



SEED:S

Social
Environmental
Economic
Development
Sustainability

INDEX

Letter to our stakeholders	03	Chapter 02.3: relational capital	58
Executive summary	05		
Chapter 01: corporate identity	08		
01.1 illycaffè	10	02.3.1 The value of the community and local area	60
01.1.1 Mission, vision and values: illycaffè	10	02.3.2 Art, aesthetics and culture	62
01.1.2 Sustainable strategy and governance	16	02.3.3 Ernesto Illy Foundation	64
01.1.3 2030 Sustainability Policy	17	02.3.4 illycaffè and consumers	67
01.1.4 Corporate governance and risk management	19	02.3.5 Creating value for customers	68
01.1.5 A transparent approach to business	21	02.3.6 Listening to and satisfying customers	70
01.1.6 Risks and opportunities	22	02.3.7 Responsible communication and information	72
01.2 Stakeholder dialogue and materiality assessment	23	Chapter 02.4: human capital	73
01.2.1 Scope of impacts	27	02.4.1 illycaffè staff	75
01.3 Value chain	30	02.4.2 Employment	76
01.3.1 Macroeconomic scenario and positioning of illycaffè	30	02.4.3 Equal opportunities, inclusiveness and respect for human rights	79
01.3.2 Sales channels	30	02.4.4 Health and safety in the workplace	80
01.4 The illycaffè model	33	02.4.5 Internal communication and employee benefits	81
01.4.1 Sustainable supply chain	34	02.4.6 Training and development of human capital	82
01.4.2 Supply chain control and knowledge	36	Chapter 02.5: intellectual capital	84
01.4.3 Suppliers	39	02.5.1 Innovation & research	86
01.4.4 Logistics and sales	40	02.5.2 Promoting a culture of excellence	93
Chapter 02: capitals	41	02.5.3 Università del Caffè	94
The model for capital and the corporate body	42	Chapter 02.6: natural capital	96
Chapter 02.1: financial capital	43	02.6.1 Environmental policy	98
02.1.1 Financial capital	45	02.6.2 Environmental commitment	99
Chapter 02.2: productive capital	49	02.6.3 Raw materials	101
02.2.1 Covid-19 pandemic emergency	51	02.6.4 Energy management	102
02.2.2 Quality and safety of illy products	52	02.6.5 Water Management	104
02.2.3 Procurement and processing of raw material	53	02.6.6 Biodiversity	106
02.2.4 Management and certification systems	54	02.6.7 Air emissions	107
02.2.5 illycaffè network	56	02.6.8 Waste management	109
		02.6.9 Disposal of recyclable products and packaging	110
		Chapter 03: standards	111
		03.1 Methodological note	112
		03.2 GRI table	116
		03.3 Assurance	120

Letter to our stakeholders

2020 has not been an easy year for the whole world, which has witnessed growing uncertainty about the future, threatened by the pandemic and by the increasingly devastating effects of climate change.

Maintaining our commitment to the highest standards of social and environmental performance in this scenario has been a goal that we have achieved thanks to our solid business model, built on long-term economically, socially and environmentally sustainable growth.

The strength of the business and its management, together with our organisation's ability to adapt and sense of responsibility, enabled us to deal with the critical issues arising from Covid-19 and the lockdown with extraordinary speed. For example, within just a few days, we ensured the safety of all staff; we converted production lines and changed product distribution to meet the demands of end consumers who, unable to go to cafés, mainly bought coffee online to consume at home; we supported the hospitality industry, which was severely impacted by the closure of premises; we supported the local community through product donations and the creation of a new Covid sub-intensive care unit in Trieste hospital.

The current emergency situation has heightened awareness that the challenge for a more sustainable world can only be met by joining forces. We wanted to strengthen this message, in the year of the pandemic, by developing the 'One makes the difference' communication platform, which outlines how sustainable quality contributes to protecting and improving the well-being of people and the planet, reminding consumers that everyone's actions can make a difference. 'One makes the difference' illustrates what the company does to generate value for communities connected to the coffee supply chain and its use of technology and research applied to the raw material and production processes to develop increasingly environmentally friendly products. In 2020, for example, the introduction of new environmentally sustainable materials will permit a reduction of 175 tonnes of plastic per



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year. This initiative is part of a global sustainability plan that will see illycaffè become carbon neutral by 2033, the year of its centenary. 2020 was also the year in which we fine-tuned our actions associated with the three focus areas that we have identified as a Società Benefit (benefit corporation) – responsible value chain, aspiration to happiness and quality of life, circular economy and innovation to benefit the planet – and which saw us striving hard to achieve B Corp certification.

It was an intense and complex period that we worked through guided by our founding values, ethics and a passion for excellence. We are proud to share this journey with you through the pages of the Sustainable Value Report.

Andrea Illy
Chairman

Massimiliano Pogliani
CEO



Executive Summary

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From the outset, illycaffè's strategic choices have strived to achieve a sustainable business model that can bring about competitive advantages for the company, combining revenue and business goals with social and environmental aspects, which the company pursues by sharing the value it generates (economic sustainability), promoting personal growth (social sustainability) and respecting the environment (environmental sustainability). As both a stakeholder company and a benefit corporation, illycaffè aims to improve the quality of life of its stakeholders: consumers and clients, the company's partners in providing services to consumers, the people who work with the company with passion and professionalism, the suppliers who ensure an excellent product, the communities illycaffè works with, and finally the shareholders who support the company. Additionally, in April 2021 illycaffè was the first Italian company to obtain B Corp certification, which is given to companies that undertake to abide by the most stringent standards of environmental and social performance, reference communities, and the environment through the rigorous and full accounting of the value they create and their commitment to constant improvement.

This commitment is evident in three specific spheres: a responsible value chain and sustainable farming, happiness and quality of life, and the circular economy and innovation to benefit the planet. These three spheres fit into the 2030 goals of illycaffè's strategic plan, and are detailed every year in an annual Impact Report.



illycaffè is headquartered in Trieste and is led by the third and fourth generation of the Illy family. It produces and sells worldwide a unique blend of high-quality 100% Arabica coffee comprising nine different Arabica varieties selected from over 20 coffee-growing areas. The balance between these varieties is what gives illy coffee its unmistakable flavour and aroma, always the same in each cup. The illy blend is sold in 144 countries on all five continents and is served in over 100,000 public establishments. The company also has a network of single-brand retail outlets, with 186 illy Caffè establishments in the main cities of 34 countries.

The core of the company's *modus operandi* is its approach to managing the supply chain, an expression of a holistic model that strengthens the economic sustainability underpinning the purchasing strategy for green coffee, while implementing awareness-raising and training targeting producers all along the supply chain, through a system of direct relationships with suppliers.

These principles are expressed in the Sustainable Procurement Process (SPP), which ensures sustainability in the green coffee supply chain used by illycaffè. This protocol is one of the most complete sustainability standards for the coffee procurement process:

- The SPP defines the company's sustainable development and social responsibility principles in its procurement policies and practices
- It promotes the selection and monitoring of suppliers on the basis of environmental and social aspects in addition to economic ones, and encourages improvement programmes and goals along the entire supply chain.

Together with local institutions and the Ernesto Illy Foundation, the company has launched numerous projects to support the coffee communities in which it works. In 2020 the company developed projects regarding education on environmental best practices, integrated agriculture, re-forestation, tree planting, and waste water treatment in Nicaragua, Honduras, Colombia and Brazil. Of particular note is the Vivero de Atitude project in Brazil, whose goal is to contribute to the conservation of natural resources in the cerrado biome. In 2020, the nursery produced over 74,000 plants of 104 species native to the cerrado biome and distributed them to 50 local farms and the city of Monte Carmelo to improve its green areas, benefiting over 240 people. The project also promoted intensive environmental education activities that involved over 3,000 students from local universities, schools, and other institutions.



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Sustainable quality also means making products that have as little environmental impact as possible, including during their use and after disposal. This process is strengthened through constant research and technological innovation, two approaches that illycaffè has embraced since the very beginning. The company's main fields of study focus on the circular economy, making the most out of materials, maximizing waste recovery, and actions to fight climate change.

Illycaffè's commitment to reducing its direct impact on the ecosystem also includes promoting sustainable and responsible practices all along the supply chain; using a certified environmental management system; improving performance every year in terms of energy efficiency, waste management, and atmospheric emissions; introducing environmentally efficient innovations in the productive process; developing new, lower-impact packaging; and encouraging environmentally and economically sustainable farming practices with the company's green coffee suppliers.

The company aims to become carbon neutral by 2033. It has thus drafted a sustainability plan that includes a series of actions to be launched along the supply chain, ranging from the development of low-impact products to the use of technologies that make it possible to reduce the carbon footprint of the production process and the testing of a new model of virtuous, regenerative agriculture than can absorb the CO2 generated during coffee farming.

Everything we have described so far is made possible by the 1,291 people who work at illycaffè. They are the source of the forcefulness with which the company implements all its activities, with the broader outlook of creating added value that typifies a B Corp. This means that even in such a difficult and complex year as the last one, illycaffè has continued to pursue the growth of the people who make it possible to increase our turnover within a sustainable framework, the ultimate purpose of the company and its identity as a social community.

DISSEMINATION OF A CULTURE OF EXCELLENCE

- The University of Coffee is the hub of excellence that disseminates the culture of high-quality coffee worldwide through training, research, and innovation. In 2020, there were over 9,000 participants, including coffee professionals, consumers, and producers. The University of Coffee's network comprises 26 campuses and over 100 docents, who provide high-level training for coffee producers, training courses for coffee professionals, and educational courses for consumers.
- For over twenty years, illycaffè has given its support to the contemporary art world by promoting the activities of both established artists and emerging young artists, through partnerships with institutions, international art fairs, and a variety of awards.

ILLYCAFFÈ'S CHALLENGES

Highlighting the core challenges that arise on the path towards innovation and sustainability is a way for the company to be as transparent as possible, and to create necessary conditions to establish collective collaborative efforts to overcome them.

- It is necessary to be able to respond to the changes mandate by the current context in keeping with a sustainability model, while at the same time promoting its values. Most of all, we must prepare people for the effects of climate change, which are changing the way coffee is grown.
- We must communicate and create a culture of sustainability in order to transfer value and positive impacts. We must create and disseminate a sound culture of social and environmental sustainability within the company and society at large.
- Carbon neutrality by 2033. Achieving carbon neutrality will be the key challenge for the next ten years not just for illy, but for all companies. For this reason, illy is researching and experimenting with radically innovative farming models that can be applied to the coffee sector, and potentially to much of the farming sector as a whole as well.
- Multiplying positive impacts through partnerships and collaborative efforts (SDG 17 - Partnership for the Goals). Promoting among all stakeholders the crucial importance of working together towards a shared, loftier goal that can overcome all cultural barriers and competitive dynamics.

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THE TASTE
OF RECOGNISING
OURSELVES.

01
**corporate
identity**

01

HIGHLIGHTS

144

countries in which
it is present

1,291

employees worldwide

458

millions of €:
2020 turnover

225

points of sale: 186
illy Caffès and 39 illy Shops

186

illy Caffès in the most
important cities in 34

26

Università del Caffè
locations worldwide

corporate identity

SUSTAINABILITY GOALS AND STRATEGIES

illycaffè as a Società Benefit and sustainability challenges

In the company purpose of its articles of association, illycaffè has crystallised its desire to operate as a stakeholder company: to create shared value for all those who participate in the company's success and to respect and protect the environment and the ecosystems on which we all depend.

Carbon Neutrality and promotion of new models

illycaffè's goal is to become carbon neutral by 2033. This target involves enormous complexity:

66% of the company's total emissions along the coffee chain derive from coffee cultivation.

To this end, illycaffè is researching and testing radically innovative agriculture models that could be applied in the coffee sector and potentially extended to a large part of the farming world.

Partnership for goals: opportunities to multiply the positive impact created

illycaffè actively contributes to tackling critical environmental and social issues, encouraging all actors to understand the urgent need to unite in order to work towards a shared and higher goal, overcoming all cultural barriers and competitive.

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illycaffè

illycaffè is a family business founded in Trieste in 1933. It produces and sells, on a global scale, a unique blend of high-quality coffee, consisting of 100% Arabica, selected from season to season in over 20 production areas. The balance of these components – from South America, Central America, Asia and Africa – produces the unmistakable illy taste and aroma, which is always the same in every cup. It is estimated that around 8 million cups of illy coffee are consumed every day worldwide.

illycaffè is part of the Illy S.p.A. Group, the Illy family's holding company, created with the mission of developing companies in which an entrepreneur's vision has translated a passion for quality into a growth philosophy, devoting considerable effort to spreading high-quality coffee culture in Italy and around the world.

■ 01.1.1 Mission, vision and values: illycaffè

MISSION

To delight lovers of excellence and beauty around the world with the best coffee that nature can provide, enhanced by technology and art.

VISION

We want to be global hubs of coffee culture and excellence. An innovative company that offers the best products and consumption locations, enabling it to grow and become a leader in the high-end segment.

VALUES

Ethics: understood as building long-term value through sustainability, transparency and valuing people.

Excellence: understood as a love of beauty and quality.



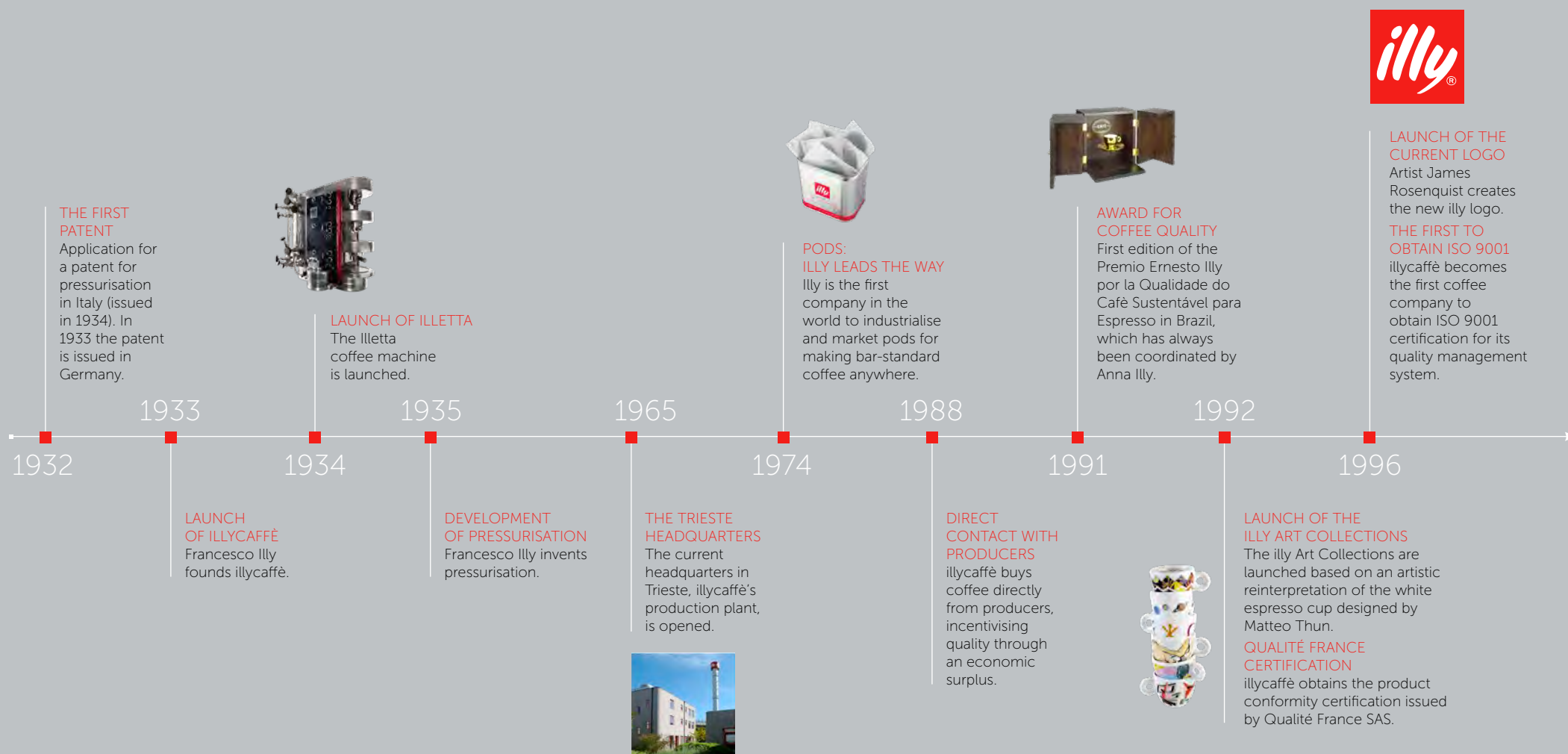
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FROM THE BEGINNINGS TO THE PRESENT DAY



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EMAS ENVIRONMENTAL CERTIFICATION

illycaffè improves its environmental commitment with EMAS to promote constant improvements in the environmental efficiency of its industrial activities.

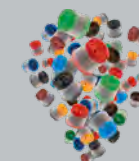
LAUNCH OF THE ERNESTO ILLY SCIENCE PRIZE

illycaffè, as part of Trieste's candidacy for Expo 2008, begins a collaboration with TWAS - The Academy of Sciences for the Developing World and launches an award dedicated to researchers from emerging and developing countries.



IPERESPRESSO

The Iperespresso capsule system arrives on the market.



IFS CERTIFICATION

With the International Food Standard certification, illycaffè continues its commitment to quality and food safety.



ESTABLISHMENT OF AROMALAB

illycaffè's laboratory where the chemistry and aromatic profile of coffee are studied and the quality of green and roasted coffee is evaluated.



PROGRAMMES IN GUATEMALA

illycaffè develops a micro-entrepreneurship and training programme for coffee farmers in Guatemala.

CREATION OF SENSORYLAB, TECHLAB AND BIOLAB

illycaffè creates 3 new laboratories in which it carries out continuous research on all aspects of coffee.

1999

2002

2003

2004

2005

2006

2007

1997

WATER, A PRECIOUS COMMODITY

illycaffè improves producers' coffee growing and processing techniques by reducing water consumption.

FOUNDATION OF THE UNIVERSITÀ DEL CAFFÈ

The centre of excellence to promote and spread high-quality coffee culture around the world, from bean to cup.



LAUNCH OF THE RETAIL BUSINESS

Espressamente illy is established, a chain of franchised bars that offer the authentic experience of Italian coffee all over the world.

ISO14001 ENVIRONMENTAL CERTIFICATION

illycaffè certifies that its management system is capable of keeping the environmental impacts of its activities under control.

ROASTING WITH A LOW ENVIRONMENTAL IMPACT

The new roasting plant in Trieste, featuring a coffee roasting process with low fume emissions, becomes.

EMAS AWARD

illycaffè's commitment to improving the environmental aspects of production is recognised at an international level.

PROGRAMMES IN ETHIOPIA

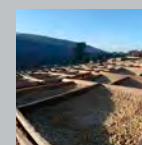
With the support of the International Coffee Organisation, illycaffè launches a project to demonstrate that the quality of Ethiopian coffee, correctly processed after the harvest, can compete with the world's best varieties.

BRC - BRITISH RETAIL CONSORTIUM CERTIFICATION

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

ESTABLISHMENT OF FOOD SCIENCE LAB

The laboratory dedicated to food and "consumable" coffee-based products.





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**ISO 17025
ACCREDITATION**
illycaffè's AromaLab
and SensoryLab
laboratories are
accredited by
Accredia.

FIRST SUSTAINABLE VALUE REPORT

illycaffè starts a process
of stakeholder communication
and involvement,
managing and communicating its
commitment to sustainability.

GLOBAL COMPACT

illycaffè joins the United Nations
Global Compact.

CARBON FOOTPRINT

In collaboration with the Ministry
of the Environment, illycaffè
launches a project to calculate
the carbon footprint of the entire
product life cycle.

ICRT - INTERNATIONAL CONSUMER RESEARCH & TASTING

illycaffè obtains the highest
score among all the roasters
analysed in the independent
survey conducted by the
international ICRT consortium
for its commitment to social
and environmental responsibility
towards coffee growers.

2008

2010

2011

2012

2013

2014

2014-2015

LAUNCH OF ILLY ISSIMO

illy issimo is the new "ready-to-drink" coffee, the result
of a joint venture with The Coca-Cola Company.

ESTABLISHMENT OF THE ERNESTO ILLY FOUNDATION

A foundation is dedicated to Ernesto Illy to further
develop his teachings and ideas.

OXFORD UNIVERSITY

In collaboration with the University of Oxford's
Environmental Change Institute, illycaffè supports a
research project on coffee growing sustainability.

ATLANTIC FOREST IN BRAZIL

illycaffè starts a collaboration with Istituto Terra
for a reforestation project in a vast area of the Atlantic
Forest in Brazil.

AWARDS FOR SUSTAINABILITY IN BRAZIL

illycaffè launches the Award for Sustainable Conduct
in Brazil, which rewards producers who achieve
sustainability targets.



"RESPONSIBLE SUPPLY CHAIN PROCESS" CERTIFICATION

illycaffè is the first company in the
world to obtain this certification from
DNV GL, which places quality and value
creation for all stakeholders at the heart
of the concept of sustainability, with a
particular focus on the cultivation and
selection of green coffee beans.

ESTABLISHMENT OF ILLYSHOP AND ILLYTECA

illyshop: single-brand boutique
with a complete range of illy products.
illyteca is a shop that offers products,
technologies and accessories
for all the Illy Group's
proprietary brands.



WORLD'S MOST ETHICAL COMPANY

illycaffè is the only
Italian company to
be included in the
2013 list of the most
ethical companies in
the world compiled
by the Ethisphere
Institute.



WORLD'S MOST ETHICAL COMPANY

illycaffè receives
the World's Most
Ethical Company
award.



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EXPO 2015

illycaffè, Official Coffee Partner, also devoted to sustainability. illy, the Official Coffee Partner of Expo Milano 2015, is chosen by Expo as exclusive curator of the Coffee Cluster, dealing with the design and management of contents and events, while hosting and promoting the participation of the ten producer countries within the Cluster.

PUBLIC-PRIVATE PARTNERSHIP WITH UNIDO

In collaboration with UNIDO, illycaffè works on the "Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnership" project to develop the entire Ethiopian coffee sector.

PARTNERSHIP WITH SENA IN COLOMBIA

illycaffè signs a declaration of intent with SENA – Servicio Nacional de Aprendizaje, the Colombian national public institution – for the launch of an international collaboration to share knowledge and good practices in coffee production and preparation in order to benefit both producers and consumers.

ISO 50001

illycaffè obtains ISO 5001 certification, guaranteeing the implementation and improvement of its energy management system.

SIGNING OF THE AGREEMENT TO SUPPORT THE REINTEGRATION OF EX-FARC FIGHTERS IN COLOMBIA

An agreement with ETCR (Territorial Spaces for Training and Reincorporation) and Ascafè (Association of small coffee growers) is signed to increase the quality and production capacity of coffee in the Cauca Department where former FARC fighters and small producers live, encouraging local economic development.

illycaffè carries out training sessions in areas that were previously affected by civil war, aimed at victims of the conflict, former fighters who are reintegrating into civilian life, associations of women coffee producers and rural school teachers, whose training programme includes a module entirely dedicated to high-quality coffee production.

2016-2018

2015

2016

2017

ERNESTO ILLY INTERNATIONAL COFFEE AWARD

Launch of the award for the best coffee chosen from among those grown in the regions that make up illy's unique blend, involving all the growers with which the company works. It is also a tribute to Ernesto Illy, a visionary leader who was always committed to scientific research.



WORLD'S MOST ETHICAL COMPANY

illycaffè receives the World's Most Ethical Company award.

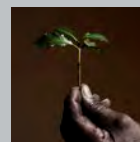
NEW GOVERNANCE AND SUSTAINABILITY POLICY

illycaffè confirms its commitment to sustainability with a new Governance and Sustainability Policy, in line with the objectives of the SDGs set out by the United Nations.



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2019

SOCIETÀ BENEFIT

illycaffè further strengthens its commitment to pursuing a sustainable business model that integrates social and environmental goals by adopting Società Benefit status and including this commitment in its articles of association.

2020

ENTRY OF RHONE CAPITAL

Rhone Capital enters illycaffè's capital with a minority stake to support the company in its international growth.

SUSTAINABLE PROCUREMENT PROCESS

From Responsible Supply Chain Process certification to the Sustainable Procurement Process: a protocol more in line with current and emerging guidelines on sustainability and corporate responsibility, as well as the controlled supply chain approach.

