community, environment, customers).

B Lab score | 80.7

## Conclusions

With this Report, illycaffè wanted to transparently report on the company's operations as a stakeholder company, sharing the values, goals, results achieved and objectives for the coming years, oriented towards the pursuit, as a Benefit Corporation, of the specific common benefit purposes expressed in the articles of association.



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