2021

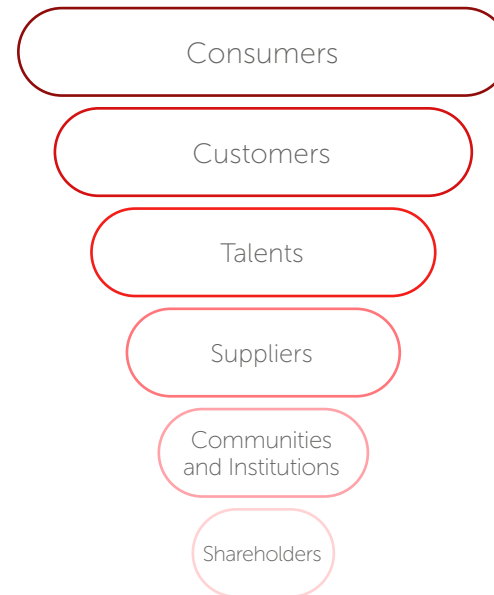
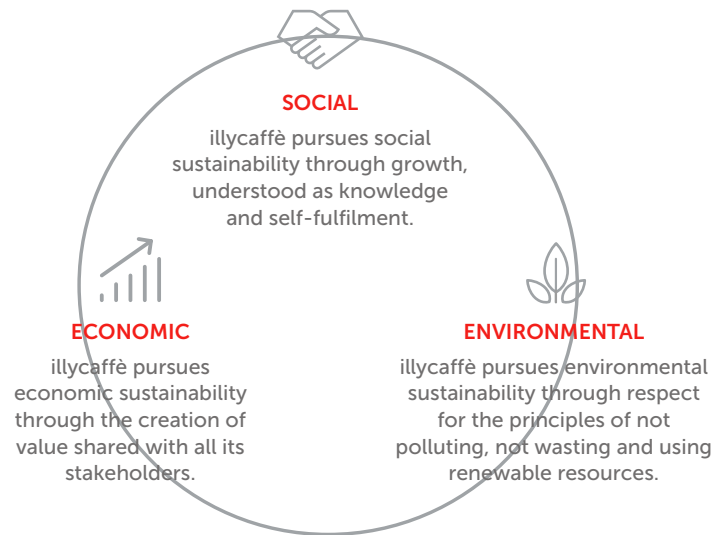
B CORP CERTIFICATION

illycaffè is the first Italian coffee company to obtain this certification, awarded to organisations that operate according to the highest social and environmental performance standards, maximising their positive impact on employees, communities and the environment.

■ 01.1.2 Sustainable strategy and governance

Since its foundation, illycaffè has focused its strategies on a sustainable business model that can offer competitive advantages, integrating economic and income targets with social and environmental aspects that it pursues by sharing the value generated (economic sustainability), personal growth (social sustainability) and respect for the ecosystem (environmental sustainability).

As a stakeholder company and Società Benefit, illycaffè aims to improve the quality of life of all its stakeholders. The hierarchy of its stakeholders is structured like an inverted pyramid: consumers come first, without which the company could not exist, followed by customers, who are the company's key partners in serving consumers; next are the talents, who collaborate with passion and professionalism; the suppliers, which guarantee the creation of an excellent product; the communities with which illycaffè interacts; finally, the shareholders, who serve the company.

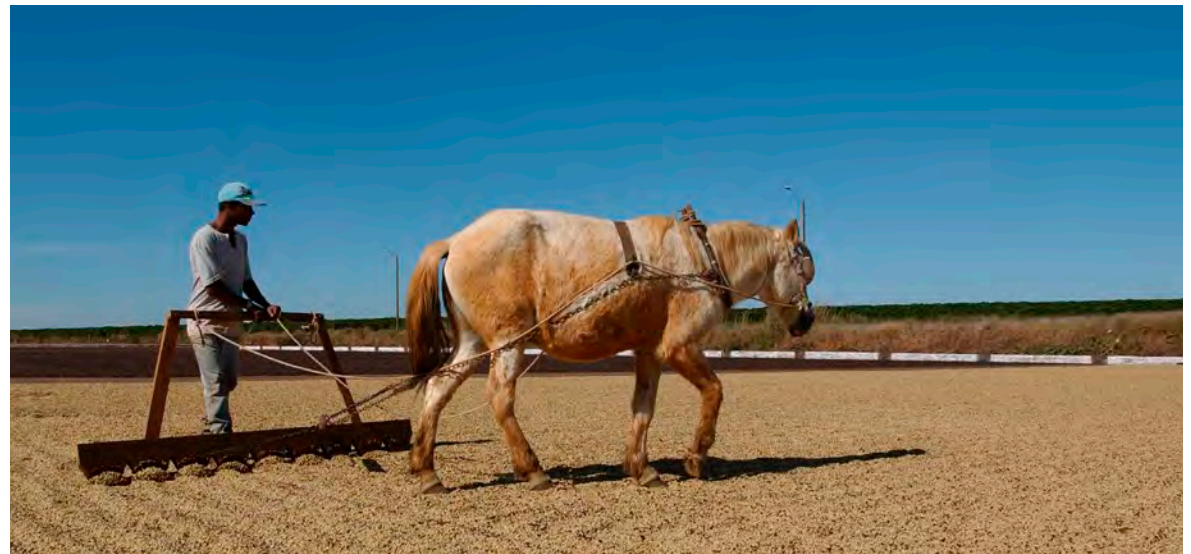


■ 01.1.3 2030 Sustainability Policy

In its sustainability policy, illycaffè confirms its decision to grow by operating in a responsible, transparent and sustainable manner.

The company intends to work on three areas in particular, which are also included in the articles of association:

- **The responsible value and sustainable agriculture chain.** This is achieved through analysis and improvement of impacts throughout the coffee supply chain, through field research and knowledge transfer, as well as through support to integrated agriculture to preserve and improve sustainable coffee quality.
- **The aspiration for happiness and quality of life.** This is pursued through the principles of economic, social and environmental sustainability, as well as by promoting global partnerships suitable to this goal.
- **The circular economy and innovation to benefit the planet.** This envisages the improvement of energy efficiency and resource consumption to progressively reduce emissions throughout the supply chain.



ILLYCAFFÈ, FROM SOCIETÀ BENEFIT TO B CORP

Ethics and sustainability are part of the identity of illycaffè, which since its foundation has set itself the goal of improving people's quality of life. In 2019, it strengthened its commitment as a stakeholder company, adopting Società Benefit status and confirming its choice to continue to grow by operating in a sustainable manner for the communities with which it interacts, including the commitment within its articles of association.

This commitment has been divided into three specific action areas
– responsible value and sustainable agriculture chain, happiness and quality of life, and circular economy and innovation to benefit the planet
– which are integrated into the 2030 goals of illycaffè's Strategic Plan and which will be annually reported in an Impact Report, as required by the regulations for Società Benefit.

Moreover, in April 2021, illycaffè became the first Italian coffee company to achieve B Corp certification, awarded to organisations that are committed to the highest standards of social and environmental performance, transparency and accountability, and that operate by maximising their positive impact on employees, communities and the environment through rigorous integral measurement of the value they create and a commitment to continuous improvement.

2033: OBIETTIVO CARBON NEUTRALITY

illycaffè has set itself the goal of becoming carbon neutral by 2033, on the 100th anniversary of its foundation. A multi-year programme was launched in July 2020 that aims to achieve carbon neutrality through use of the best technologies and research applied to raw materials and production processes.

Implemented activities included:

- The introduction of new sustainable disposable materials that will make it possible to eliminate around 175 tonnes of plastic per year.

- The presentation of the X1 ESE & Ground coffee machine, equipped with a technology that enables it to dispense coffee, steam and hot water at all times, eliminating the waiting time to reach the right temperature. After each dose, the machine instantly goes into standby mode, ensuring significant energy savings. The machine combines two environmentally sustainable preparation systems: the new compostable paper ESE pods and ground coffee. All the materials used to make the machine were designed and chosen to last. The packaging also respects all the characteristics of eco-friendly materials.



■ 01.1.4 Corporate governance and risk management

illycaffè's governance has been designed to respond to the effectiveness and efficiency needs of a good company and to optimally integrate a shared value creation model.

The Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors strive to ensure what has always been the company's most important goal: sustainable business development, now enshrined in the revised Società Benefit articles of association and B Corp certification. This aspiration is founded on the identity of an independent company and on family-run management. An identity that is communicated and strengthened by the bodies responsible for management and control, through which the company's values and principles are expressed in its everyday activities.

The Board of Directors, which is responsible for the company's most important economic and strategic decisions, was expanded in 2020, following the entry of minority shareholder Rhone Capital, guaranteeing 50% independent members.

The Board of Directors is comprised of:

- the Chairman: has the powers provided for by law and the articles of association with regard to the operation of corporate bodies and the company's legal representation. The Chairman monitors the company's overall performance and approves the CEO's proposals for the company's strategic and organisational development.
- CEO: legally represents the company within the limits of the powers granted to this position, ensuring smooth management, overseeing the company's organisation and ensuring regulatory compliance, internal control and risk management. The CEO implements the resolutions of the Board of Directors and the Chairman, proposing the company's strategic and development plan.

- Internal Audit and Risk Committee: carries out proposal, advisory and audit duties for the Board of Directors concerning the internal audit and risk management system. It is made up of three independent members.
- Appointments and Remuneration Committee: carries out proposal, advisory and audit duties for the Board of Directors concerning the appointment and remuneration plans of the CEO, Directors and senior managers. It is made up of three independent members. In the process of determining top management remuneration, illycaffè also relies on support from external consultants, who are also independent.
- Sustainability Committee: carries out proposal, advisory and audit duties for the Board of Directors in sustainability assessments and decisions. It is made up of three independent members.
- Lead Independent Director: represents the point of reference and coordination for the requests and contributions of the Independent Directors.
- Chief Ethics Officer: represents the company to private and institutional bodies with regard to both corporate reputation and strategic purchases in the coffee sector.

NUMBER OF MEMBERS OF THE GOVERNING BODY OF ILLYCAFFÈ S.P.A. BY AGE GROUP		2020
<30 years old		0
30-50 anni		2
>50 years old		11
TOTAL		13

NUMBER OF MEMBERS OF THE GOVERNING BODY OF ILLYCAFFÈ S.P.A. BY GENDER		2020
Women		6
Men		7
TOTAL		13

The number of members of the governing bodies of all companies is 49, of whom 19 are women and 30 are men. Moreover, most of them belong to the >50 age group.

With regard to anti-corruption training for governing bodies, policies and procedures were communicated to 100% of governing bodies and training was planned for 2021. Anti-corruption policies and procedures were communicated to 100% of employees and training was provided to 35%.

■ 01.1.5 A transparent approach to business

The company decided to enshrine its commitment to implementing sustainable principles and practices for the community and the environment into a document that serves as an operating manual for all company levels.

illycaffè therefore developed and adopted a **Code of Ethics** that sets out the company's principles and values as regulations and requires them to be observed by corporate bodies, employees and third parties. To date, it has been translated into seven languages in addition to Italian, and distributed to all subsidiaries and branches with the aim of creating an even more shared and robust value culture. In 2020, the Code of Ethics was updated with a view to continually combating active and passive corruption. Moreover, in order to work in a fully transparent manner, illycaffè, in addition to adopting an organisational model, regularly plans training activities on the Code of Ethics for all employees, transforming them into ambassadors of the company's guiding principles.

The Internal Audit department also carries out inspections and checks on the validity, reliability and effectiveness of control processes and systems. Going far beyond policy compliance, this department supports the definition of strategies to include ethical issues from the organizational stages and therefore from the foundations.

↓ DOWNLOAD

Material available
for download

- [Code of Ethics
and organisational model 231](#)



CODE OF ETHICS

- 442 employees took part in the online course on the Code of Ethics.
- 216 production plant workers followed live sessions to raise awareness about the issues outlined in the Code of Ethics.
- In 2020, 0 cases of corruption were recorded.

WORLD'S MOST ETHICAL COMPANIES

Since 2013, illycaffè has been included in the list of the World's Most Ethical Companies, testifying its constant commitment to pursuing ethical standards and practices. The list is annually drawn up by Ethisphere Institute, a company that defines and measures corporate ethical standards, recognising companies that drive positive change by investing in local communities and making sustainability a business objective*.

** To find out more about the methodology and how the score is awarded, see <https://www.worldsmoethicalcompanies.com/>*

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■ 01.1.6 Risks and opportunities

During 2020, the Enterprise Risk Management model was further defined and fine-tuned to make it unique and cross-cutting. Its ultimate aim is to develop and build a comprehensive and integrated enterprise risk management system, taking into account the following aspects:

- illycaffè's goals and benchmark standards.
- Risk assessment metrics.
- Roles assigned to risk owners in managing specific risks.
- Reporting flow to governance.

During the year, the 2020 Enterprise Risk Assessment process was carried out and the related update of the map of risks that could have a significant impact on the company's goals and value was updated, consolidating the single, cross-cutting methodology across various departments and identifying those responsible for each risk (Risk Owners), who are entrusted with risk management and the implementation, or improvement, of mitigation actions.

Identified risks, reported in the risk register, can be both internal and external, and the model used divides them into four categories:

- Strategic risks
- Operational risks
- Financial risks
- Governance & compliance risks

Strategic Risks may relate to business changes or to an inadequate response to changes in the competitive context and to the company's business development activities. This area also includes risks relating to sustainability.

Operational Risks are connected to the relevant sector, the company operations, organisational structure, IT systems and illycaffè's monitoring and reporting processes.

Financial Risks are linked to the financial management of illycaffè and specifically connected to risk concerning liquidity, currency, interest rate and financial counterparties for any financial transactions.

Compliance Risks are generally related to non-compliance, in business conduct, with national and international laws and regulations applicable to the company's activities, as well as with the Code of Ethics and internal procedures.

To increase and ensure a consistent and widespread risk culture throughout the company at the various levels of responsibility, all participants in the 2020 Enterprise Risk Assessment were involved in sharing the results, proceeding with a targeted in-depth examination of business processes and related risks.

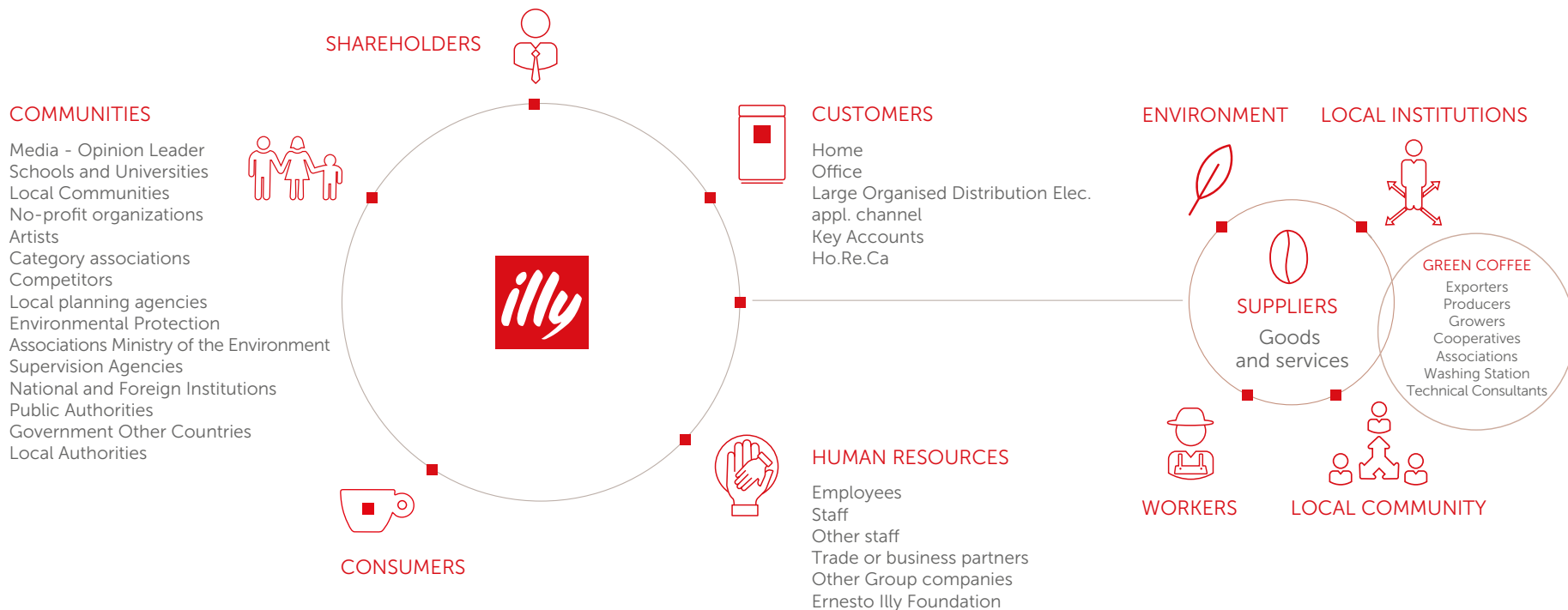
Stakeholder dialogue and materiality assessment

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Reconciling the interests within the company and those of its stakeholders is a fundamental trait for any stakeholder company and Benefit Company. illycaffè has always been committed to creating listening and dialogue tools - in particular the materiality matrix - that strengthen the relationship with stakeholders and multiply the shared value created.

The Sustainable Value Report 2020 reports on the issues deemed of greatest interest by stakeholders, describing the company's social and environmental impacts - the so-called material issues - and giving an account of their management and the value generated by its activities.



In the process of updating the materiality matrix, the following activities were carried out:

- Internal and sector analysis to identify and define the issues relevant to the company.
- Questionnaires with the directors to extrapolate the internal vision.
- Sharing a questionnaire to external stakeholders to detect expectations "outside" the company.

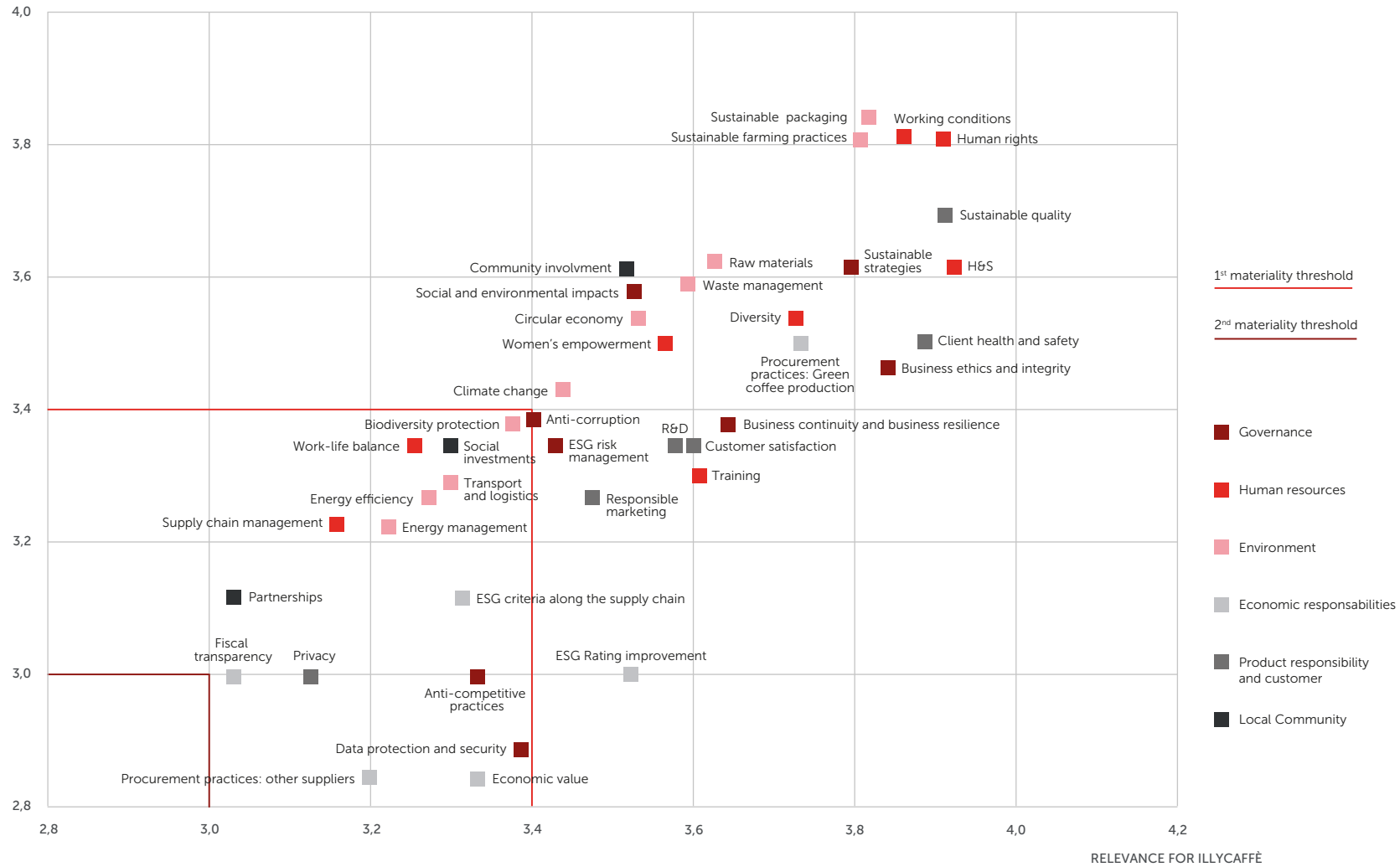
The setting of the analysis and the related questions allows to return a sense of complete priority, diverting the risk of incurring a vision where all the issues are equally relevant. This prioritization focused above all on the perception of material issues in the face of the health emergency, with the ultimate aim of assessing the perception that stakeholders have towards individual issues

in terms of relevance and urgency. The results of the analysis carried out are highlighted in the chart.

The two dimensions respond to the degree of relevance attributed to each issue from the point of view of illycaffè (horizontal axis) and from the point of view of its stakeholders (vertical axis). More than 40 topics evaluated through an evaluation scale from 1 to 4 were investigated, and the most relevant themes that are positioned in the upper right quadrant were reported in the matrix below. According to the results obtained, a materiality threshold of 3.4 has been identified, which highlights the material and strategic issues for illycaffè's business. In addition, a second materiality threshold of 3.0 has been identified, which allows to highlight the issues considered important for illycaffè, even if not material, on which it is possible to evaluate the definition of medium-long term objectives.



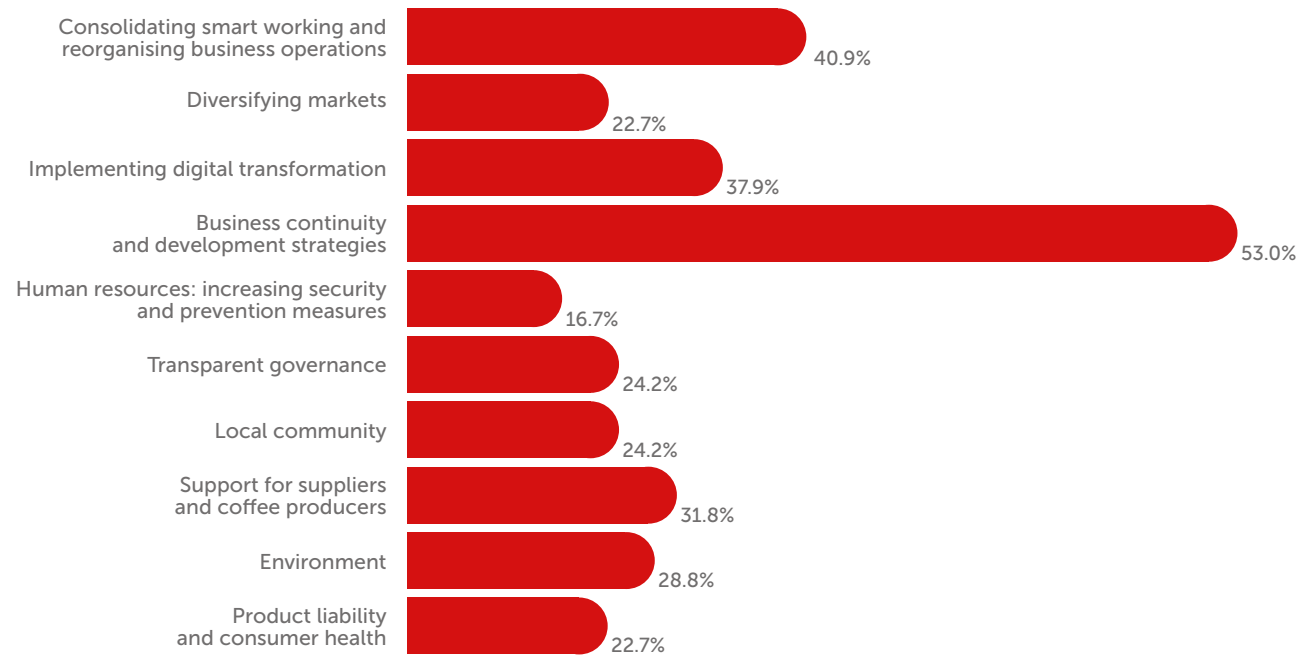
RELEVANCE FOR STAKEHOLDERS



To support the materiality analysis, a further study was conducted to investigate the issues that stakeholders consider most relevant in terms of supervision, monitoring, control and protection against the health emergency and the impacts caused by Covid-19. The results identify the following topics as relevant:

- "Business continuity and development strategies" with a 53% response rate from stakeholders.
- "Consolidating smart working and reorganising business operations" with around a 41% response rate from stakeholders.
- "Implementing digital transformation" with around a 38% response rate from stakeholders.

RESULTS OF TOPICS RELEVANT TO THE HEALTH EMERGENCY



■ 01.2.1 Scope of impacts

The table below shows the correlation between material topics and GRI Standards and their impact (internal and/or external). For the sake of completeness, the section of the Sustainable Value Report in which their management is described is indicated.

MATERIAL TOPICS IDENTIFIED BY ILLYCAFFÈ	RELEVANT TOPIC-SPECIFIC GRI STANDARDS	IMPACT WITHIN THE COMPANY	IMPACT OUTSIDE THE COMPANY	FIELD
Customer satisfaction and complaint management	417 – Marketing and labelling 418 – Consumer privacy	Whole company	Customers	Relational capital
Consumer health and safety	416 – Consumer health and safety	Whole company	Customers/Suppliers	Relational capital
Product labelling and responsible marketing	417 – Marketing and labelling	Whole company	Customers	Productive capital
Innovation and investments in Research and Development		Whole company	Suppliers, Customers, Contractors, Partners	Intellectual capital
Sustainable quality		Production companies	Suppliers, Customers	Productive capital
Impacts on climate change	302 – Energy 305 – Emissions	Whole company	Suppliers	Natural capital
Responsible use of raw materials	301 – Raw materials 303 – Water and water discharges	Whole company	Suppliers	Natural capital
Waste management	306 – Water discharge and waste	Whole company	Suppliers	Natural capital

MATERIAL TOPICS IDENTIFIED BY ILLYCAFFÈ	RELEVANT TOPIC-SPECIFIC GRI STANDARDS	IMPACT WITHIN THE COMPANY	IMPACT OUTSIDE THE COMPANY	FIELD
Circular economy and lifecycle management	306 – Water discharge and waste	Parent company	Suppliers	Natural capital
Sustainability in agricultural practices		Whole company	Suppliers, Contractors	Natural capital
Sustainable packaging	301 – Raw materials	Whole company	Suppliers	Natural capital
Procurement practices: green coffee production	204 – Procurement practices 307 – Environmental compliance 308 – Environmental assessment of suppliers 414 – Social evaluation of suppliers	Whole company	Suppliers, Contractors, Partners	Productive capital
Improvement of ESG ratings		Whole company	Suppliers	Financial capital
Community engagement and local relations	411 – Rights of indigenous peoples 413 – Local communities	Production companies	Suppliers, Contractors, Partners	Relational capital
Sustainability strategies		Whole company	Suppliers, Contractors, Partners	Relational capital
Anti-corruption	205 – Anti-corruption	Whole company	Suppliers, Contractors, Partners	Relational capital
Transparency, integrity and ethics	307 – Environmental compliance 407 – Freedom of association and collective bargaining 408 – Child labour 409 – Forced or compulsory labour 415 – Public policy 419 – Socioeconomic compliance	Whole company	Suppliers, Customers, Contractors, Partners and Consultants	Relational capital
Business continuity & business model resilience	201 – Economic performance	Whole company	Suppliers, Customers, Contractors, Partners	Financial capital

MATERIAL TOPICS IDENTIFIED BY ILLYCAFFÈ	RELEVANT TOPIC-SPECIFIC GRI STANDARDS	IMPACT WITHIN THE COMPANY	IMPACT OUTSIDE THE COMPANY	FIELD
ESG Risk management		Whole company	Suppliers, Contractors, Partners	Financial capital
Social and environmental impacts	203 – Indirect economic impacts	Whole company	Suppliers, Contractors, Partners	Productive capital, intellectual capital
Respect for human rights	412 – Assessment of respect for human rights	Whole company	Suppliers, Customers	Human capital
Working conditions	401 – Employment 402 – Relationship between workers and management 404 – Training and education	Whole company	Suppliers, Contractors, Partners	Human capital
Diversity and equal opportunities	405 – Diversity and equal opportunities 406 – Non-discrimination	Whole company	Suppliers, Contractors, Partners	Human capital
Occupational health and safety	403 – Occupational health and safety	Whole company	Contractors	Human capital
Women's empowerment	405 – Diversity and equal opportunities	Parent company	Suppliers, Contractors, Partners	Human capital

Value chain

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Developing a fully sustainable value chain requires commitment throughout the supply chain. To obtain the best sustainable quality, the company works closely with all key players in the supply chain, starting with the countries where the finest Arabica is grown and ending with those that distribute and prepare coffee in the cup.

■ 01.3.1 Macroeconomic scenario and positioning of illycaffè

In 2020, the global macroeconomic climate was impacted by the health emergency caused by the Covid-19 pandemic. Economic scenarios rapidly and profoundly changed, leading to a downturn in global economic activity that was unprecedented in recent history.

According to IMF (International Monetary Fund) forecasts released in January 2021, global GDP contracted by 3.5% in 2020. Italy was the first country in Europe to be affected by the pandemic. In the first part of the year, economic activity contracted by 13% (source: ISTAT) and then grew by 16% in the third quarter, driven by the strong increase in both exports and domestic demand.

The business world, which, like politics, has enormous power to influence behaviour, money flows and decisions, must take an active role in the most important challenge, namely our survival. Sustainable quality is the answer that contributes to addressing the great challenges of our time.

■ 01.3.2 Sales channels

The **Italian market**, in relation to the scope of the Italian Business Sales Department, operates in the HoReCa, System Distributors, Modern Trade, Specialty Retail Eldom and OCS - Vending (including the subsidiary Mitaca) channels.

Although the HoReCa channel still accounts for most of illycaffè's turnover (around 70% of total sales), a gradual acceleration towards expansion into other channels has begun and will continue in the near future. As a direct result of this rebalancing process, the product mix has changed, with a significant increase in household products.

1. **HoReCa Italy** is historically the key channel in terms of turnover and importance for illycaffè.

Professional products marketed on the channel consist of formats for dispensing such as beans (3 kilos and 1.5 kilos), illycaffè instant and Ipso Professional capsules.

The range is completed by illy Crema and Hordeum (barley and barley/ginseng), the latter of which is available as instant and Ipso Professional and Home capsules.

The range is complemented by the training offered by the Università del Caffè, aimed at spreading the culture of high-quality coffee and creating better skills and knowledge for out-of-home operators.

The targets of this widespread organisation are:

- Distribution development in line with illycaffè's strategic pillars.
- Acquisition of new customers such as Bars, Hotels, Restaurants, Catering and Travel companies and, more generally, companies in the Out of Home sector with a premium profile.
- Monitoring and improvement of existing customers with the goal of increasing the quality standard of supplied products, improving the brand image and spreading the culture of quality by building a unique experience for consumers, creating a strong bond with them.

The Artisti del Gusto programme was created to build a customer base in line with illycaffè's strategic pillars. Participants are global ambassadors of quality, to whom the company offers distinctive and unique solutions to achieve the highest quality standards and the best end consumer satisfaction.

For small-scale catering, the company offers the Ipso Professional system, which provides the best solution for making a high-quality illy coffee, while also offering customers optimised management of the technical activities linked to the processing tools.

2. **Professional Portioned Systems Distributors** are an additional distribution solution in the HoReCa Italy channel that permits more widespread coverage. As was the case for the HoReCa Italy channel, 2020 was particularly difficult for retailers due to the pandemic.

Distributed products include Ipso Professional capsules, MPS HoReCa capsules and ESE pods, as well as Hordeum instant Ipso Professional capsules. The two portioned systems are accompanied by dedicated equipment. The range is completed by similar products for dispensing.

3. **OCS - Vending.** A channel that manages the marketing of consumable products for dispensing within the office service and vending machine sector.

The **Mitaca** company.

Mitaca – a company specialising in the OCS - Vending channel and owner and manufacturer of the MPS - IES and MPS M systems, of which illycaffè has held full ownership since 2017 – has a customer base made up of Italian distributors operating in Italy and also markets its systems (coffee and soluble capsules + machines + accessories and spare parts) in illycaffè's foreign subsidiaries and in the markets served by foreign distributors.

Mitaca's commercial range includes coffee and beverage distributors with the IES - MPS portioned systems for the Office segment and the MPS M system for Vending.

Each system offers a range of dedicated machines. The product range is completed by soluble products in capsules for hot drinks and in bags for use in capsule or vending machines.

The fixed positioning, technological solutions and increasingly sustainable

innovation, which already includes the use of compostable accessories, are other distinctive characteristics.

4. **Modern Trade** is the main distribution channel for household consumption. Products marketed on the channel consist of 125 g and 250 g coffee containers, ESE pods, Soft Cans, and Compatible Capsules in the various product and roasting versions, as well as special packs.

5. Another distribution channel dedicated to developing domestic consumption is **Specialty Retail**, which manages the marketing of illy products for sales to independent organisations and bodies in the food distribution sector that do not have forms of association and/or relations with Modern Trade.

Products marketed on the channel consist of 125 g and 250 g coffee containers, ESE pods, Soft Cans, Ipso Home Capsules and Compatible Capsules (selectively distributed in certain major Italian cities) in the various product and roasting versions, as well as special packs.

6. **Eldom** is the channel dedicated to the distribution and sale of coffee and coffee machines for the home, aimed at points of sale in the Housewares, Wedding Lists, Household Goods and Household Appliances and GDS (Large-Scale Electronic Retailing) segments, including specialised retail chains for coffee capsules and portioned systems.

Marketed products consist of FF machines for domestic use for the Iperespresso Home capsule system, for ESE pods and illy ground coffee, electric milk frothers and accessories for preparing coffee at home.

Within the **International Markets** scope, in which illycaffè operates through third-party distributors, products reach consumers in over 100 different countries through all sales channels.

Although the HoReCa channel continues to account for the majority of turnover, the other channels have been steadily accelerating since last year and will continue to do so in the near future, consolidating closer to a 60/40 split. As a direct result of this rebalancing process, the product mix has changed, with a significant acceleration of domestic items towards those for out-of-home use.

The company has long-standing relationships with local partners (distributors) on average (10+ years). Some distributors changed in 2020 because their performance was not adequate or due to a clear misalignment with company values.

The International Markets team that handles relations with distributors is quite streamlined and organised into 4 macro-areas: Europe, APAC (Asia Pacific), SEMEA (Southern Europe, Middle East and Africa) and LATAM (Latin American countries). While the LATAM and SEMEA areas suffered during 2020, Europe managed to limit the impact and APAC actually almost doubled its turnover thanks to a series of initiatives in targeted geographical areas and channels less impacted by the pandemic. In Korea, in particular, there has been a significant increase in home coffee consumption: by the end of 2020, it is estimated to account for 50% of the total coffee imported from Italy.

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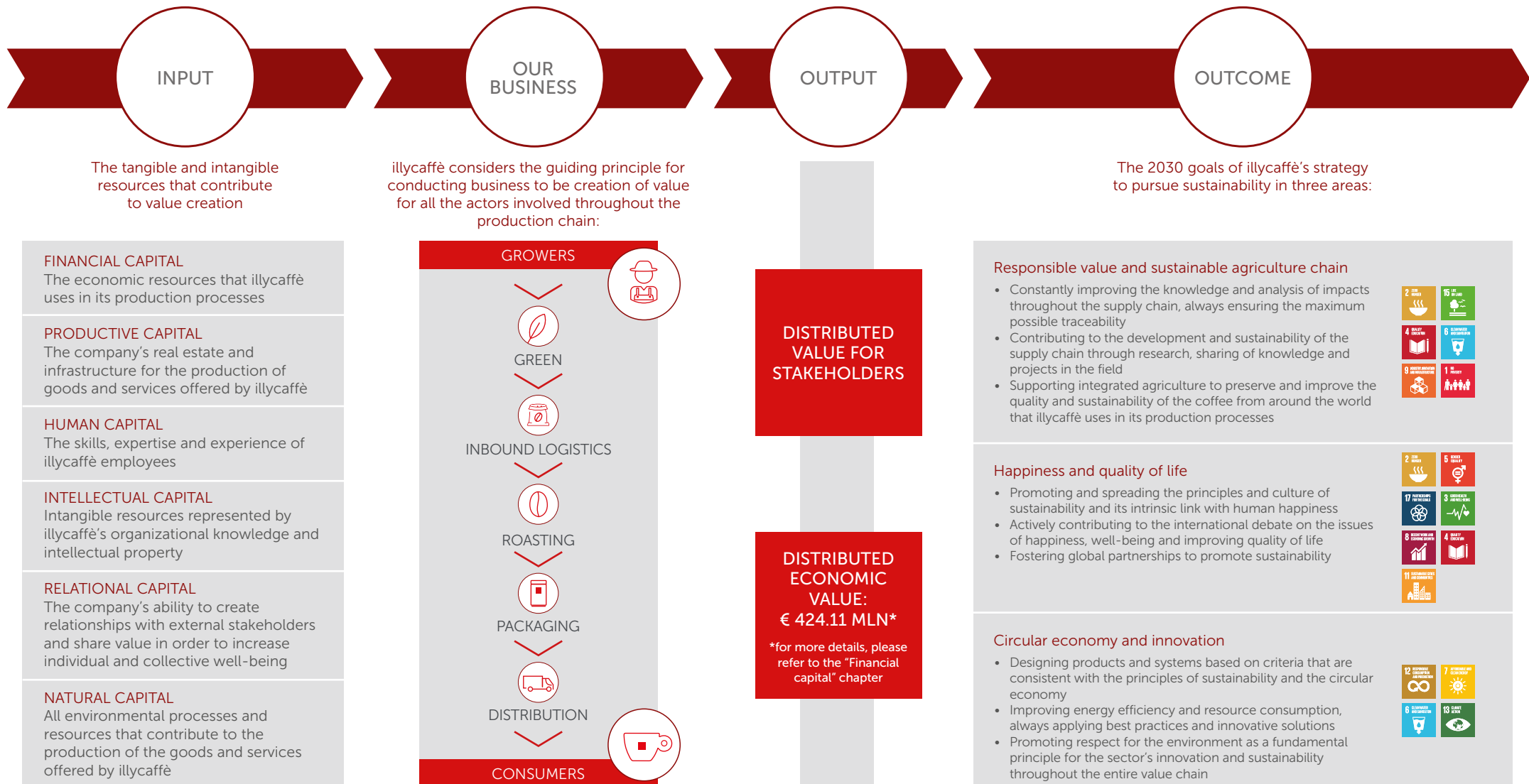


The illycaffè model

illycaffè considers the guiding principle for conducting business to be creation of value for all the actors involved throughout the production chain. The company's business model takes into account all the tangible and intangible resources that contribute to creating and distributing its value in the short, medium and long term. It starts with the resources, referred to as "capital", with which it applies its business vision throughout the supply chain, implementing concrete actions (output) that are then translated into final results (outcome).

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■ 01.4.1 Sustainable supply chain

To ensure sustainable coffee quality, the illycaffè supply chain management model is based on three specific principles:

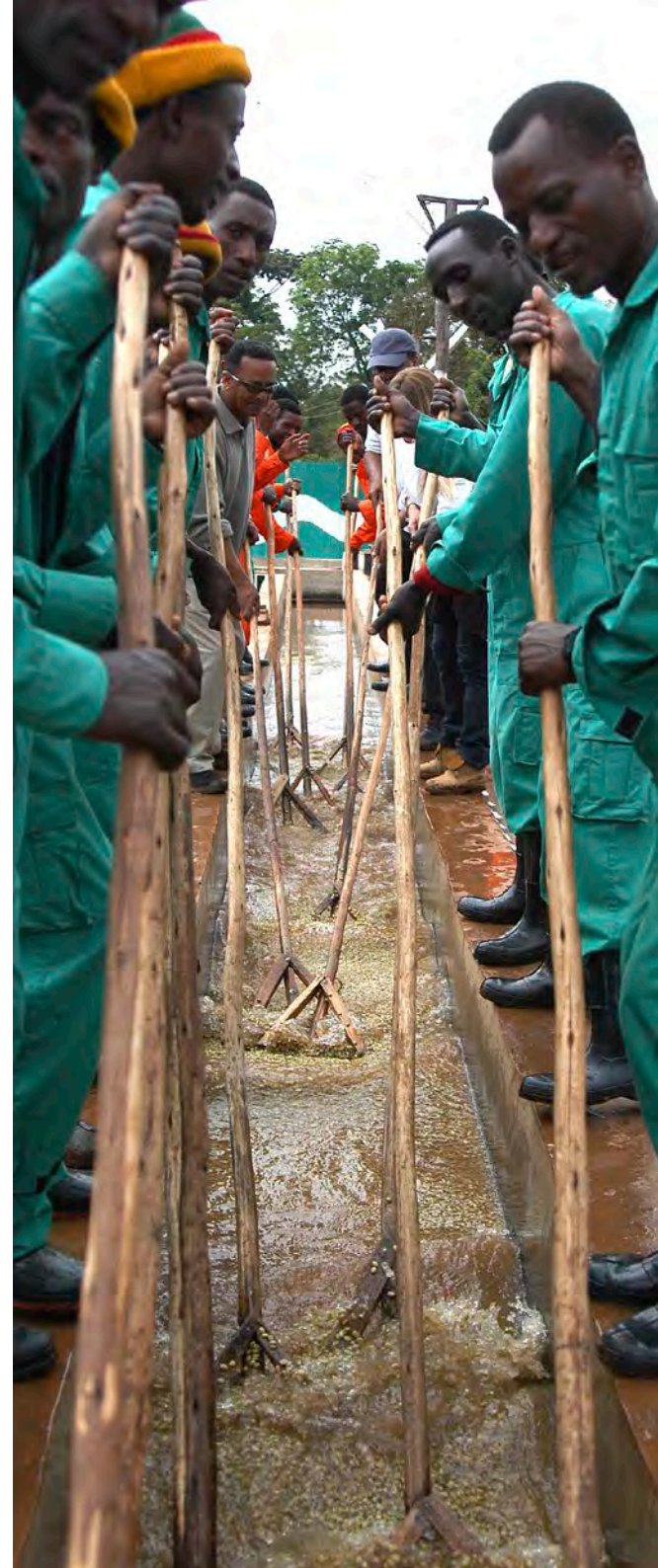
- **Traceability** of resources and raw materials throughout the entire production process in order to guarantee quality.
- A reciprocal relationship with producers.
- Economic, social and environmental sustainability.

A model that involves all the figures in the supply chain:

- **Farmers**, who cultivate small plots of land.
- **Producers**, i.e. the companies (consortia, cooperatives and medium/large-scale farmers) that carry out operations to process the harvested coffee, such as separation, washing and drying.
- **Exporters**, who buy green coffee from cooperatives or directly select it from producers, and create commercial batches based on their customers, retailers or roasters. They are also involved in supply chain audits and measures in accordance with the standard integrated supply chain approach.

This approach reflects a holistic model that reinforces the economic sustainability underlying the green coffee purchasing strategy and, at the same time, raises awareness and provides training throughout the supply chain every time the illy technicians and agronomists visit a site. Over the years, illycaffè has developed a system of direct relations with its producers based on four cornerstones:

- I. **Selecting and working with the best producers**, namely those involved in the production of sustainable high-quality coffee.
- II. **Sharing knowledge** with them via the activities of the Università del Caffè and constant visits to the plantations by illy technicians and agronomists, motivating them to produce sustainable quality.
- III. **Recognising, including financially**, quality achieved and encouraging continuous improvement.
- IV. **Building an illy community (illy circle for creating a culture of excellence)**, establishing human and direct relationships based on knowledge, exchange and growth.



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These principles are reflected in the Sustainable Procurement Process (SPP), the new supply chain sustainability standard used by illycaffè for the procurement of sustainable high-quality green coffee; this protocol is one of the most comprehensive sustainability standards in the coffee procurement process:

- It defines the company's principles of sustainable development and social responsibility in procurement policies and practices.
- It promotes qualification and monitoring of suppliers, not only in financial terms, but also with regard to environmental and social aspects, encouraging improvement goals and programmes throughout the supply chain.

illycaffè has set out to monitor 100% of the supply chains over 3 years. Therefore, not all suppliers are annually audited; moreover, each supplier manages several supply chains, so the number of audits does not represent volumes, let alone the value of annual green coffee purchases.

The main supply chain monitoring areas are as follows:

ENVIRONMENT	<ul style="list-style-type: none"> • Water management and quality • Biodiversity • Recycling and/or proper disposal of liquid and solid waste
EMPLOYMENT	<ul style="list-style-type: none"> • Human rights • Working conditions • Health and safety • Abilities and skills
PRODUCT	<ul style="list-style-type: none"> • Traceability • Use of active ingredients • Agronomic practices used • Production monitoring • Hygiene

ILLYCAFFÈ AND THE RESPECT AND PROTECTION OF HUMAN RIGHTS

illy has always been committed to promoting respect for human rights and combating child labour.

Over the years, this commitment has been translated into concrete actions:

- **Adherence to the principles of the United Nations' International Labour Organization (ILO).** The company only purchases from countries that have ratified the ILO standard and have established a minimum labour age of 14 years or older in their legislation.
- **Application and reference to the Code of Ethics in all contracts with suppliers,** which includes clauses on respect for human rights in procurement and along the supply chain.
- **Control of its coffee suppliers,** which includes regular monitoring and active management of issues such as child labour, forced and compulsory labour, and access to the farm's records or personal visits to the company premises. Thanks to this monitoring system, 21 potential risks related to child labour and forced labour were identified in 2020. Coffee producers from Costa Rica, Ethiopia, Guatemala, Honduras and Nicaragua are the most exposed to these risks. In order to minimise these risks, illycaffè – in cooperation with the Ernesto Illy Foundation – develops special projects designed to transfer the knowledge needed to prevent these social risks (for more information, see page 33).
- **Drafting of the Sustainability Policy** to illustrate illycaffè's values, goals, commitments and governance regarding the issue of sustainability.
- **Membership, since 2012, of the United Nations Global Compact,** the initiative to encourage companies around the world to adopt sustainable and socially responsible policies.

In 2020, no malpractices or human rights violations were detected.

■ 01.4.2 Supply chain control and knowledge

The sustainability standard is maintained and the quality of the raw material is respected thanks to two fundamental cornerstones: progressive control of the supply chain and knowledge transfer.

Controllo della filiera

Audits and inspections are a key part of the monitoring process, as well as the performance parameters required by the supply chain:

- **Minimum action requirements:** minimum requirements that suppliers must comply with, or else the supply relationship will be terminated.
- **Key performance indicators (KPIs):** requirements that go beyond the legal minimum and that the company deems essential in the relationship with the supplier.
- **Supply chain rating system** to qualify supply chains.

2020 was an atypical year due to the global pandemic caused by Covid-19. illycaffè immediately implemented strategies to adapt to the ongoing evolution of this uncertain and delicate situation. Activities planned for 2020 were reviewed and smoothly reorganised; the situation was regarded as a real opportunity to make changes aimed at continuous improvement.

Given the spread of the pandemic in all the countries from which the company sources its supplies, on-site inspection activities were suspended, with the exception of Brazil, where illycaffè continued to monitor the situation and only organised visits with its sustainability technicians when the safety of those involved was fully guaranteed. In Costa Rica, Guatemala, Honduras, Mexico and Nicaragua, audits were carried out remotely following the requirements of the Sustainable Procurement Process. A total of 267 audits were carried out and no instances of non-compliance were detected. Over 3,200 producers have been visited in the field since the start of the coffee supply chain monitoring programme.

	2018	2019	2020
FIELD VISITS	337	334	267 on-site and remote audits

In addition to the audit process, an intensive stakeholder engagement activity was conducted in 2020, involving more than 450 people from the company's main green coffee supply chains. It was a moment of training and dialogue that stressed the importance of sustainability for illycaffè, with a particular focus on the coffee purchasing strategy, dedicating time to listening to and collecting the material issues that emerged at local level and help to guide the company's actions. One of the most relevant issues that emerged was the goal of becoming carbon neutral in 2033, receiving positive feedback for planned activities in the coming years from green coffee stakeholders.

From 2020 illy, in addition to updating an annual Risk Assessment document that analyses environmental, employment, business ethics and product risks, assessing them at a country, organisation and supply chain level, has required its suppliers to carry out a risk analysis of their supply chain.

In particular, the following potential critical areas emerged from the Risk Assessments and are the focus of the company's actions:

- Raising awareness about payment of minimum wages.
- Prevention of the use of highly toxic agrochemicals.
- Support for the implementation of efficient wastewater treatment systems.
- Prevention and mitigation of child labour risk.

Knowledge transfer

For illycaffè, knowledge transfer is an integral part of all activities along the coffee supply chain. Training activities start with field visits and are then divided into specific sessions based on the main critical issues identified, with the aim of making precise recommendations for their resolution and prevention. Expertise acquired in the field and passed on by experts to producers becomes a wealth of knowledge that allows all actors in the supply chain to act with awareness and respect for human rights, communities and the environment.

Education is the guiding principle of the training activities carried out by the Università del Caffè and of the social projects implemented thanks to the contribution of the Ernesto Illy Foundation to prevent, address and mitigate the most relevant risks identified in the field.

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STORIES FROM THE FIELD

COLOMBIA

Since 2016, the company has gradually increased its purchases of coffee from the Escuela y Café project, promoted by the Colombian supplier Ascafé in 64 rural schools in the Cauca region. The programme, which involves over 2000 students, provides training on coffee and practical experience in the plantation owned by each school. Every student annually receives a number of certified coffee beans, from 500 to 1500, so that when they finish school they will have their own production business. The project is reducing child labour and school drop-out rates. It also aims to mitigate the risk of interruptions to coffee cultivation due to producers ageing out of the workforce. Last but not least, Escuela y Café is a tool to prevent young people's involvement in the illegal production of coca, which is a very profitable and widespread crop in the country.

GUATEMALA

Thanks to its partnership with the Funcafé foundation, in 2020 illycaffè launched a Coffee Kindergarten and Coffee Camp project on the El Aceituno farm, contributing to the construction of a school facility to offer an education and food service to 38 minors, all children of coffee pickers who work on this plantation.

HONDURAS

In 2019, the Cohondu Foundation opened a school in Belén, in the Lempira region. illycaffè contributed to the reconstruction of the roof, a classroom and toilets, helping a total of 72 children of coffee pickers who work on the local plantations.

RWANDA

In 2019, the company contributed to the construction of a classroom at the primary school in Gitega, in the Ngororero region, which accommodates 910 students. This contribution provides the school with a classroom dedicated to 70 pre-school children, who previously used the same spaces as the elementary school, making it complicated to carry out normal activities.



■ 01.4.3 Suppliers

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

illycaffè uses the Procurement Portal to collect, summarise and compare a significant amount of data and information about its suppliers. Through a pre-qualification questionnaire, suppliers who register on the Portal accept the company's Organisational Model and Code of Ethics and can access the Code of Conduct that lists and describes the principles that the company requires suppliers to respect.

The most significant aspects of the pre-qualification questionnaire relate to:

- **Ethics and commercial integrity**
- **Human and labour rights**
- **Environment**

In 2020, purchase guidelines and procedures were updated to meet the stringent criteria of B Corp certification.

The focus of 2020 was on Supplier Risk: together with the company's Risk & Compliance department, a comprehensive supply risk assessment process was designed and implemented (from business interruption to cyber risk, also assessing reputational and economic risk).

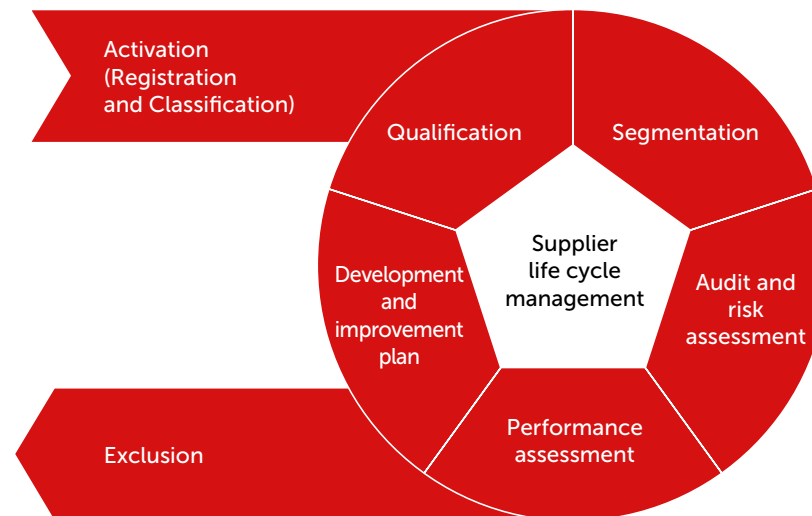
The implemented module makes it possible to collect information from the supplier, to evaluate it internally to understand the risk level and, if necessary, to intervene with corrective actions that will then be monitored over time.

This activity will be fully developed in 2021, when the whole Audit Management process will be implemented and managed. Next year will also see a major review and update of the Qualification Process with the goal of making it more up-to-date and in line with B corp company guidelines.

Supplier LifeCycle Management constitutes a virtuous circle aimed at improving supplier performance with a view to fostering partnerships and mutual support.

Starting from the process of initiating the contract and starting the collaboration, Procurement accompanies suppliers in all their "life stages", through the qualification, segmentation, audit, performance and risk assessment processes and even in the event of their exclusion or the development of an improvement plan.

The qualification process, like the performance evaluation process, has been active for several years. Questions and related assessment and selection criteria are periodically improved on the basis of internal indications and suggestions from the certification bodies with which the company works. These activities have made it possible, since 2020, to assess and monitor various aspects in greater depth, including protection of working conditions, human rights and impacts on society.



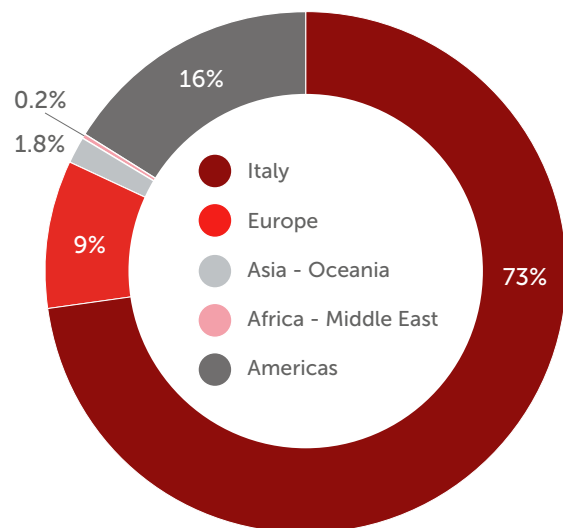
This method creates a solid relationship between the supplier and illycaffè, which in turn fosters a **virtuous network** in which good practices are shared and mutually improved.

Strategic suppliers are asked to provide information on environmental and social aspects, with an even more specific level of detail: Sustainability Report, Integrated Report or tools for measuring social and environmental impact.

It is a cyclical process that follows the continuous improvement approach.

At the end of the year, the activities carried out, risks identified, corrective actions implemented, results obtained and programme for the following year are examined.

ORIGIN OF SUPPLIERS (2019 PURCHASE VOLUME %)



illycaffè has a panel of 1,067 suppliers, 87.7% of which come from Italy, with a purchase volume of €130 million, or 88.2% of total expenditure.

The total number of suppliers evaluated according to social or environmental criteria is equal to 47; of these, 28% of suppliers are evaluated according to environmental criteria, while the 72% are evaluated according to social criteria.

TOTAL NUMBER OF SUPPLIERS OF ILLYCAFFÈ		2020
Producer suppliers		418
Non-producer suppliers		2,913
TOTAL		3,331

ORIGIN OF SUPPLIERS OF ILLYCAFFÈ - 2020	NUMBER OF SUPPLIERS	% OF TOTAL	PVO* IN 000/€ ⁶	% OF EXPENDITURE
Italy	1,392	42%	211,872	73%
Europe	1,045	31%	27,331	9%
Asia - Oceania	52	2%	5,896	1.8%
Africa - Middle East	4	0%	24	0.2%
Americas	838	25%	46,362	16%
Total	3,331	100%	291,485	100%

* Purchase volume

⁶ This aggregate does not include the purchase volume of the Brazil plant and that of Espressamente illy Americas DOS.

SEED:S

Social
Environmental
Economic
Development
Sustainability

■ 01.4.4 Logistics and sales

The company's logistics and transport management reflects its desire to find innovative solutions to reduce emissions and make distribution more efficient. Inbound transport and logistics of raw materials and other materials, as well as distribution logistics of finished products to customers, are carefully monitored processes, including through the LCA methodology (which includes an impact study in terms of products' carbon footprint, while also assessing aspects related to distribution), to ensure a complete assessment of impacts and the study of improvement strategies.

INBOUND LOGISTICS

Origin: Italy

In Italy, transport is almost exclusively road-based. illycaffè coordinates transport by directly organising daily loads in order to optimise flows, thereby reducing environmental impact and warehouse stock.

Origin: Abroad

Green coffee arriving by sea accounts for the greatest share of inbound transport. The coffee is loaded on containers in sacks or, where possible, in big bags, one-tonne container sacks that make it possible to optimise loads and reduce costs. Selection of shipping companies is based on an in-depth qualitative analysis of the service, through which suppliers are identified who have defined policies to reduce environmental impacts, adapting to the new legislation on the use of biofuels to reduce sulphur emissions.

OUTBOUND LOGISTICS

The distribution network has been designed with the aim of guaranteeing an adequate level of service based on the specific nature of the markets and sales channels, while limiting logistics costs.

Destination: Italy

The company manages shipping of goods to its customers in Italy, where transport of all shipments is road-based. Around 60% of shipments are handled by a major logistics operator that has adopted an Integrated Quality, Environment and Safety Policy and an Ethical and Social Responsibility Policy. In Italy, intermediate warehouses are also used to optimise distribution to points of sale.

Destination: Abroad (Europe and Extra-EU)

Shipments to European countries are sent in the same manner as shipments within Italy. In certain cases, intermodal transport has been adopted, opting for the truck/ship/truck combination, with the aim of reducing environmental impact. Similarly, full truck shipments, in which illycaffè assumes responsibility for full load delivery, have been incentivised.

Shipments to non-European countries are made by sea, using shipping companies that implement clear and detailed sustainability policies, just as for inbound logistics.

SEED:S

Social
Environmental
Economic
Development
Sustainability

02 capitals

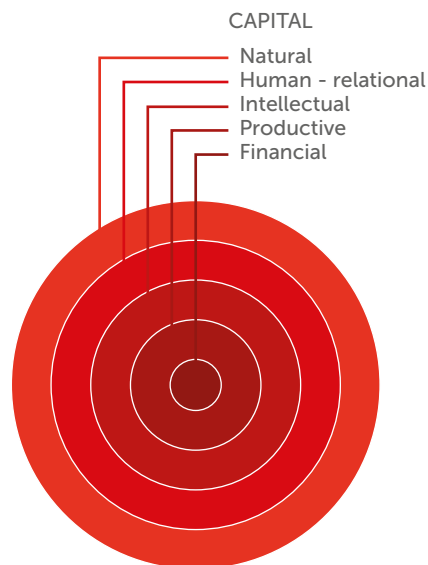


The model for capital and the corporate body

In everyday language, capital refers to financial capital. illycaffè, inspired by the Integrated Reporting Framework (IIRC), agrees on the importance of multiple capitals, since a company is more like a living organism, part of an ecosystem made up of different elements, than an isolated entity.

The capitals are cornerstones in which the company invests and the elements that it wants to develop over time to create shared value. Taking an Integrated Reporting approach, illycaffè has identified six interconnected and interdependent capitals that characterise the relationships between the operating units, the entire organisation's departments and the context in which it operates. There is a clear hierarchy among the capitals: Natural - Human - Relational - Intellectual - Productive - Financial.

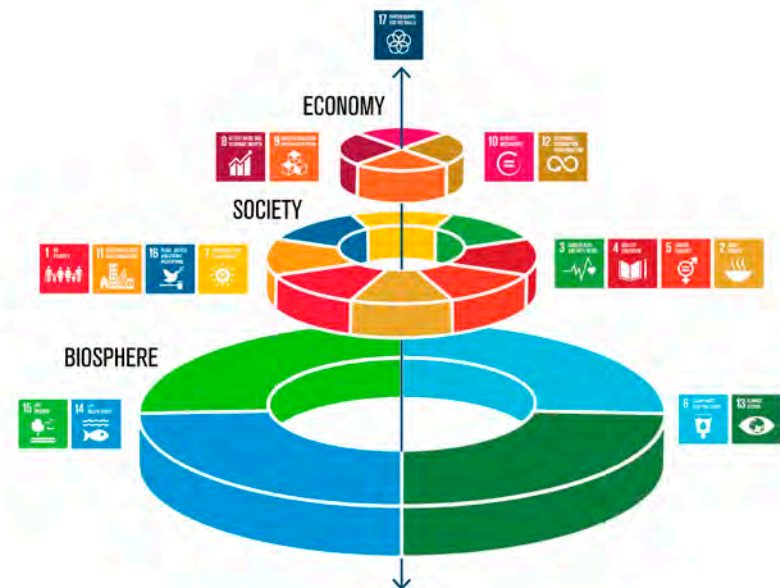
They are organized according to a nested hierarchy: the most external capitals include the most internal, since their quality and robustness are essential for enabling the 'company system' to prosper in society. Financial and productive capital without intellectual, human/relational and natural capital would have no value and they must therefore serve the capitals that are represented more externally and are thus superior in the hierarchy.



Natural capital is the ecosystem within which all human activities take place. Nature can work perfectly and is indispensable for humans, while humans are by no means indispensable for nature. Human capital and relational capital are a subset of natural capital. With imagination, combined with an ability to create and implement, people can change reality, develop ideas, and organize the resources needed to turn those ideas into results.

The six capitals therefore represent the fundamental components that make illycaffè's operation and prosperity possible today, on the basis of which the company has structured its future impact model: each component is essential for the creation of shared value, which is the goal of a stakeholder company and Società Benefit.

Actions relating to the six capitals also define the company's impact on the Sustainable Development Goals (SDGs) that illycaffè pursues through its sustainability policy based on the creation of economic, social and environmental value.



SEED:S

Social
Environmental
Economic
Development
Sustainability



A SUSTAINABLE
RESULT
IS POSSIBLE.

02.1 financial capital

02.1

HIGHLIGHTS

ROI-2020

6%

Distributed
Economic Value

424.11

millions of €

70.3%

of distributed economic
value: allocated
to remuneration
of suppliers

financial capital

Financial capital includes the main economic results achieved by the company in 2020, with a particular focus on the economic value that the company's activities created and distributed to its stakeholders.

SDGs



SPECIFIC COMMON BENEFIT GOALS

This capital is linked to the business' economic goals. Accordingly, it is not directly connected to the specific common benefit goals that define the social and environmental impacts that the company pursues in addition to profit.

OUTCOMES

Business growth and prosperity.

CHALLENGES

Ensuring sustainable growth, taking into account the challenges and context.

SEED:S

Social
Environmental
Economic
Development
Sustainability

The **specific common benefit goals** are the impact targets set out by illycaffè in its articles of association. They are the company's DNA, the identity that drives its business growth, deeply ingrained in all its business operations.

The **outcomes** are the true positive value created by illycaffè through its practices, policies and actions expressed by the capital.

The **challenges** are the obstacles that the context and the sector place before a company in the process of impact creation. Indeed, the latter is an activity that cannot disregard these elements and must describe it transparently.

The **Sustainable Development Goals** are the 17 United Nations' objectives to which illycaffè contributes in various ways with its activities.

■ 02.1.1 Financial capital

Financial results are the data typically used to measure a company's value creation. While financial considerations are central to a business, it is equally clear that business can no longer be done without striving to positively impact people and the environment.

In 2020, illycaffè reported a drop in production value of 14.10% compared to 2019. The economic/financial data show a decrease in EBITDA compared to the previous year and a net profit of 5 million, also down from 2019. 2020 was the year that witnessed the Covid-19 pandemic. To counter the impact of the health emergency on its employees and the consequent containment measures adopted by the various governments in relation to business, customers, suppliers and the community in general, illycaffè introduced a number of initiatives connected to employee health and safety, economic and financial management and community support.

illycaffè's main summary indicators

	2019	2020
ROI	13.3%	6.0%
ROE	12.6%	3.5%
ROS	6.9%	3.4%
NFP/Adjusted EBITDA	1.47	1.79
NFP/EBITDA	1.55	1.94
PFN/Equity	0.75	0.73
Number of employees	1,405	1,291





SEED:S

Social
Environmental
Economic
Development
Sustainability

With the aim of highlighting the economic value that its business operations have generated and distributed to stakeholders, illycaffè uses the Distributed Economic Value parameter which, as at 31 December 2020 at a consolidated level, amounted to €424.11 million, a decrease of 14% compared to 2019.

Financial statement items

ITEMS (FIGURES IN €)	2019	2020
GENERATED ECONOMIC VALUE		
a) Revenues	533,646,988	458,427,085
b) Financial income	1,366,161	835,603
(A) Total generated economic value	535,013,149	459,262,148
DISTRIBUTED ECONOMIC VALUE		
a) Operating costs	344,274,348	298,238,049
b) Staff remuneration	109,822,516	102,940,325
c) Credit and risk capital	19,012,774	14,427,739
d) Taxes and duties	16,786,718	7,262,806
e) Donations and membership fees	1,257,805	1,245,328
(B) Total distributed economic value	491,154,162	424,114,247
(A-B) ECONOMIC VALUE RETAINED BY ILLYCAFFÈ	43,858,987	35,147,901

These data represent the relationship between the company and the socioeconomic system with which it interacts, an essential aspect for a stakeholder company and Società Benefit in particular, in relation to these stakeholders:

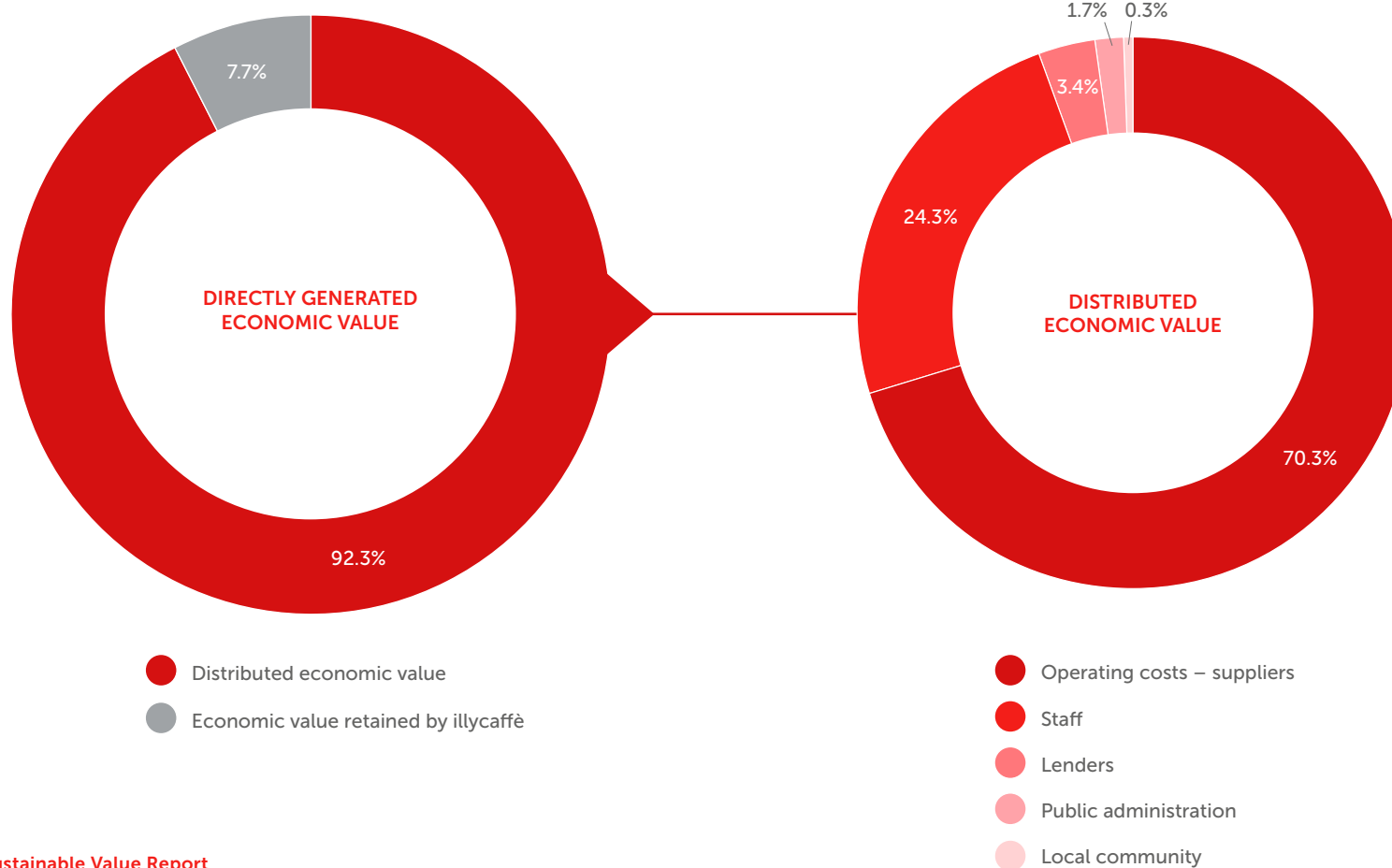
- **Suppliers:** remuneration due to the purchase of raw materials and other management services.
- **Human Resources:** direct and indirect remuneration of workers (employees and non-employees).
- **Public Administration:** payment of taxes and duties.
- **Lenders:** remuneration of credit and risk capital.
- **Community:** membership fees and donations.

An analysis of the Economic Value produced and distributed in 2020 at a consolidated level shows that:

- The most significant share, **70.3%**, was allocated to remuneration of **suppliers**, in particular to operating and management services and the purchase of raw materials.
- **24.3%** was allocated to **Human Resources** remuneration. This item includes both the provisions of the contractual relationship and a series

of costs incurred by the company, such as those for training and the management of the on-site canteen.

- **Lenders** and **shareholders** received **3.4%** of economic value.
- **1.7%** was allocated to the **Public Administration** (State and Local Authorities) in the form of taxes and duties.
- **0.3%** was distributed to the **community** in the form of social benefit costs (the figure is largely linked to contributions that illycaffè S.p.A. has paid to the Ernesto Illy Foundation) and membership fees.



illycaffè's revenue performance was affected by the pandemic, recording a reduction of 14.2% compared to the previous year, with all the main geographical areas down, with the exception of the Asian market (particularly Korea), which drove growth in the rest of the world.

The Italian market was negatively impacted by the performance of the Out-of-Home channel (mainly HoReCa, Office and Retail), partially offset by the double-digit growth of the online and modern distribution channels, driven by changes in consumer habits related to the pandemic, investments made in previous years in digital transformation and organisational consolidation aimed at increasing skills for the development of the Home channels.

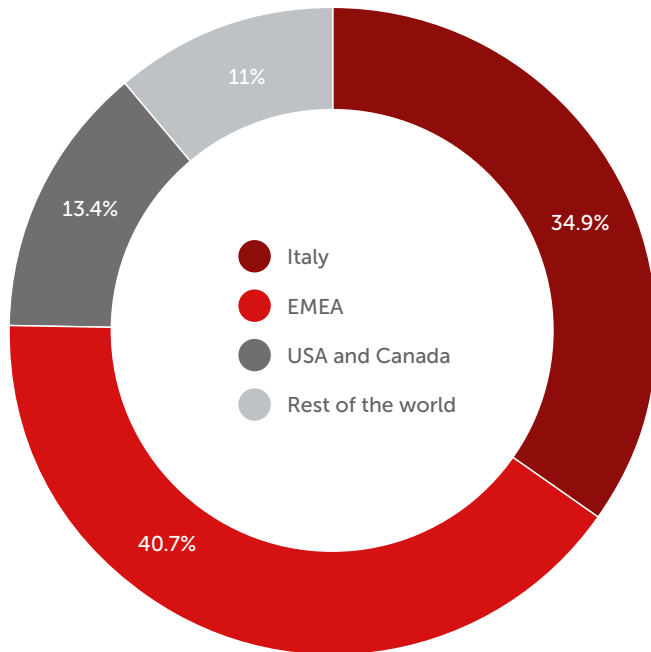
Foreign distributors' business remained broadly stable thanks to the implementation of a multi-channel strategy combined with a continuous increase in the number of lperespreso machines installed.

In 2020, revenues from coffee products were down on the previous year, in line with the reduction in volumes in Out-of-Home channels, negatively impacted by pandemic containment measures and only partially offset by the increase in the Home channels.

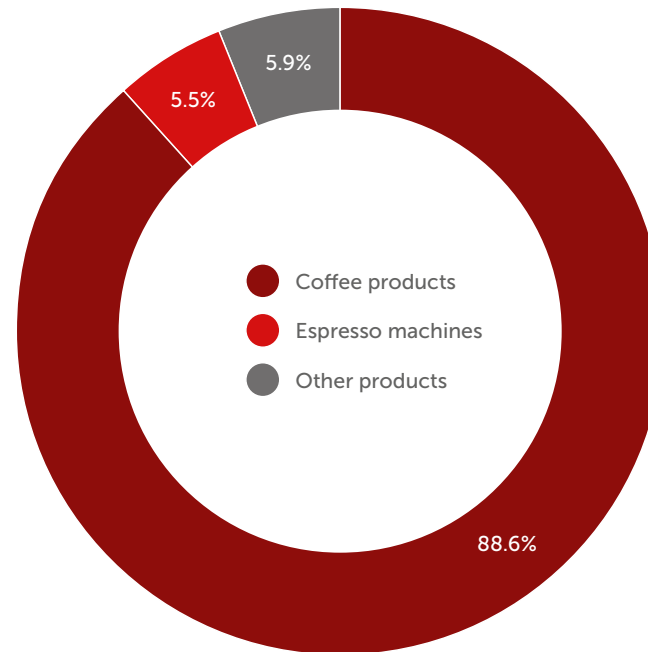
Machine volumes significantly increased, driven by the increase in Home consumption supported by the lperespreso acceleration campaign, aimed at maximising the number of installed machines and therefore future coffee consumption.

During 2020, illycaffè received no significant monetary penalties and/or fines for non-compliance with socioeconomic laws and/or regulations.

ILLYCAFFÈ'S REVENUES BY GEOGRAPHICAL AREA - 2020



ILLYCAFFÈ'S REVENUES BY PRODUCT AREA - 2020



SEED:S

Social
Environmental
Economic
Development
Sustainability



WE WORK
TO PRODUCE
QUALITY AND SAFETY.

02.2 productive capital

02.2

HIGHLIGHTS

135
types of controls

Present in
144
countries on 5 continents

19
new points of sale

productive capital

Productive capital includes the physical and technological infrastructure used for the production and provision of services, as well as product quality and safety guarantees.

SDGs



SPECIFIC COMMON BENEFIT GOALS

Promoting respect for the environment throughout the value chain. Also considering products and systems based on criteria that are consistent with the principles of sustainability and circular economy, for the benefit of the planet.

OUTCOMES

Bringing to the market a product that can express the values and quality behind its creation.

CHALLENGES

Continuing to draw attention to the hidden value in each cup.

SEED:S

Social
Environmental
Economic
Development
Sustainability

The **specific common benefit goals** are the impact targets set out by illycaffè in its articles of association. They are the company's DNA, the identity that drives its business growth, deeply ingrained in all its business operations.

The **outcomes** are the true positive value created by illycaffè through its practices, policies and actions expressed by the capital.

The **challenges** are the obstacles that the context and the sector place before a company in the process of impact creation. Indeed, the latter is an activity that cannot disregard these elements and must describe it transparently.

The **Sustainable Development Goals** are the 17 United Nations' objectives to which illycaffè contributes in various ways with its activities.

■ 02.2.1 Covid-19 pandemic emergency

During the 2020 pandemic emergency period, the company set up a Covid Safety Committee and immediately introduced a series of work organisation measures to prevent people becoming infected (smartworking, management of common areas, management of production shifts, ...), along with measures to manage stocks of raw materials and finished products. It also implemented a series of initiatives and controls to safeguard quality:

- The Quality Laboratory intensified quality controls on incoming goods to meet the need for supply with the aim of averting the risk of disruption to the flow of packaging and consumables. Exceptionally, tastings of green coffee samples involved 2 to 3 Super-Senior tasters, supported by the results of predictive analysis by the "Naso Elettronico" (electronic nose).
- The Quality Assurance team continued to oversee activities, both on-site and remotely; the pandemic emergency, however, limited surveillance via auditing both internally and with suppliers.
- A number of sustainability-related activities have been initiated to make the work more viable and compliant with national guidelines and standards:
 - Introduction of smartworking for most employees and temporary suspension of car-pooling projects, since they did not comply with current health guidelines.
 - Support for the HoReCa sector through the following actions:
 - Webinars with industry experts.
 - Manuals on service and sales management during the pandemic period (field service, take-away, protection panels, etc.).
 - Campaign to offer a coffee to all consumers after the lockdown period as a sign of solidarity and support for the community.
 - Support for hospitals in the Friuli Venezia Giulia region by offering coffee and coffee machines for the departments under most pressure

and a donation to the Azienda Sanitaria Universitaria Giuliano Isontina (ASUGI) towards the opening of a new intensive care floor for the treatment of Covid-19 patients at the Cattinara hospital in Trieste.

- Support for the Regional Civil Defence and donation of coffee to people assisted by the Civil Defence who were experiencing hardship due to Covid-19.



■ 02.2.2 Quality and safety of illy products

illy coffee's sustainable quality is the result of over eighty-five years of experience combined with family and entrepreneurial passion capable of integrating cutting-edge technology and sustainable processes. To achieve this goal it is essential to offer, together with a high-quality product, excellent preparation, service and consumption experience. This approach is reflected in the commitment to produce safe products in compliance with the regulations governing the agri-food sector and to develop sophisticated monitoring systems.

The British Retail Consortium Global Standards (BRCGS), International Featured Standard (IFS) and Hazard Analysis and Critical Control Points (HACCP) certifications constitute the guidelines for all the activities that are carried out by the company to guarantee consumer health and safety and are applied to the illycaffè product portfolio.

The company checks label compliance and observance of compliance regulations for machines, packaging and material that comes into contact with food, as well as of safety data sheets (SDS) of substances introduced into production, and compliance with the RoHS (Restriction of Hazardous Substances Directive).

illycaffè also has two quality control laboratories (one in Trieste and one in São Paulo, Brazil) and five integrated laboratories for the horizontal transfer of knowledge in liaison with university institutes: AromaLab and SensoryLab, BioLab, TechLab and FoodScienceLab.

During 2020, illycaffè did not record any instance of non-compliance with regulations and/or self-regulatory codes concerning the health and safety impacts of products and services.



SEED:S

Social
Environmental
Economic
Development
Sustainability

PARTICIPATION IN WORK GROUPS



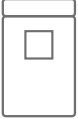
- WG CONTAM of the European Coffee Federation (ECF) to follow up on issues related to changes in the limit for pesticide use and molecules of concern to public health.
- Single Serve Unit Working Group (SSU WG) within the European Coffee Federation (ECF) for the subject of coffee capsule recycling in Europe.
- Capsule recycling project of the Union Italian Food (formerly AIIPA) on the subject of coffee capsule recycling in Italy (launch of the pilot project in Friuli-Venezia Giulia).
- Life MAGIS – Made Green in Italy Scheme is a project cofinanced by the European Union's LIFE Programme to promote Italian products with the best environmental performance.

■ 02.2.3 Procurement and processing of raw material

illycaffè looks for the best beans for its 100% Arabica blend: scrupulous prepurchase analysis makes it possible to test the taste and aromas of the sample, discovering any visual and olfactory defects. From the distant countries where it is cultivated to the factory in Trieste, coffee travels a long

way to reach consumers' cups.

From the moment coffee enters the company to the moment it leaves to be marketed, illycaffè's quality and analysis laboratories carry out a total of 135 types of checks.

 PROCUREMENT OF RAW MATERIAL	 ROASTING, STORAGE AND BLENDING	 PACKAGING AND PRESSURISATION
<p>The company develops a direct and preferably long-term collaborative relationship with its producers to guarantee product quality. Before purchase, illycaffè's analysis and quality laboratories analyse coffee samples, both to issue phytosanitary certificates and to certify the absence of heavy metals, pesticides, herbicides and insecticides.</p>	<p>In the Trieste plant, with the help of the most advanced technologies and thanks to the most in-depth knowledge, coffee is roasted and then stored in insulated warehouses; it is then blended according to the recipe of the 100% Arabica blend to obtain the constant and balanced illy taste.</p>	<p>Espresso is a complex drink containing 1,500 substances (800 of which are volatile) and 13 chemical and physical variables that affect its correct preparation. At this stage, the production lines at the Robecchetto con Induno plant transform the coffee into capsules. illycaffè, thanks to its pressurisation patent, carries out a process that involves replacing the air inside the packages with pressurised inert gas, trapping the aroma of freshly roasted coffee. This way the aromas are concentrated in the coffee oils, producing a rich, sweet and intense taste, while preserving and even enhancing the fragrance over time.</p>

■ 02.2.4 Management and certification systems

To guarantee the quality of the supply chain, a series of national and international voluntary standards have been adopted for which, during 2020, maintenance and recertification activities were carried out:

MANAGEMENT SYSTEM

FOR QUALITY ISO 9001



Defines how an effective quality management system should be developed, assuring end customers that services and products placed on the market correspond to specifications stated by the company. illycaffè S.p.A. was the first company in the European coffee sector to receive this certification for its quality management system.

The system is applied by illycaffè S.p.A. and Experimental Agricola do Brasil Ltda.

FOR ENERGY ISO 50001



Defines how an effective energy management system should be developed. The system is implemented with a view to continuous improvement through systematic energy and efficiency management and reduction of energy costs.

Standard applied by illycaffè S.p.A.

FOR THE ENVIRONMENT ISO 14001



Defines how an effective environmental management system should be developed to implement a dynamic and cyclical process which, through the pursuit of continuous improvement, allows the company to manage its environmental risk.

Standard applied by illycaffè S.p.A.

FOR WORKPLACE HEALTH AND SAFETY



Defines how an effective worker health and safety management system should be developed, which, compared to current standards, can provide unambiguous guidelines in the context of the international market.

Standard applied by illycaffè S.p.A.

MANAGEMENT SYSTEM EMAS REGISTRATION



EMAS (Eco-Management and Audit Scheme) registration indicates illycaffè S.p.A.'s compliance with the provisions of EU Regulation 2018/206 of 19 December 2018, which amends Annex IV of EC Regulation no. 1221/2009 aimed at promoting rational management of environmental aspects based not only on compliance with the limits of the law, but also on continuous improvement of its environmental performance, active participation of employees and transparency with institutions and the public.

SUSTAINABILITY

SUSTAINABLE PROCUREMENT PROCESS

ilycaffè S.p.A. is the first company in the world to adopt the DNV Sustainable Procurement Process (SPP) standard, which attests to the integration of responsibility and sustainable development principles in the procurement and supply chain management processes and the creation of value for all stakeholders.

AEO (Authorised Economic Operator) status



Certificate issued by the Customs Agency. Certifies illycaffè S.p.A.'s reliability in relation to customs authorities, guaranteeing strict compliance with regulations and product safety. This status is currently being obtained.

FOOD SAFETY AND HYGIENE

REG. (CE)
852/2004
-HACCP
TOPIC-



Application of the EU regulation for the prevention or mitigation of food safety risks in food and drink preparation processes (mandatory in many countries, including the EU).

Rule applied by illycaffè S.p.A.

FSMA (FOOD
SAFETY
MODERNIZATION
ACT)

Application of the FDA (Food and Drug Administration) regulation for all food business operators that export and market food products in the US market. Adoption of an FSP (Food Safety Plan) based on a specific HARPC (Hazard Analysis and Risk-Based Preventive Controls) protocol for the food safety management system.

Rule applied by illycaffè S.p.A.

BRCGS
(BRITISH RETAIL
CONSORTIUM
GLOBAL
STANDARD)
FOOD SAFETY



Both are food quality, hygiene and safety standards required by different markets and accepted by the majority of food retailers. On the GFSI (Global Food Safety Initiative) shared platform, which is responsible for comparing food safety certification programmes, they are considered equivalent. The standards refer to quality management systems (ISO 9001), HACCP (Hazard Analysis and Critical Control Points) methodology, and a series of GMP (Good Manufacturing Practice), GLP (Good Laboratory Practice) and GHP (Good Hygiene Practice) requirements.

Schemes applied by illycaffè S.p.A.

IFS
(INTERNATIONAL
FEATURED
STANDARD)
FOOD



The purpose of the schemes is to ensure compliance with food quality and safety requirements, as well as compliance with the legal regulations governing the sector.

PRODUCT CONFORMITY

BUREAU VERITAS
CERTIFICATION
FRANCE
Qualité France



Certifies the product's compliance with a standard that ensures the best consumer satisfaction. Issued by Qualité France (since 2012, Bureau Veritas Certification France), it relates to product quality excellence and consistency parameters and a whole series of health and hygiene parameters in compliance with the current legislation on coffee, as well as voluntary parameters that are more restrictive than regulations or not covered by current regulations.

Certification adopted by illycaffè S.p.A.

HALAL



Certifies compliance with the ethical and health/hygiene standards of the law and doctrine of Islam.

Certification adopted by illycaffè S.p.A.

KOSHER



Certifies compliance with Jewish dietary rules.

Certification adopted by illycaffè S.p.A.



In 2020, the practices put in place ensured full compliance with regulations and/or voluntary codes with respect to the product's impact on consumer health and safety.

SEED:S

Social
Environmental
Economic
Development
Sustainability

■ 02.2.5 illycaffè network

The illy blend is marketed in **144 countries on 5 continents** and served in over 100,000 public establishments. The company also operates through singlebrand shops: **186 illy Caffès in the most important cities in 34 countries**. They are located in airports, the busiest streets, high-end shopping centres, museums and cultural locations in order to bring illy's taste and quality to as many people as possible.

	2019	2020
ILLY CAFFÈS Direct management and franchising	192	186
ILLY SHOPS Direct management and franchising	77	39

In 2020, 19 points of sale were opened:

- 14 illy Caffès
- 5 illy Shops

The new openings, which were affected by the pandemic situation, mainly concerned:

- The EMEA area (Europe, Middle East and Africa), where 5 illy Caffès and 1 illy Shop were opened.
- Asia, where 7 new illy Caffès and 4 illy Shops were opened (in China, South Korea and Malaysia).
- North America, where 2 illy Caffès were opened.

2020 saw the continuation of the process to upgrade the network – inspections based on the principles of quality, identity and profitability –, which led to 63 points of sale leaving the network, comprising 20 illy Caffès and 43 illy Shops.



SEED:S

Social
Environmental
Economic
Development
Sustainability



● illicaffè's headquarters and branches worldwide

SEED:S

Social
Environmental
Economic
Development
Sustainability



WE SHARE
WHAT WE ARE.

02.3 relational capital

02.3

HIGHLIGHTS

Construction of
18
schools in Nicaragua

Installation of
5
wastewater treatment
systems in Nicaragua
and Honduras

+85%
of online orders
compared to 2019

Planting of about
2,500
certified quality coffee
trees in Rwanda

relational capital

Relational capital describes the relations between illycaffè and its stakeholders, with a particular focus on the collaboration established with grower and producer communities, suppliers, customers, international bodies and cultural institutions.

SDGs



SPECIFIC COMMON BENEFIT GOALS

Contribute to the development and analysis of the sustainability of the supply chain through research, sharing of knowledge and projects in the field.
Support and publicise the case for integrated agriculture in order to preserve and improve coffee quality and sustainability at a global level.
Actively contribute to the international debate on the issues of happiness, well-being and improving quality of life.

OUTCOMES

Promoting the growth of the new generation of farmers, made up of motivated people who are passionate about the world of coffee.
Improving the living conditions of farming communities.
Creating unique, inimitable cultural experiences that represent the essence of illycaffè and its bond with art.
Evolving towards a proactive customer engagement approach.
Bringing a high-quality coffee culture close to customers and suppliers.

CHALLENGES

Combating neglect of the land and ensuring recognition of its potential.
Prepare people for the effects of climate change that are changing the way they cultivate.

SEED:S

Social
Environmental
Economic
Development
Sustainability

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The **Sustainable Development Goals** are the 17 United Nations' objectives to which illycaffè contributes in various ways with its activities.

■ 02.3.1 The value of the community and local area

Coffee quality starts from the first link in its production chain: cultivation. illy works with and for coffee producers and creates many projects to support local communities, interpreting and responding to their needs.

Key synergies and partnerships

The company collaborates with local authorities, government agencies (e.g. Coffee Boards in African and Indian countries), international institutions (e.g. the International Coffee Organization) and research bodies (e.g. University of São Paulo, World Coffee Research) in order to consolidate its own operations in the area and to continue to spread sustainability principles within the ecosystem in which it operates.



COUNTRY	INSTITUTION
Brazil	Embrapa - Empresa Brasileira de Pesquisa Agropecuaria Universidade de São Paulo Universidade Federal de Viçosa Federação dos Cafeicultores do Cerrado Imaflora Delta CO2 Instituto Terra
Colombia	Federación Nacional de Cafeteros de Colombia SENA – Servicio Nacional de Aprendizaje
Costa Rica	Icafé – Instituto del Café de Costa Rica
Guatemala	Anacafé – Asociación Nacional del Café Funcafé – Fundación de la Caficultura para el Desarrollo Rural
El Salvador	Consejo Salvadoreño del Café
Ethiopia	Ethiopian Coffee and Tea Development and Marketing Authority Ethiopian Coffee Exporters Association
India	Coffee Board of India
Honduras	Ihcafé – Instituto Hondureño del Café
Rwanda	National Agricultural Export Development Board
International	ICO - International Coffee Organization UNIDO – United Nations Industrial Development Organisation WB - World Bank WCR - World Coffee Research ASIC - Association for Science and Information on Coffee ICTP - International Centre for Theoretical Physics SAI - Sustainable Agriculture Initiative platform SCA - Specialty Coffee Association ISIC - Institute for Scientific Information on Coffee WCPF - World Coffee Producers Forum

From the Brazil Award to the Ernesto Illy International Coffee Award

Brazil is the first country in which illycaffè began to work directly with producers. In 1991, the Brazil Award (Prêmio Ernesto Illy de Qualidade Sustentável do Café para Espresso) was established, dedicated to the best coffee producers in the country. This award has become an incentive to improve the quality of production processes. Today Brazilian coffee beans are recognised as among the best in the world. This is a major change given that up to the '90s Brazilian coffee production guaranteed large quantities, but low quality. Inspired by this award, the Ernesto Illy International Coffee Award (EIICA) was created, an international recognition that aims to reward the efforts and investments made by producers to create sustainable high-quality coffee. For the 2020 edition, a special website was created to broadcast the event, which received over 1,200 views.

GOOD PRACTICE STORIES

In **Nicaragua and Honduras**, the company worked on the construction of 5 wastewater treatment systems for a group of producers with whom it has been working for many years, making an immediate positive impact and serving as a long-term example for producers throughout the area. In early 2020, 13 other producers implemented further improvements to their processing facilities, replicating what was achieved with illycaffè's funding. This was made possible thanks to a long-term relationship with the LIFT cluster of small producers, who have demonstrated a strong commitment to producing sustainable quality coffee, striving for continuous improvement.

In **Colombia**, by signing the memorandum of understanding with ETCR (Territorial Spaces for Training and Reincorporation) and Ascafé (Association of small coffee growers), illycaffè has contributed since 2018 to increasing the quality and production capacity of coffee in the Cauca Department, where former FARC fighters and small producers reside, encouraging local economic development. Over 600 former FARC fighters continue to enjoy the benefits described in the memorandum.

In **Brazil**, illycaffè continues to finance the Vivero de Atitude project, which helps to conserve and protect natural resources in the Cerrado area. In 2020, the nursery produced over 74,000 plants of 104 species native to the Cerrado biome, distributing them to 50 farms in the area and to the town of Monte Carmelo to increase its green areas, benefiting more than 240 people. The project also promoted intensive environmental education activities, involving more than 3000 students from universities, local schools and other institutions. 100% of proceeds from the sale of the plants were donated to local authorities working to support children and the elderly in the community, benefiting 450 people.

In **Italy**, during the first stage of the pandemic, illycaffè supported the intensive care unit of the Cattinara hospital and Comunità di San Martino al Campo in Trieste, which worked specifically to support and help people facing particular hardship. Additionally, machines and coffee were provided for operating units in hospitals, the Civil Defence, the Red Cross and for numerous associations (e.g. Caritas, Empori della Solidarietà and various voluntary associations) for the delivery of solidarity shopping bags to vulnerable families/individuals.

■ 02.3.2 Art, aesthetics and culture

"Kalòs kài agathòs" or "beautiful and good".

The beauty to which illycaffè refers is linked to the concept of "kalokagathia", coined by the ancient Greeks from a combination of the words kalòs (beautiful) and agathòs (good). The company views this as a true ideal to pursue: excellence that combines balance and elegance, beauty and goodness, ethics and aesthetics in a single product.

To emotionally and intellectually engage consumers, offering them a multisensory experience, the company transfers its excellence to the cup and to internationally important cultural events in which art and creativity are the language chosen to express its values and philosophy.



THE ILLY ART COLLECTIONS

Since 1992, the illy Art Collections have turned illy's notion of the culture of beauty into reality: those who savour an illy espresso in an artist's cup associate this gesture not only with the blend's aroma and taste, but also with a complete aesthetic, visual and tactile experience of contact with contemporary art.

NOW = BETTER

The illy Art Collection was created by Stefan Sagmeister, the famous designer and winner of the world's most important design awards. With the slogan "Now = Better", the artist wants to make consumers reflect on the current historical moment, communicating a message of hope for the future: the importance of taking time, even during a coffee break, to try to reflect on how we see the world, looking at it from a long-term perspective.

WE ARE DELIGHTED TO TAKE PART

Artissima 2020 - Turin

For years, the company has been sponsoring Artissima, the largest international art fair in Italy, and it is organising the illy Present Future Award, now in its twentieth edition. This award is presented to the artist judged to be the most interesting in the Present Future section and for a number of years it has been a springboard for new talents. Last year's winner was Radamés "Juni" Figueroa. The artist is presented by the Proyectos Ultravioleta gallery in Guatemala City.

His work is conceived as a social exercise aimed at developing a curriculum that combines artistic creation with lessons in life and coexistence. The use of a popular language 'in fieri' connects his way of creating art to the ethos of Arte Povera, demonstrating how the genesis of history is intimately connected to personal narratives that shape the political context. Figueroa's work draws on streams of perceptions, sensations, feelings and thoughts, while simultaneously exploring their contradictions. Thanks to illycaffè, in 2021 he will have an opportunity to exhibit his work in an artistic context in the area.

ITS Fashion@Work by illy Award

illycaffè has reconfirmed its partnership with International Talent Support, a competition for young talents in fashion design, and "ITS Fashion@Work by illy Award", an award in which 10 finalists compete to come up with a creative and fashionable redesign of the barista apron. Johanna Parv (Estonia) and Rosie Baird (Scotland) were the two ex-aequo winners of the 2020 ITS Fashion@Work by illy Award.

Rosie Baird's work was based on a very identity-oriented concept, the tradition of the Scottish kilt, developed in an authentic couture garment with

very high-quality details, combined with a process that avoids useless waste. A 'tapestry' apron that tells the story of the journey and the different stages of coffee production.

The project by Johanna Parv is almost opposite in style, but equally stimulating. Parv transformed the apron into a versatile object, promoting its use in a new form that can also be worn outside the workplace. A container garment that becomes an accessory, inspired by the traditional harnesses of coffee pickers, to encourage the spread of sustainable and active urban mobility.

illy SustainArt Prize

In March 2020, during ARCOmadrid and the international art fair, the illy SustainArt Prize, reserved for artists from coffee producing countries born after 1970, was presented for the twelfth year. The prize was won by Guatemalan artist Hellen Ascoli for her creations inspired by the eruption of a volcano in Guatemala, a true story that left a mark on the artist's life. Her textiles pay tribute to the role of women hand weavers in Latin America. Each piece is named after a poem celebrating women's endeavours.

Presenting the Barcolana – Trieste

For the 52nd edition of the historic regatta, an initiative was organised around the values of quality and sharing. illycaffè, which has been entrusted with the artistic direction of the Barcolana poster for several years now, chose Lorenzo Mattotti, the most important Italian cartoonist and illustrator, to rediscover the importance of spending time together thanks to sailing, the element that has bound all Barcolana fans together for over half a century.

SEED:S

Social
Environmental
Economic
Development
Sustainability

■ 02.3.3 Ernesto Illy Foundation

The Ernesto Illy Foundation, set up by the Illy family, was established on 30 October 2008 and was recognised by the State, through the Prefecture of Trieste, on 3 August 2009. It is a corporate foundation representing the entrepreneurial family, which today operates solely thanks to the transfer of part of the profits generated by illycaffè, carrying out philanthropic activities to complement the sustainable business model of the founding company, according to the principles of the stakeholder company and Società Benefit.

Values

Ethics is the founding value, understood as respect for Man and the Environment, with a sense of responsibility towards future generations.

Vision

Happiness and Well-being, both individual and collective, namely the ability to live in harmony with Nature and with our fellow human beings, are both a reason for living and a source of progress for Society.

Mission

The Ernesto Illy Foundation contributes to social progress by sharing knowledge on regenerative economics and sustainable enterprise with the national and international artistic and scientific communities, in the agri-food and food and wine world.

Goals and strategy

The main goal of the Ernesto Illy Foundation is to design and implement a series of global projects in the scientific, educational/training and cultural/creative fields that promote the 17 United Nations Sustainable Development

Goals (SDGs).

The strategy to achieve this involves an operational model that includes partnerships with other foundations and organisations, as well as fundraising to support ideas and projects proposed by the Ernesto Illy Foundation. Provision only accounts for a small percentage of this model, while the fundamental resource remains knowledge, the only truly effective means of creating development and increasing the Human Development Index.

A new governance structure has been in place since 28 August 2020:

BOARD OF DIRECTORS

Chairman & spokesperson	Anna Illy
Vice-Chairman	Maurizio Dallochio
Honorary Chairman	Anna Rossi Illy
Board member, founder & spokesperson	Andrea Illy
Board member and spokesperson for gender equality	Daria Illy
Board member	Francesco Illy
Board member	Furio Suggi Liverani

BOARD OF AUDITORS

Chairman	Paolo Marchesi
Auditor	Silvano Stefanutti
Auditor	Joram Bassan

NEW ORGANIZATION

Director	Furio Suggi Liverani
Communication Consultant, institutional relations and fundraising	Giovanna Gregori

THE ERNESTO ILLY FOUNDATION LOGO

Designed in the 1960s, it features a pair of cups on two joined saucers, symbolising the precious connection established between two people through dialogue and friendship.

"These are two coffee cups seen from above. They are the symbol of a message that says that coffee stimulates socialising, friendship and conversation, and you should never consume it alone. It should always be enjoyed in company." Ernesto Illy.



FONDAZIONE ERNESTO ILLY

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THE WORK OF THE ERNESTO ILLY FOUNDATION

Master's degree in coffee economics & science – Ernesto Illy The Ernesto Illy Master's in Coffee Economy and Science, started in the 2010/2011 academic year, is a first-level inter-university master's degree involving the Ernesto Illy Foundation, together with a group of leading partners in the field of education and training: the University of Trieste, the University of Udine, SISSA – Scuola Internazionale Superiore di Studi Avanzati di Trieste, the Consorzio di Biomedicina Molecolare and illycaffè S.p.A.

The Master's degree consists of over 400 hours of lessons divided into 12 modules for a total of 60 credits. The course, which is entirely taught in English, is open to graduates from all over the world in Economics, Engineering, Science, Agriculture and similar subjects. The educational programme covers the entire coffee production chain and is divided into three subject areas: economic-management, biological-agronomic and technological.

The aim of the Master's degree is to offer in-depth and multidisciplinary training for graduates interested in working in the coffee industry, and more generally in the agro-food sector, throughout the entire production chain, from cultivation to catering and retail via logistics and the industrial process.

2020 World Happiness Report

From 2017 to 2019, the Ernesto Illy Foundation was a partner and sole sponsor (with a three-year commitment) of the World Happiness Report <https://worldhappiness.report/>, the report on happiness compiled and annually published by SDSN www.unsdsn.org, under the guidance of Jeffrey Sachs; for the three-year period 2020-21-22, the Ernesto Illy Foundation was joined as a partner by Davines, Blue Cross Foundation and Unilever, reducing the extent of the Foundation's commitment.

On 20 March 2020 – World Happiness Day – the Report was due to be presented as usual at an event at the United Nations in New York. Due to the Covid-19 emergency, the Report was presented the same day via webinar, during which Andrea Illy spoke on behalf of the Foundation with a prerecorded video. The European presentation of the Report was made during the Regeneration2030 event in Parma on 15-16 October 2020.

Science & ethics for happiness

The project began as a collaboration between UN-SDSN (United Nations

Sustainable Development Networks Solutions) and the Accademia Pontificia delle Scienze Sociali with the aim of fostering a fertile discussion among members of the academic world, religious and spiritual leaders, policy makers, and representatives of institutions, civil society and the private sector on the broad and crucial issue of global happiness and individual and collective well-being.

In 2019, the core group of participants met for the launch in the Vatican, at the Pontifical Academy, to decide on the topics for each session. Under the guidance of Jeffrey Sachs (director of UN-SDSN and advisor to the United Nations and the Vatican on the issue of sustainability and happiness), Professor Stefano Zamagni (president of the Academy) and Monsignor Marcelo Sanchez Sorondo (director of the Academy), each meeting produced a series of considerations and statements, which were presented to both the UN Secretary General and the Pope in an executive summary drafted by Sachs, Zamagni and Sorondo, with the goal of stimulating global dialogue on the issues addressed.

The original plan was to have 4 physical meetings per year, for 2 years, in the Vatican, but everything is being finalised as the global situation evolves. The only physical event of 2020 was held during Regeneration2030 (15-16 October in Parma).

The other private partners in the project are the Davines Group and the Chiesi Foundation.

Julich/Aachen Science of Coffee Project

The current project was preceded by a research project launched by the Ernesto Illy Foundation and Sissa in September 2011, which aimed to determine which associations influence the toxicity of a substance and, using the computational simulation model, to identify the most interesting reactions, which were then studied in depth using the classical approach of toxicological chemistry.

The current collaboration between the Jülich Research Centre and the Ernesto Illy Foundation involves the co-financing of an assistant professor position in the field of computational research in coffee science. This promotes the development and application of computational molecular modelling methods to answer topical questions in coffee research.

Virtuous agriculture

A scientific research and training project that combines sustainable agriculture with a focus, in part, on regenerating the environment by enriching the soil with organic carbon.

The idea behind Virtuous Agriculture (VA) is a twofold benefit: for the environment and for human health. For the environment through carbon sequestration and reduction of contaminants; for human health through natural nutritional products and benefits relating to non-communicable diseases.

The dual benefit strategy creates a virtuous circle driven by positive feedback and rewards for farmers and communities.

Two experimental projects on coffee plantations in Ethiopia and Guatemala were launched in 2020.

Regeneration2030 and the Regenerative Society Foundation

As part of the 2020 Parma Capital of Italian Culture calendar, a group of enlightened entrepreneurs (Illy, Chiesi, Bollati of Davines), the Fondazione per lo Sviluppo Sostenibile and the B Corp Italia & Europa system have conceived and are supporting the organisation of a major international dialogue/summit entitled Regeneration2030, which will cover three key areas: regenerative economy, climate action and happiness & wellbeing.

The hybrid event – part physical and part virtual – was held in Parma on 15 and 16 October, and attended by 108 excellent speakers from the academic, institutional, business and spiritual worlds. The summit was also accompanied by the annual meeting of the European B Corporations, the annual summit of the Centre for Bhutan Studies on GNH (Gross National Happiness), and the European presentation and in-depth analysis of the World Happiness Report. On 24 September, the Regenerative Society Foundation was set up to ensure the governance of the Regeneration2030 programme, developing its strategic guidelines and short-, medium- and long-term actions. The Foundation is co-chaired by Andrea Illy and Jeffrey Sachs. The current founding members are, in addition to the Ernesto Illy Foundation, Chiesi Group, Davines Group, Mutti, Mediolanum, Nativa (Blab), Fondazione Sviluppo Sostenibile and UN SDSN.

Casa de la Alegria - Costa Rica

Since 2019, the Ernesto Illy Foundation has funded the Casas de la Alegria project in the Coto Brus region on the border with Panama, where around 15,000 families cross the border every year during the harvest to work as pickers on the coffee plantations. With the authorisation of the Ministry of

Health and Education, the main cooperative in the area, CoopeSabalito, has founded Casas de la Alegria, a childcare programme that offers a legal and practical solution to the problem. The facilities in the area provide a health, educational, economic and food service (4 meals a day) to Panamanian families, while also offering a respectable, safe place where children are looked after while their parents are at work.

Seeds for progress - Nicaragua and Guatemala

The Ernesto Illy Foundation is continuing to fund the Mercon Group's Seeds for Progress Foundation, which has built 18 schools in Nicaragua since its establishment, benefiting over 6,300 students and training 260 teachers. Since 2019, the Ernesto Illy Foundation's support in Nicaragua has been focused on the construction of a kindergarten classroom, the reconstruction of two classrooms and health services at the Aguas Frias school in the Wiwilí area. This investment, which also includes teaching initiatives to introduce technology as a school tool, benefited 166 students and 14 teachers in 2020. In Guatemala in 2020, the contribution was used to carry out a study on child labour and socio-educational conditions in the Palencia area. This analysis is important for defining an action and intervention plan for the prevention of child labour in Guatemala and for subsequently developing the 'Cultivando Educación' programme as part of the broader Puente Educativo Seeds for Progress project.

Farmer field school - Rwanda

In Rwanda, with a particular focus on gender equity, the Ernesto Illy Foundation has contributed, together with the supplier Sucafina and the Kahawatu Foundation, to the purchase of a plot of land and planting of around 2,500 certified-quality coffee trees. This land will be used as a Farmer Field School for a cooperative of 40 women coffee producers in Hindiro. The project also envisages the supply of fertilizer for three years and training services for staff throughout its entire period of operation.

Reforestation - Colombia

The Ernesto Illy Foundation, in collaboration with the Federación Nacional de Cafeteros de Colombia, supported the Reforestation project started in Támara in 2013, with the aim of repopulating with native vegetation those coffee areas with important aquifers and water sources at risk.

SEED:S

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■ 02.3.4 illycaffè and consumers

Those who drink illy coffee enjoy a blend composed of 100% Arabica coffee, the result of a selective manufacturing process that preserves and enhances quality and aromatic notes. It is presented to consumers with three different levels of roasting that influence the colour of the coffee and its sensory characteristics: classic for a softer and more aromatic taste; intense for an assertive profile; strong for an aftertaste of dark chocolate and toasted bread. The company's growth plan is based on consumer satisfaction. Satisfaction that is built over time thanks to a quality offer and service. The plan is structured around three main areas:

- Consolidation and growth in premium hospitality at a global level, with the development of products and services.
- Expansion of consumption opportunities, particularly at home, with portioned preparation systems.
- Focus on offering a high-quality range and experience, both with the single-brand points of sale and through the e-commerce channel (eShop D2C, eTailers and retailers.com).

Distribution mainly takes place through:

Business to Business (B2B)

- HoReCa: Hotels, Restaurants, Cafès
- Traditional retail
- Large-scale retail trade
- Eldom (consumer electronics)
- Vending (offices and workplaces)

Business to Consumer (B2C)

- illy eShop D2C
- eTailers
- retailers.com
- illy Caffè (Retail)

The goal for each sales channel:

1. To be a benchmark of excellence based on the concept of quality.
2. To offer consumers and customers products, experiences, solutions and services that meet their needs.
3. To promote a culture of high-quality coffee and its various brews both in points of sale and at home.
4. To manage relations in a professional, ethical and transparent manner.
5. To guarantee consistent profitability to the various segments of our commercial chain.
6. To train customers and consumers to jointly build a business model that is sustainable over time and respects shared values within a concept of community.



■ 02.3.5 Creating value for customers

More and more people are looking for quality and paying increasing attention to the food world in general.

Value creation in the B2B channel

Value is built on knowledge and corporate communication dedicated to trade clients that develops solid and lasting relationships. Communication is managed on various levels:

- Via the sales force, empowered by new digital tools that guarantee contact and management of customers from all B2B channels (HoReCa, Modern Trade, Eldom, Specialty Retail, Office), making it possible to update stakeholders on all company news regarding products, services, promotions, events, fairs and communication activities at both a national and local level, according to their specific clusters.
- Via the reserved area for illy customers, included in the professional section of the illycaffè website since 2018, to find out information on:
 - Purchasing progress.
 - Consultation of invoices, waybills, tracing of orders.
 - Course calendar, communication materials, videos for training, ideas and inspiration, documents or initiatives.
 In 2019, the section was transformed into an app, in line with the digital transformation process undertaken by the company, enhanced during 2020 by widgets and features related to the data of connected machines.
- With the digital newsletters devoted to the “Artisti del Gusto”, which aim to provide the latest information on the main innovations to barista customers who want to excel in their profession and who illycaffè assists in their journey by sharing skills and tools. It is sent every two months and is divided into three sections:
 - Products for dispensing.
 - Products for resale.
 - Università del Caffè courses.

- With communications and social media plans, content toolkits made available to trade customers for important communication activities (e.g. events, campaigns and business plans) that can be used on their own social media accounts.
- With the Professional platform on illy.com, a content hub that has been redesigned to offer high-quality information and services.

illy Chef Ambassador

The illy chef ambassador project has been launched to support Michelinstarred chefs and give them the opportunity to customize and model coffee based on the style of their kitchen and restaurant. With the help of the Personal Blender – a machine patented by illy that assists the chef during the creation of a ‘custom’ coffee blend –, using a complex procedure based on the measurements of a sensory radar, a tailored coffee can be produced, which the illy Chef Ambassador can exclusively present in their restaurant, alongside the classic illy blend.

Value creation in the B2C channel

The B2C channel consists of the ‘illy Caffè’ and ‘illy Shop’ single-brand stores, which are under both franchising and direct management. Through this format, the company aims to communicate its values together with the concept of Italian bars abroad in order to establish a direct relationship with consumers. These places, a symbol of the Italian lifestyle, aim to evoke beauty, socialising, creativity and food and wine culture.

All the points of sale, which currently amount to 2,693, are supported by coordinated plans that monitor the coffee, food and resale product for the illy experience at home, and include help with communication and digital activities.

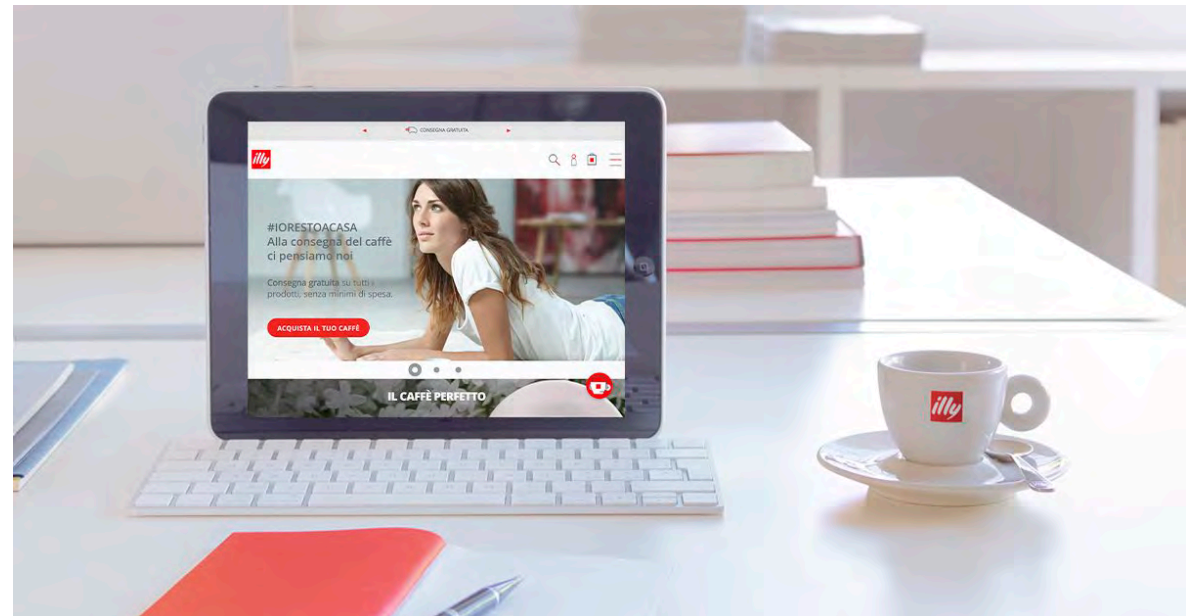
** 225 points of sale: 186 illy Caffè and 39 Shop.*

Digital transformation: the development of e-commerce (eShop D2C and eTailers)

The digital transformation project began in 2018 and has involved all of illycaffè's global companies and various business areas. It was launched with the aim of harmonising the online and offline experiences of consumers and customers in order to offer the best omnichannel shopping experience.

E-commerce figures continued to grow in 2020 with 6,184,683 (+21% vs 2019) visits on the platform alone and an 85% increase in online orders compared to 2019. 2020 witnessed global growth of the e-commerce channel due to Covid-19 and the various lockdowns that contributed to the increase in sales and transactions. Several activities were also carried out with the aim of supporting the growth of the channel as part of the 'new normal':

- New integrated communication campaigns in the upper and lower part of the funnel.
- Launch of an illy Lovers loyalty programme aimed at D2C eShop and Retail consumers, with the goal of increasing the frequency of purchases and the value of the average cart, increasing CLV.
- Commercial co-ordination with the aim of reducing promotional pressure on the channel.
- Introduction of new payment and shipping methods with the aim of improving the consumer experience.
- Adoption of tools to manage the activities of the fulfilment team with the introduction of a fraud detection tool.
- Launch of a new UX/UI for the website product pages and category pages with the aim of increasing the main channel KPIs (Conversion Rate, Bounce Rate and Page views).



■ 02.3.6 Listening to and satisfying customers

illycaffè interacts with its customers by following the principles of accessibility, transparency, reduced response times and consistent customer service on the various channels, including for direct distribution countries.

In 2020, Italian Customer Care had 66,951 total interactions, 55,700 of which with consumers. From mid-March onwards, all activity was entirely managed remotely by operators in 100% Smart Working mode (with the exception of overflow and switchboard management, which are outsourced to a company that adopted a mixed model).

From March to December, consumer traffic increased by an average of +90% per month over 2019, peaking at +153% in March and +168% in April. Most interactions related to support requests for online orders, both for input and especially for updates on the set-up and delivery side, since all logistics operators found themselves unprepared to handle unforeseen and huge peaks in activity that resulted in major delays.

A large number also concerned changes to the contractual terms of coffee and coffee+machine subscriptions, especially those relating to the frequency of receipt of items and delivery address.

Consistent with the closures experienced by the professional sector, the number of interactions with trade prospects and trade customers significantly decreased compared to 2019. In the case of prospects, contacts halved. Similar dynamics to the situation in Italy were recorded by most of the subsidiaries' Customer Care departments, especially those with large online customer bases and similar lockdown rules.

Both in Italy and in several subsidiaries, the peaks of the first lockdown could be managed thanks to the contribution of temporary support teams made up of people from other departments.

Beyond the success of managing numbers of this magnitude, an even more remarkable result was that this was done in a qualitatively better way than last year, recording an increase in Customer Satisfaction in Italy of +2.5% compared to 2019 and thereby reaching an overall index of 4.2.

This index is calculated by collecting, at the end of each interaction via email or telephone, the degree of satisfaction of the consumer/customer with the service received. It is one of the most important Customer Care performance indicators and will be introduced in Italy in 2021-22 on all other contact touchpoints, alongside the implementation of the advanced Italian Customer Care management format.

While in a normal period it is very challenging to increase the Customer Satisfaction index by even a few percentage decimals, doing so to this extent is a major achievement in a year in which D2C e-shop sales rapidly increased, complicating transport management and stock availability.

Many factors made this possible, but, in very simple terms, the formula can be summarised as: people, flexibility and innovation.

Innovation played a key role. Of the various project activities implemented during the year, the one that contributed to making a real difference on the consumer side was the opening of new digital channels: Live Chat was

followed by Whatsapp, as a further entry channel to Customer Care, in addition to the consolidated telephone, email and social channels. There has been tangible appreciation for this innovation, along with all the other more innovative interaction channels such as Live Chat and social media: this is because consumers can receive their desired support in a time frame which, for the most part, they choose, and in a simplified way. Within just a few months, almost 10% of monthly interactions moved to this new channel, despite the fact that its existence was only communicated on illy.com.

Management of reports and improvement actions

Considerable attention is paid to complaints from customers and consumers. Reports that cannot be standardised are analysed and shared with the relevant offices to provide quick answers and solutions. For complaints about the coffee product, the procedure has been drawn up and approved by the Quality Assurance office, which receives a monthly report containing all the reports concerning the product.

SEED:S

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	2019	2020	%
Trade Customers	11,024	8,346	-24.29%
Trade Prospects	5,825	2,905	-50.13%
End Customers	36,507	55,700	+52.57%
Total	53,356	66,951	25.47%

	2019	2020	%
Information	16,737	26,586	58.85%
Complaints/Reports	2,435	5,374	120.70%
Services	28,875	32,189	11.48%
Trade prospects/agent visit	5,399	2,802	-48.10%
Total	53,356	66,951	25.47%



■ 02.3.7 Responsible communication and information

Respect for the right to information underpins all communication with stakeholders. Every communication activity respects the laws, rules and practices of professional conduct and is conducted with clarity, transparency and speed. In order to strengthen communication and information activities for customers, the following policies have been implemented:

- Compliance with the advertising self-discipline code.
- Checking of labels by a company specialised in the promotion and development of agri-food quality, which examines their suitability and compliance with the regulations of the relevant countries.

SEED:S

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SEED:S

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Sustainability



WE ALWAYS TAKE
A VERY PERSONAL
APPROACH.

02.4 human capital

02.4

HIGHLIGHTS

1,291
employees in 2020

98%
of employees
with a permanent

43%
of total employees
are women

66%
of employees
are aged
between 30-50

17.81
training hours
per employee

human capital

Human capital focuses on people's fundamental role in a company's performance and prosperity. Generally, this capital describes staff management practices, expertise and policies. In the case of illycaffè, aspects such as quality of life, personal happiness and much more are also valued.

SDGs



SPECIFIC COMMON BENEFIT GOALS

Embrace the principles and culture of economic, social and environmental sustainability, as well as their intrinsic link with human well-being and environmental protection.

OUTCOMES

People's active participation in the company's growth and the creation of an inclusive environment. Strengthening the company culture through opportunities for communication and sharing, promoting people's central role and value.

CHALLENGES

Continuing to share the same values even in the context of change and corporate growth.

SEED:S

Social
Environmental
Economic
Development
Sustainability

The **specific common benefit goals** are the impact targets set out by illycaffè in its articles of association. They are the company's DNA, the identity that drives its business growth, deeply ingrained in all its business operations.

The **outcomes** are the true positive value created by illycaffè through its practices, policies and actions expressed by the capital.

The **challenges** are the obstacles that the context and the sector place before a company in the process of impact creation. Indeed, the latter is an activity that cannot disregard these elements and must describe it transparently.

The **Sustainable Development Goals** are the 17 United Nations' objectives to which illycaffè contributes in various ways with its activities.

■ 02.4.1 illycaffè staff

At illycaffè, people are the source and strength with which it implements every initiative as part of the broad goal of creating the shared value that distinguishes a B Corp.

This concrete certainty means that illycaffè is committed to pursuing peoples' development, which in turn makes it possible to pursue business growth with a sustainable approach, the heart of the *raison d'être* of the company, which is also understood as a social community.

In 2020, the year of the Covid-19 pandemic, the staff management policy is still based on the principles of transparency, respect for rights, loyalty and trust, and on the application of the conduct set out in the Code of Ethics. The current dramatic situation has not undermined this approach, but rather

confirmed its value. Considering the protection of employees' health as the cornerstone for management choices in the face of the pandemic made it possible to overcome the most critical stages and to preserve the state of well-being and passion that characterises the entire organisation.

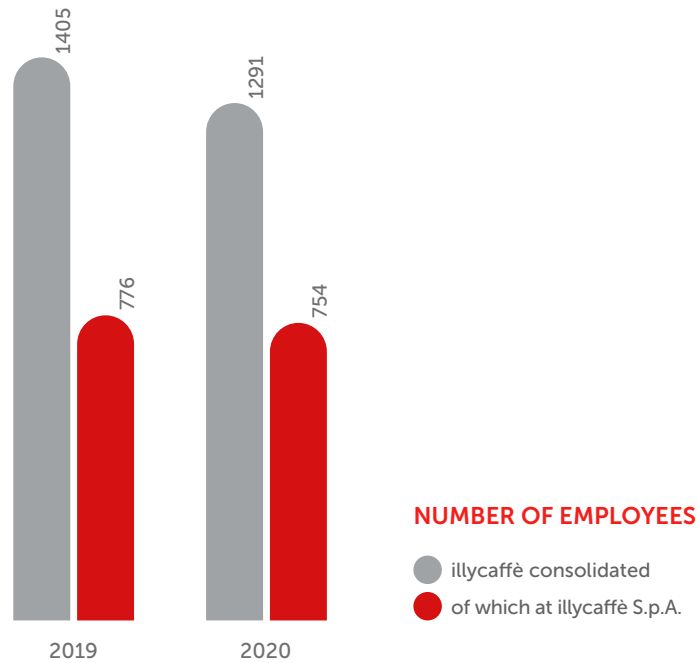
Over the course of 2020, the company managed to swiftly reorganise its operations and ensure that all non-operations staff could work in smartworking mode. This radical change was accompanied by several training sessions and a series of internal communication events by top management involving the entire illycaffè global community.

Limited use was made of social safety nets during the most critical stages of the pandemic, especially among staff working in the proprietary bars.

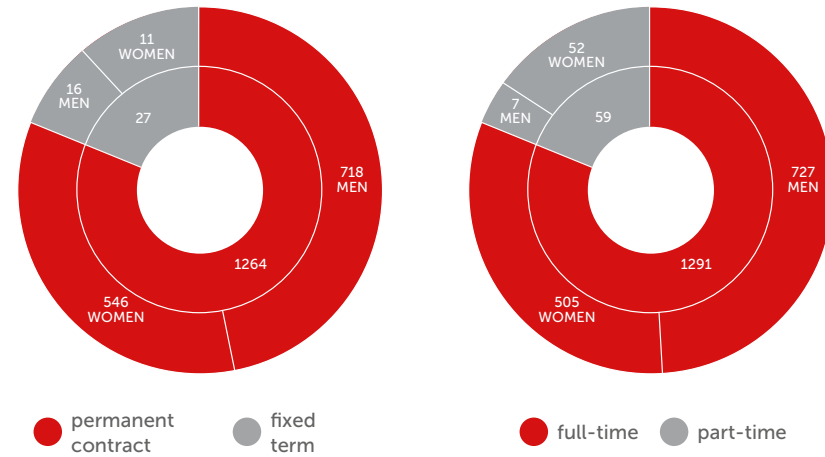


■ 02.4.2 Employment

Employment figures slightly contracted compared to the previous year, mainly due to a reduction in the number of company-owned premises and the reorganisation of certain subsidiaries, such as the American and British subsidiaries: the number of employees at consolidated level was 1,291, of which 754 in Italy.

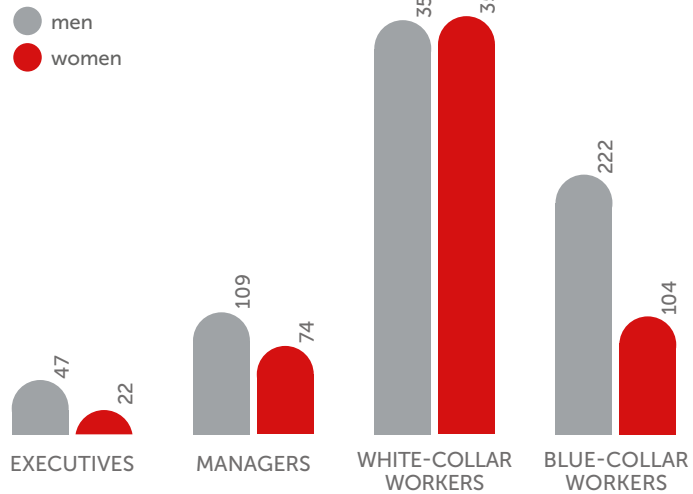


98% of employees in Italy and abroad have a permanent contract, in line with the company policy aimed at stabilising precarious workers, providing various benefits. The French subsidiary, for example, provides its employees with the following benefits: car benefits, private health insurance and early retirement programmes. Of these, most have full-time contracts. However, there are also figures that are engaged separately from illycaffè as independent professionals: for example, Espressamente illy Americas brings in external experts in IT, maintenance, sales and machine design. Operational changes are specified, in most cases, by collective agreements, such as in Germany, where the guaranteed notice for employees is 4 weeks, as stipulated by national law.

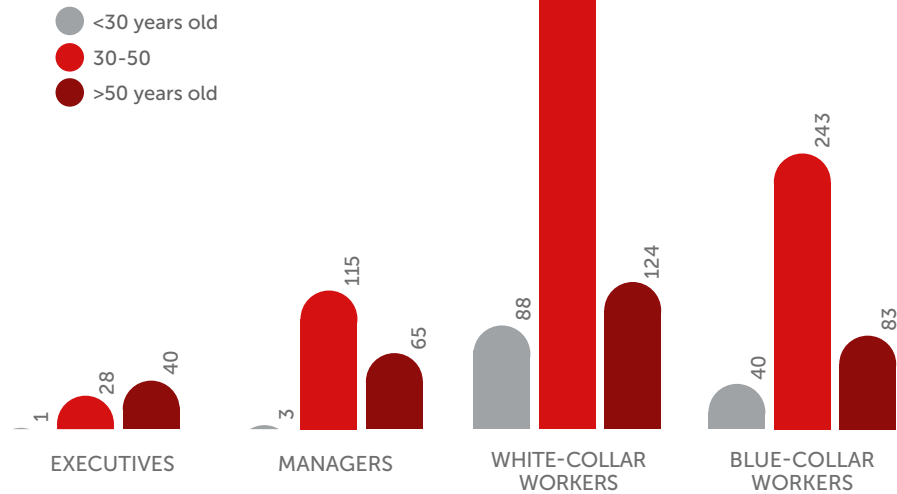


To meet the needs of employees, there has been an increase in the number of part-time contracts, which are essential to ensure a work-family balance and have been adopted by 60 employees in Italy and abroad. Considering all companies within the reporting scope, women account for 43% of the total and, based on the breakdown by age bracket, employees aged between 30 and 50 constitute the majority of the workforce (66% of the total).

EMPLOYEES BY GENDER AND PROFESSIONAL CATEGORY



EMPLOYEES BY AGE AND PROFESSIONAL CATEGORY



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In 2020, the turnover rate in Italy and abroad – calculated as the ratio of people leaving the company in the period to the total workforce at the end of the period – was 32%. The recruitment rate – the ratio between the number of new hires during the year and the total workforce at the end of the period – was 22%. These figures include the numbers for bars and shops, which, due to the nature of their business, have a much higher staff turnover. In terms of remuneration, all employees are subject to the provisions of national contracts and current regulations in the various countries in which the company operates.

	NO. NEW HIRES		NO. TERMINATIONS		RECRUITMENT RATE ⁷		TERMINATION RATE ⁷	
	2019	2020	2019	2020	2019	2020	2019	2020
Men	196	100	144	146	25.0%	14%	18.3%	20%
<30 years old	93	31	57	51				
30-50	87	68	73	74				
>50 years old	16	1	15	21				
Women	157	74	124	142	25.3%	13%	20.0%	25%
<30 years old	83	38	65	58				
30-50	68	36	57	62				
>50 years old	7	0	2	22				
Total	353	174	268	288	25.1%	13%	19.1%	22%

⁷ This calculation is made by dividing the no. of new hires or the no. of terminations by the total number of employees at the end of 2020.

■ 02.4.3 Equal opportunities, inclusiveness and respect for human right

"Employees are offered equal employment opportunities based on merit, professional skills and performance, without any discrimination, fully respecting personal rights". The pursuit of the strength inherent in difference reflects the values of illycaffè, which has always wanted to create an inclusive working environment enhanced by the multicultural context of the city of Trieste.

Human capital is grown and developed around individual performance and abilities, eliminating any potential form of stereotyping and prejudice. This approach includes people in protected categories, who represent around 3% of the workforce in Italy*.

In order to promote the role of women, in 2018, on the International Coffee Day established by ICO (International Coffee Organization), **"Half a cup"** was created, an initiative that aimed to explore what the world of coffee would be like without women's work.

illycaffè was a content partner of the national **"Global Inclusion: Generations without Borders"**, during which universities, companies and non-profit associations shared practices for the promotion of an inclusive leadership model inspired by Article 3 of the Italian Constitution.

The company has signed the **Non-Hostile Communication Manifesto**: respect for every individual is expressed in everyday behaviour and in the use of language.

AVERAGE GROSS ANNUAL SALARY: MEN-WOMEN RATIO

The ratio between the remuneration received by female workers and the remuneration received by men is: 0.57 for executives, 0.86 for white-collar workers, 1.24 for managers and 0.49 for blue-collar workers. The ratio was calculated by dividing the total sum of remuneration received by women by the total sum of remuneration received by men, for each category, considering a total workforce of full-time equivalents.

In 2020, various measures and policies implemented by illycaffè ensured that there were no incidents of discrimination throughout the reporting period.

BASE SALARY BY EMPLOYEE CATEGORY - 2020 ⁸	BASE SALARY RATE WOMEN/MEN
Executives	0.57
Managers	1.28
White-collar workers	0.92
Blue-collar workers	0.56

REMUNERATION BY EMPLOYEE CATEGORY - 2020	MEN/WOMEN REMUNERATION RATE
Executives	0.57
Managers	1.24
White-collar workers	0.86
Blue-collar workers	0.49

* This information refers only to illycaffè S.p.A.

⁸ Compared to the previous year, a different calculation methodology has been used, allowing more detailed information to be reported than required by the standard. Given the change in methodology, the values are not comparable with the previous year, for this reason the comparison has not been reported.

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■ 02.4.4 Health and safety in the workplace

The occupational health and safety management system complies with the ISO 45001 scheme, which is applied throughout the industry and retail sector. All activities carried out by external staff not employed by illycaffè are subject to conduct rules for the prevention of interference risks contained in the DUVRI shared with the contractor. Each DUVRI is assigned to an internal manager who is responsible for supervising compliance with the rules contained in the document. Moreover, all workers can report critical issues through the relevant hierarchical channel or through the workers' safety representatives or directly to the prevention and protection service.

Each worker has received adequate training repeatedly stressing the notion that they must leave the workplace in the event of a serious and imminent danger situation; a procedure is in place for formally reporting any health and safety issues. For each critical event, a fact sheet is issued detailing the key information about the event, including suggested corrective actions and the person responsible for implementation. A monthly report is produced listing all reports whose corrective actions have not yet been completed. The report is also addressed to senior management.

With regard to occupational health services, a competent doctor carries out health activities in the company, including periodic health surveillance for employees. This is managed in partnership with the SPP.

The occupational health and safety management system involves workers' safety representatives who play an active role in maintaining the system. A notable example is the Covid-19 Committee, which includes a wide representation of workers, in addition to the RLS (workers' health and safety representatives). The committee works to implement and check the rules of the regulatory protocol for measures to combat and contain the Covid-19 virus in the workplace.

The committee has the following duties:

- Integrates the supervisory duties of the organisational structure in the application of provisions issued by the Corporate Organisation Department and Supply Chain Department.
- Provides feedback on the effectiveness of implementing these provisions and the level of compliance.
- Makes recommendations for any further measures to be taken.
- Reports situations that help to reinforce the general principle of combating and containing the spread of the virus.
- Meets through the Microsoft Teams platform at the request of the Directors of Human Resources and Organisation, Supply Chain or RSPP.

All employees are obliged to attend the compulsory courses stipulated in the state-region agreement for blue-collar workers, white-collar workers and managers. Any activity that requires a specific qualification can only be carried out after fulfilment of the required training obligations: forklift and AWP truck driving; first aid officers; emergency team members, etc. For nonemployee staff, a training certificate is required for activities carried out in illycaffè's premises.

During 2020, 11 accidents occurred at the workplace, with total hours worked amounting to 1,726,260. The rate of recordable accidents at work is 6.4. Compared to the previous year, the number of accidents increased, recording 6 more accidents; the frequency index, so-called according to the previous standard, therefore increased proportionally. The number of hours worked by non-employees is 1,920. With regard to occupational diseases, during 2020 illycaffè had 2 occupational diseases for employees and 1 for non-employees.

■ 02.4.5 Internal communication and employee benefits

The company develops internal communication activities to facilitate interdepartmental collaboration, to increase employees' sense of belonging and to promote the spread of the company's values and culture.

In 2020, a year characterised by great change and social distancing, the internal digital communication channels (most notably the Intranet and illyXpress e-magazine) became increasingly active drivers for digital communication and engagement activities, bringing people together and giving them a sense of belonging.

illyXpress, the internal communication digital magazine, published in Italian and English, active since 2018, reached illycaffè employees in Italy and abroad every month with the aim of informing, sharing and building a large coffee community. The magazine features articles written by an editorial team made up of company employees, as well as a number of external contributions.

Meetings that were formally face-to-face became digital in 2020. In addition to the more traditional meetings, new forms of digital interaction were added, exploiting the Microsoft Teams platform under the name of "CI VEDIAMO IN GALLERIA" digital edition – a series of themed groups managed by illy employees; digital rooms where people can meet to drink a virtual coffee and discuss shared passions. Some of these roundtables were dedicated to sport and a mindful approach to exercise (particularly through running and yoga), while others focused on food and exploring vegan and vegetarian or generally healthier alternatives. The meetings were organised to offer employees opportunities for discussion and socialising, while drawing the attention of a varied public to certain aspects that characterise a healthy lifestyle, including outside the workplace, such as physical activity and a balanced diet.

Digital events in 2020 followed the ethos of the **"Made in illy"** project, launched in 2009, enabling the company's employees to offer their skills and volunteer their time to collaborate in the organisation of internal company events.

For the benefit of all employees (including those with part-time and fixed-term contracts), illycaffè has defined a number of financial and social benefits. The project consists of a network of agreements and initiatives aimed at improving the personal well-being of employees and their families.



The following areas are those most affected by welfare services, which contribute to the quality of life and well-being of workers inside and outside the company:

- **Training, Personal and Cultural Development:** granting of degree bonuses and financial support for the purchase of university texts.
- **Purchasing Power:** purchase of goods and services at reduced prices for employees. For example, affiliated nurseries.
- **Work-Life Balance:** flexible working hours (entry time, lunch break, reduced hours for medical examinations) and smart working.
- **Workplace:** availability of common areas such as a canteen, coffee bar and illy on-site shop.
- **Health and Well-being:** illysportiva association activities and payment of a bonus, fully borne by the company, for supplementary health care for the employee and their family.
- **Community and Environment:** development of agreements with gyms, theatres, shops, medical clinics and local agencies (University, MIB Trieste, Work-Related Learning, Telethon Udine).

■ 02.4.6 Training and development of human capital

The training programme, due to the Covid-19 emergency, underwent several changes since March 2020. Many of the planned training programmes were transformed into distance learning programmes through LMS platforms, while others were cancelled due to the specific nature of the topics they covered and the audience they addressed.

The annual programme also included courses that were not initially planned in order to assist employees during the historic emergency that they were facing, with a view to supporting them and providing them with tools to deal with work changes introduced by smart working as effectively as possible. In particular, the Efficacy and Resilience in Emergencies course was offered to all office staff, while managers were provided with a version that also included content for effective remote leadership to better manage and support their teams remotely.

Below are some of the year's main training initiatives:

- **Onboarding** programme for all new employees and the sales force: an integration and induction course in collaboration with the Università del Caffè; the programme also involved numerous internal speakers who explored the various topics.
- **illycitizen**: a training and engagement programme for illy employees, operating since 2011 and managed through a group of internal trainers. In the first 2 months of the year it presented "illycitizen ambassador", a series of sessions designed and presented in a new "TED mood" format.
- **illycitizen #Beconnected**: short videos published on the intranet to show how illy employees put the leadership model into practice during the Covid-19 emergency and remote working.
- **"Experience Makers"**: a format dedicated to the entire illy sales force, which, in November 2019, was adapted for key account managers in the large-scale retail trade and then continued throughout 2020 in FAD mode.

During the year, five modules were delivered on in-depth knowledge of the company and its products and technical skills relating to statistical and quantitative knowledge; modules then covered personal development topics, in particular soft skills related to leadership, advanced negotiation, and offline and online communication. The course ended with a final task in which participants presented a successful case before a panel of experts.

The following courses were organised for the Retail channel and EMEA subsidiaries:

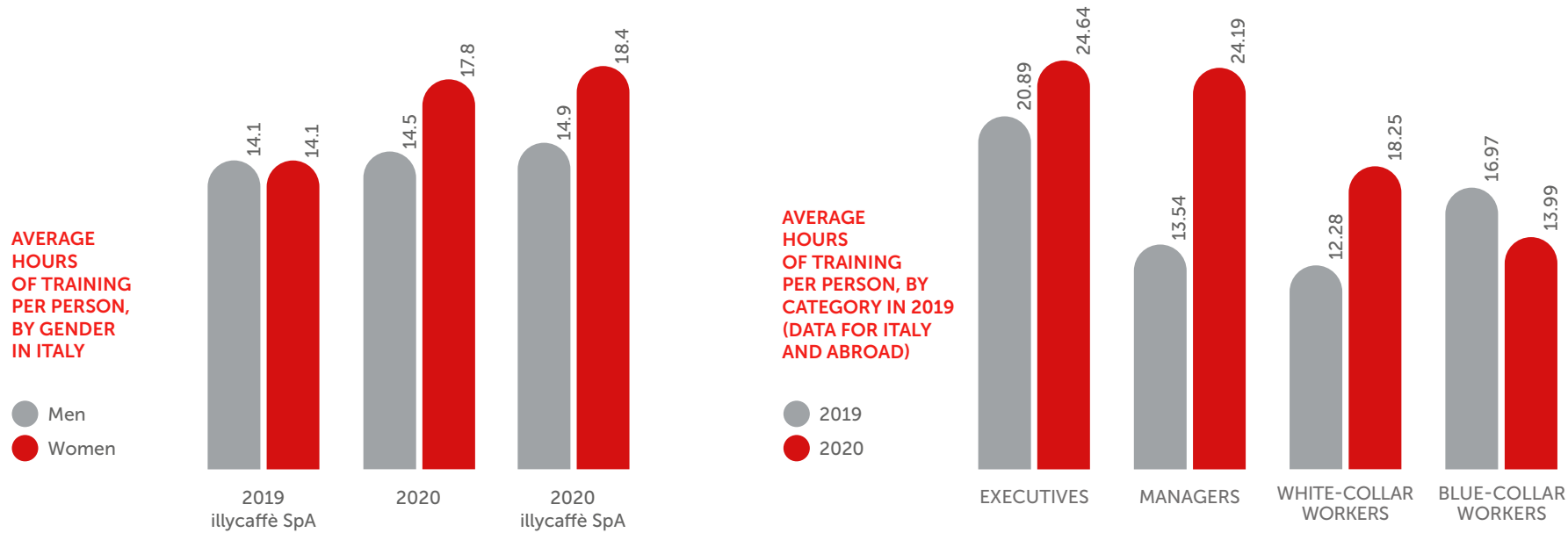
- **"IOSONOILLY_IL MASTER"**: a managerial course for all store managers started in October through the delivery of three modules linked to the leadership model and to the service model of the new 4.0 concept. The course will then continue in 2021.
- Numerous refresher courses on products and operational procedures relating to lockdown and various re-openings were provided for staff.

SKILL UP is an **international** programme for illy employees in subsidiaries and affiliates which, through a quick service, measures the Digital Readiness (Digital Skills and Innovation Mindset) of the organisation, and then proposes a customised training programme to support the comprehensive **reskilling process** of all participants. The programme included the provision of a Library of videos and interactive content on the main topics related to **Digital Transformation**, guiding users through a process of in-depth analysis of vertical content and verification of learning.

Between October and November, a course was organised on **"Legislative Decree 231/2001, illycaffè's organisation, management and control model"**, which was delivered en masse to all illy employees and then included in the compulsory training for all new employees.

The **illy leadership model** was the basis for building a comprehensive evaluation with the managers involved in defining the model. Subsequently, training sessions were organised to deliver the profiles to employees involved in the process.

In 2020, training hours per employee were 17.81; average training hours for male employees were 15.09 and 18.90 for female employees.



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WE SHARE
KNOWLEDGE
WITHOUT BARRIERS.

02.5
**intellectual
capital**

02.5

HIGHLIGHTS

Market launch
of the X1 E.S.E &
Ground machine

313

patents,
of which 272 issued and
41 pending

Over

9,000

millions of €
invested in Research
& Development

intellectual capital

Intellectual capital constitutes the company's material assets and the value of its knowledge. It promotes the research and innovation activities carried out with regard to processes and products, as well as the commitment to training and dissemination of coffee culture through the Università del Caffè.

SDGs



SPECIFIC COMMON BENEFIT GOALS

Also considering products and systems based on criteria that are consistent with the principles of sustainability and circular economy, for the benefit of the planet.

Improve energy efficiency and resource consumption, taking into account best practices and innovative solutions with a view to progressive emission reduction.

Participate in the international debate on the subjects of the aspiration to happiness, well-being and improved quality of life, mainly, but not exclusively, in the world's coffee-growing areas.

Foster global partnerships to promote sustainability and international awareness of this issue.

OUTCOMES

Improvement of the experiential impact of coffee consumption.

Reduction of environmental impact through research and innovation in technologies and materials.

Processing and enhancement of the raw material to obtain the highest quality.

Worldwide promotion of coffee culture.

CHALLENGES

Finding the right balance between cost and sustainability.

In the context of capsule disposal, promoting equally effective recovery and recycling models in countries with different regulations.

Strengthening women's leadership and entrepreneurship in the coffee world.

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The **specific common benefit goals** are the impact targets set out by illycaffè in its articles of association. They are the company's DNA, the identity that drives its business growth, deeply ingrained in all its business operations.

The **outcomes** are the true positive value created by illycaffè through its practices, policies and actions expressed by the capital.

The **challenges** are the obstacles that the context and the sector place before a company in the process of impact creation. Indeed, the latter is an activity that cannot disregard these elements and must describe it transparently.

The **Sustainable Development Goals** are the 17 United Nations' objectives to which illycaffè contributes in various ways with its activities.

■ 02.5.1 Innovation & research

Flavour is the result of a method. illycaffè's approach to achieving the best quality coffee combines passion, science and innovation. This method has become a fundamental value that spans the company's entire history and has contributed to its success over the years. Of the eight radical innovations that revolutionised the coffee industry in the last century, three were developed at illycaffè:

- **1933, pressurisation:** the preservation system that replaces the air inside the packages with highly pressurised inert gas, thereby preserving the coffee's freshness and aroma over time;
- **1935, the Illetta model:** the predecessor of today's professional coffee machines with a high-pressure espresso formula;
- **1974, the paper pod:** the industrialisation of the first single-portion pod, which made it possible to export espresso to countries without professional baristas.

Moreover, in 1988, the company patented a system for the digital colorimetric selection of beans, making it possible to separate out the perfect specimens. In fact, just one defective bean among the fifty that comprise a cup of espresso is enough to compromise its quality.

The most recent innovation is the **Iperespresso** system, which features a capsule that extracts coffee in two stages, hyper-infusion and emulsion, producing a uniquely high-quality result in terms of body and aftertaste.

In general, innovation drives research towards increasingly sustainable products and services, starting with improvements to production processes that can reduce the environmental impact of both the company and consumers, while always enhancing the raw material. Through the use of the best technologies and research applied to raw materials and all production processes, illycaffè has implemented a multi-year programme to develop increasingly environmentally friendly products that will contribute to achieving the goal of carbon neutrality by 2033.



Laboratories

Research and innovation are conceived within the Research and Development Department. Recognised as an international centre of excellence, it develops innovative technological solutions through the experimental activities of 5 specialised laboratories:

AROMALAB – Specialised in research into the characterisation of volatile and non-volatile chemical compounds, the detection of aroma precursors and the identification of substances that determine taste and body.

SENSORYLAB - Integrating chemistry, physics and psychology, this laboratory deals with the scientific study of the relationship between sensory stimuli – taste and smell – and evoked sensations.

BIOLAB - Divided into two operating units dedicated to microscopy and molecular genetics/biology, this laboratory is tasked with studying the genetic information of the substances present in coffee.

TECHLAB - Deals with technological development in the packaging and portioned products sector, partly with the aim of reducing the impact of packaging on the environment while maintaining its performance level.

FOODLAB - Dedicated to research on coffee-based food and products.

In illycaffè's laboratories, great importance is attached to studies related to environmental sustainability, with particular attention to the circular economy, optimal use of materials, maximum waste and scrap recovery, and plans to combat climate change.



CLIMATE CHANGE AND THE COFFEE INDUSTRY

Global warming is putting coffee plantations and varieties at risk, severely damaging plants due to high temperatures and excessive rainfall. According to experts, by 2050 the land devoted to growing high-quality Arabica coffee, which accounts for 70% of coffee produced worldwide, will be halved.

In terms of the circular economy, the goal of the laboratories' studies is to work on coffee machines' functionality, aesthetics and design, without compromising the appeal and quality of the products. Materials play a fundamental role in this process: research increasingly focuses on the use of **compostable, recyclable, eco-friendly** and non-polluting materials, in full compliance with disposal regulations and the EU RoHS (Restriction of Hazardous Substances Directive) regulations.

Thanks to the Life Cycle Assessment, the company has implemented improvement plans focused on product durability to help recover food waste. In 2018, illycaffè took part in the Prolific project, which plans to create new prototypes of products from coffee, legume and mushroom waste.

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illy finances and collaborates in research activities focused on climate change in partnership with several universities and research centres. An important study on the raw data from the reconstruction of the *Coffea arabica* genome has been made available to the scientific community through the website of the World Coffee Research, a non-profit organisation dedicated to international research and development in the coffee sector. This is a unique study in the field of genetic research, which accelerates science's commitment to the future of coffee cultivation.

Coffee machines

- To meet the need to reduce energy consumption – going even lower than the mandatory European and international standards – testing has been carried out on high-efficiency heaters which, by using increasingly efficient heat exchange systems, make it possible to reduce consumption linked to water heating (fast heating).
- In line with the principles of the circular economy, the "Design for disassembling" criterion is applied, which involves the design of coffee machines with a focus on disassembly so that most of their components can be reused or recycled.
- Coffee machines are designed to be increasingly long-lasting. The company offers a maintenance service to help prevent their premature disposal.

In 2019, a framework agreement was signed with the Polytechnic University of Milan for the joint development of research projects to study the future of preparation systems.

Coffee and processes

- Research continues into compostable materials for capsules in order to minimise environmental impact without compromising coffee quality and price competitiveness.
- Since 2016, 3 kg coffee containers have been seamed, rather than welded. This is a less energy-intensive process that has reduced material use by around 10% in weight.
- The procedures for collecting and treating used capsules are under review, in compliance with the various local regulations.

To formalise these processes, in 2019, illycaffè formulated a **three-year road map** that organises activities to reduce the impact of products on the environment, including initiatives to raise consumer awareness.



NEW PRODUCTS IN 2020

The pandemic that emerged in 2020 necessitated a reorganisation of the departments responsible for product development and innovation, as well as the induction of development partners. Development activities focused on major projects featuring strong technological innovation in line with the digital transformation initiated by the company and characterised by strong support from an eco-sustainable perspective. Notably, the development stage of the Unattended professional machine in MPS and professional Iperespresso versions was completed, including the development of a capsule recognition sensor. The project development phase of the modular i-machine in the 3-functional module version was also completed.

With regard to durable products, two coffee machines were presented: the X1 E.S.E & Ground characterised by fast heating technology that can significantly reduce energy consumption and the option of using both ground coffee and the new E.S.E pods, redesigned with compostable material.

In addition, to support the commitment to sustainability, the new E.S.E machine was developed and launched, optimised to meet illycaffè quality standards and able to offer end consumers a choice between espresso and long coffee.

The accessories portfolio has been expanded with a milk frother that can prepare hot and cold milk-based coffee and chocolate, enhanced by a Studio Lissoni design.

With regard to consumables, the exploration and development of alternative materials to current plastics, i.e. compostable and compostable

barrier materials, continues, including with the involvement of foreign suppliers. Green exploration also covers packaging and secondary packaging in general, reducing the overall environmental impact.

The range of consumable products in the portfolio was extended with the launch of the ready-to-drink Classico with cold brew coffee extract, Forte for the iperespresso and MPS capsules, and Lungo for the compostable E.S.E. pod. The Arabica Selection variety has been enhanced with the Costa Rica bean variety.

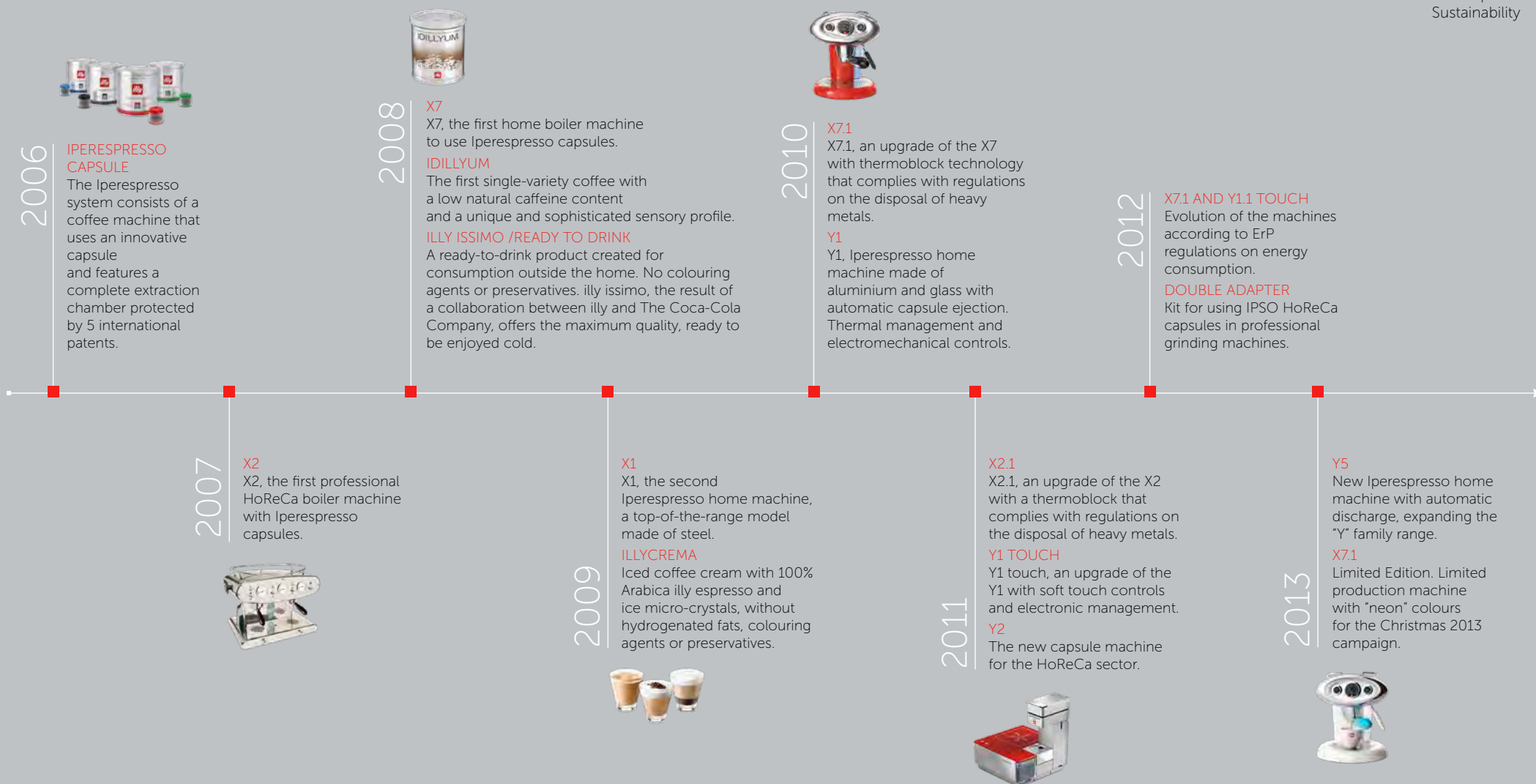
The patent portfolio owned by the company as at 31 December 2020 totalled 313 patent titles, of which 272 granted and 41 pending, divided into 43 families.



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INNOVATIONS INTRODUCED IN RECENT YEARS: PRODUCTS



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2014

Y5 MILK, X9 AND KISS

New Francis Francis for illy espresso machine models.

REFILLY / SOFT CAN

Refill designed to reduce environmental impact.

ESE SINGLE-SERVE POD

Offers reduced primary, secondary and tertiary packaging.

IPERESPRESSO CUBE

Created to replace the tin and reduce the environmental impact of the packaging.

2016

COLD BREW SYSTEM

Coffee ground for infusion in water.

PILLOW PACK

Filter paper pods for making drip coffee.

2018

COLD BREW AIR/FLAT SYSTEM

Thanks to the patented tapping system, illy Cold Brew can be enjoyed both in the smooth version with ice and in the illy Cold Brew Aria version, with a soft, lingering foam obtained completely naturally without added ingredients.

ARABICA SELECTION

Presentation of the range of the most distinctive origins of Arabica coffees that make up the illy blend, from Ethiopia, Colombia, Brazil and Guatemala. Available as single varieties and on an intensity scale ranging from the most delicate to the boldest, each origin is produced with a specific roasting curve to enhance the distinctive aromatic notes and taste of the lands of coffee.

2020

X1 E.S.E. & GROUND

New X1 E.S.E & Ground machine with fast heating technology to reduce energy consumption. It works with ground coffee and the new E.S.E. pods, redesigned with compostable material.

PULCINA MOKA

Thanks to the internal shape of its special boiler, Pulcina automatically interrupts coffee brewing at the right time, eliminating the eruption stage – the final extraction stage that produces a burnt and bitter aftertaste – and makes it possible to obtain only the best of the coffee, enhancing its full-bodied, rich aroma.

YP1

The new professional YP1 machine developed by illy and Cimbali allows perfect grinding, espresso after espresso, thanks to Bluetooth technology: it monitors the coffee dispensing time and, if necessary, communicates an appropriate correction to the Conik grinder/dispenser. This technology permits an average energy saving of 25% compared to the previous model.

PERSONAL BLENDER

The prototype was presented in the Coffee Cluster at Expo Milano 2015 and is now used to create Michelin-starred chefs' personal blends. The machine allows you to create a custom blend, starting with the 9 origins of the unique illy blend.

2015

2017

Y5 DRS ESPRESSO & COFFEE SYSTEM

The coffee machine that you can control with your smartphone via Bluetooth and that allows automatic reordering of capsules using Amazon Dash technology.

2019

ALUMINIUM CAPSULES

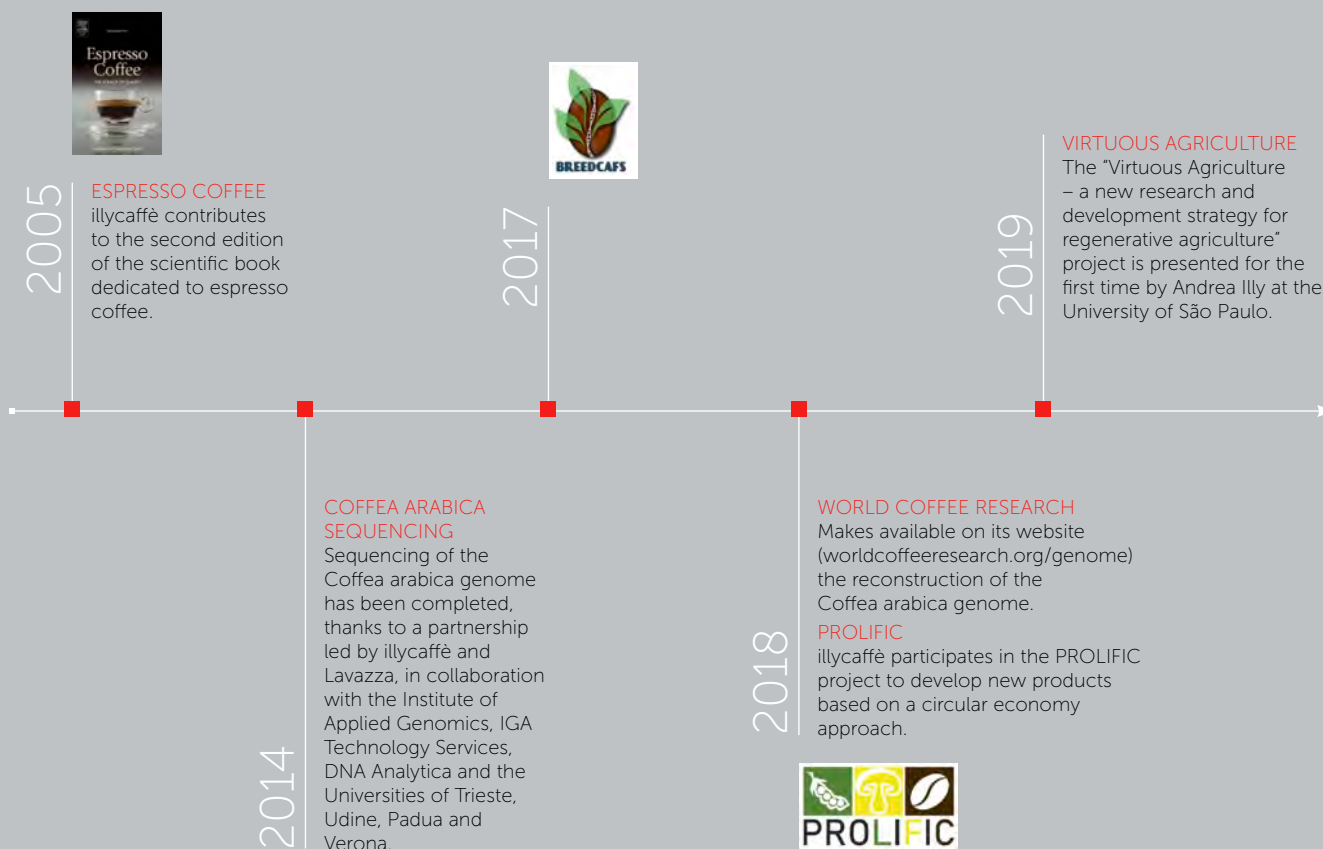
The new line of compatible aluminium capsules* was presented, the result of a licensing agreement signed with JAB.

** Compatible with many Nespresso® coffee machines*

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INNOVATIONS INTRODUCED IN RECENT YEARS: PROJECTS



BREEDCAFS

In 2020, illycaffè continued to contribute to the European Commission's "Breeding Coffee for Agroforestry Systems" project. Agroforestry is a cultivation model that is adapting and preparing coffee production to respond to climate change. However, few varieties are suitable for this system. Thanks to this project, high-quality hybrids that are more adaptable to agroforestry models have been processed from various botanical species and different geographical origins. This variety will benefit small farmers, increasing their income and improving their environmental sustainability, as well as the European industry, which will be able to benefit from other speciality coffees.

PROLIFIC

The company is participating in PROLIFIC, the project that gives coffee a second life, designing new products based on a circular economy approach. The partners have launched a study of coffee by-products (from selected green coffee waste) for use in various application areas, in particular food, cosmetics, animal feed and packaging. For example, biodegradable capsule prototypes have been produced, which are still being developed.

■ 02.5.2 Promoting a culture of excellence

The Coffee Culture Department was established in 2019 with the aim of strengthening the thought leadership of coffee culture globally; its key areas are Brand Ambassadorship, Institutional Projects and the Università del Caffè (Coffee University). It designs and develops a wide range of training activities to support full implementation of the company's strategy, with the support of the Università del Caffè, in order to disseminate knowledge at all stages of the value chain.

Here are some of the most representative projects:

- **Spreading Coffee Culture:** Retail Forum (Stresa), participation in the Columbia University Exchange Program (New York), the podcast for "Una poltrona in ClubHouse Brera" with "L'aroma del caffè è femminile" (Rinascita Digitale).
- **Promoting family businesses:** participation in the South Tyrolean Economic Forum (Bressanone) and Leaders in Family Enterprise organised by Cornell University (New York).
- **Diversity & Inclusion:** Parabere - forum for improving gastronomy with women's vision (Oslo) or Kigali Global Dialogue (Rwanda), which prioritises gender equality.



■ 02.5.3 Università del Caffè

Each coffee bean encompasses a whole world: this is the philosophy that guides the activities of the Università del Caffè. A virtuous circle of knowledge that nurtures passion, builds skills and creates value over time.

The Università del Caffè was founded in Naples in 1999 and moved to Trieste in 2002. It was created to give all those who work along the supply chain the opportunity to come into contact with, understand, become passionate about and improve the production of sustainable high-quality coffee.

Today it operates through an international network that spreads high-quality coffee culture all over the world with publications, research and in-depth educational training to meet the needs and expectations of coffee growers, hospitality professionals and passionate consumers.

In 2020, due to the Covid-19 pandemic, the educational activities of the Università del Caffè in Trieste and the 26 branches that form part of the network were considerably hampered by the inability to run in-person courses around the world, both in terms of the number of courses and participants.

The first proactive decision was to aid the team members' professional growth by providing them, with the support of industry professionals, with courses in online public speaking, writing, audio/video direction management and identification of innovative solutions to reduce the gap with expectations of a practical activity. For proper management of distance learning, it is necessary to radically restructure the design of activities and to revise content, delivery methodology and new rules of engagement for participants.

More than 9,000 professionals, consumers and producers participated in 2020.

The Università del Caffè, in line with the digitalisation process initiated by the company, launched the "Evolution Leap" project, which consists of rethinking and recreating training and edutainment, adapting its content and tools to the distance learning experience through an innovative approach.

In terms of publishing, in 2020 the Università del Caffè oversaw the illyhandbook series: educational manuals designed to consolidate, disseminate and spread high-quality coffee culture throughout the branch

network, as well as the head office in Trieste. It also laid the foundations for the knowledge tree project in which the three pillars of brand & company, coffee culture and products & transformations were translated into educational slides for global training activities.

The global team of the Università del Caffè consists of more than 100 lecturers operating in the 26 branches and is divided into 3 levels of expertise:

- **Instructors**, 13 to date
- **Associate Professors**, 39 to date
- **Full Professors**, 61 to date

TOTAL NUMBER OF UDC PARTICIPANTS	2019	2020
Actors in the coffee supply chain	NA*	520***
Producers	469**	345****
Professionals (online activity: synchronous)	20,154	6,830 (22% online and 78% in-person)
Consumers (online activity: synchronous)	8,119	888 (30% online and 70% in-person)
Online participants (asynchronous e-Learning activity)	1,268	624
TOTALE	30,010	9,207

* The reporting of this information began in 2020.

** 306 producers trained at the Università del Caffè in Brazil and 163 by other educational activities carried out in Colombia, Guatemala, Honduras and India.

*** 450 actors in the coffee supply chain and 70 employees of distributors and branches.

**** 345 producers trained at the Università del Caffè Brazil with synchronous online activity.

ADVANCED TRAINING FOR PRODUCERS

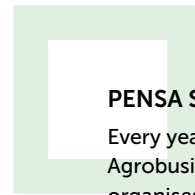
In 2020, given the unique situation caused by the global pandemic, all training and dissemination activities for producers were carried out online: a total of 345, plus activities for 520 actors in the supply chain. Producer support activities began in 2000 with a collaboration initiated with PENSA, the University of São Paulo's Agrobusiness Intelligence Centre. Since 2010, over 10,500 farmers, supply chain partners and professionals working in the coffee sector have participated in training activities on relevant issues such as: responsible farming techniques, economic and administrative aspects for proper management of agrobusiness, resilience and climate change mitigation. The training activities respond first and foremost to critical issues identified in the field and subsequently raise awareness and develop prevention policies and good practices. In this process, illycaffè and the University involve both its own producers and a wider public in the sector to create a process of collective improvement for the benefit of all actors in the industry. In Brazil, Colombia, Guatemala, Honduras, Nicaragua, El Salvador, Costa Rica and Mexico, training sessions covered different topics, ranging from the role of technical assistance to good agronomic practices, highly toxic agrochemicals, and so on.

TRAINING COURSES FOR INDUSTRY PROFESSIONALS

In 2020, 6,830 professionals were trained (22% online and 78% in-person). For professionals who work in bars, restaurants and hospitality, the Università del Caffè offers training and refresher sessions focusing on the product and on the management and promotion of the business. The courses provide a range of immediately applicable knowledge, from beverage preparation to purely managerial skills. The training activities also involve schools; indeed, the Maestri dell'Espresso Junior competition, organised in collaboration with the Cimbali company, is dedicated to teachers and students from Italian hospitality institutes and aims to train future professionals. In 2020, for the 29th edition, 30 institutes and 510 students took part.

EDUCATIONAL COURSES FOR CONSUMERS

In 2020, dissemination activities reached 888 participants through courses and company tours delivered through traditional classroom mode (30%) and live streaming (70%). Educational activities for the general public focused on a wide range of topics, ranging from preparation to economics, sustainability, sensory aspects, health and customs, with the main goal of promoting highquality coffee culture.



PENSA SEMINAR

Every year the Università del Caffè in Brazil, at PENSA (The Agrobusiness Intelligence Centre of the University of São Paulo), organises a seminar aimed at scientific institutes, national institutions in the sector, producers and the media. In 2020, the "New agricultural technical assistance" topic was addressed, resulting from research developed the previous year. The topic was discussed through 3 webinars and streamed on YouTube, thereby engaging a wider audience and reaching a total of 1,323 people. To further reinforce and promote the positive and proactive results of the research carried out in 2019, PENSA has put 5 videos online that have received 1,509 views. These intensive outreach activities also attracted the interest of public policy makers as well as opinion formers, stimulating discussion of public and private strategies on agricultural technical assistance.

SEED:S

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WE TRACE
OUR PATH WITHOUT
MARKING THE EARTH.

02.6
**natural
capital**

02.6

HIGHLIGHTS

95.2%
generated waste
recovered in 2020

€ 673k
the expenses
of illycaffè S.p.A. in the
environmental field

4%
renewable
packaging materials

80%
energy from
renewable sources

natural capital

Natural capital is the ecosystem within which all human activities take place and without which they would not be possible. It describes how the company manages the use of natural resources to provide goods and services, not only today, but also in the future.

SDGs



SPECIFIC COMMON BENEFIT GOALS

Also consider products and systems based on criteria that are consistent with the principles of sustainability and circular economy, for the benefit of the planet. Improve energy efficiency and resource consumption, taking into account best practices and innovative solutions with a view to progressive emission reduction.

OUTCOMES

Update of the Environmental Factory Authorisations, which made it possible to obtain a single environmental authorisation to allow the gases released during the pressurisation of roasted coffee to be transported out of the silos.

WEE collection, which received a technical-legal opinion on the feasibility of managing the collection of waste electrical and electronic equipment collected from consumers (E-commerce). The agreement is currently being finalised with the ERP provider.

Waste management, an activity that began by trialling the use of discarded iperespresso plastic capsules in collaboration with leading companies in the Italian supply market.

Circular economy: the operational feasibility phase has been launched regarding the conversion of industrial plastic waste into 'secondary raw materials'

(recycled plastic in compliance with UNI standards) for the production of green pallets for use in logistics operations, rather than traditional wooden pallets. Green pallets not only recycle plastic that would otherwise be incinerated (thereby reducing emissions), but also have a longer lifespan than wooden pallets and can be recycled again.

CHALLENGES

Being sustainable while balancing costs and benefits. Increasing illycaffè's sphere of influence in the different contexts in which it operates to effectively promote sustainable practices and facilitate the Carbon Footprint reporting process.

Scaling the application of virtuous agriculture to the green coffee sector.

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The **specific common benefit goals** are the impact targets set out by illycaffè in its articles of association. They are the company's DNA, the identity that drives its business growth, deeply ingrained in all its business operations.

The **outcomes** are the true positive value created by illycaffè through its practices, policies and actions expressed by the capital.

The **challenges** are the obstacles that the context and the sector place before a company in the process of impact creation. Indeed, the latter is an activity that cannot disregard these elements and must describe it transparently.

The **Sustainable Development Goals** are the 17 United Nations' objectives to which illycaffè contributes in various ways with its activities.

■ 02.6.1 Environmental policy

Environmental sustainability is a value that creates value. To achieve this, it is necessary to work on several fronts: researching quality, acting on processes, creating a shared culture of sustainability and working on regulatory frameworks.

illycaffè's environmental policy starts in the plantations, where any potential damage to ecosystems is limited through the adoption and promotion of sustainable and responsible knowledge, techniques and behaviour; it continues with the creation of high-quality products with the lowest possible impact on the environment, including during use and disposal.

The company is committed to respecting the principles of eco-sustainability to minimise the negative effects caused by its activities, using the best technologies currently available.

Since 2019, illycaffè has used the Sustainable Procurement Process (SPP) protocol defined by the international certification body DNV GL, which updates the Responsible Supply Chain Process model and promotes qualification and monitoring of suppliers, encouraging improvement goals and programmes.



■ 02.6.2 Environmental commitment

illycaffè fulfils its commitment to reducing the direct impact on the ecosystem by:

- Promoting sustainable and responsible practices at all levels of the supply chain.
- Using a certified environmental management system.
- Annually improving performance in terms of energy efficiency, waste management and air emissions.
- Introducing eco-efficient innovations into the production process.
- Developing new packaging models with a lower impact.
- Fostering economically and environmentally sustainable agronomic practices with the producers from which the company sources green coffee.

Through implementation of the Environmental Management System, ISO 14001 certification and EMAS regulation, illycaffè constantly monitors its environmental impact and takes action, applying the principle of continuous improvement. Since 2015, the company has followed ISO 50001 to improve its energy consumption and use. The company is also committed to setting new targets in line with the European 2030 Climate and Energy Framework.

ILLYCAFFÈ'S ENVIRONMENTAL MANAGEMENT TOOLS

Environmental Policy: document that defines the company's environmental protection strategy.

Environmental Declaration: annually updated tool with which the organisation communicates to stakeholders its policies, the goals associated with them and the extent to which they have been achieved.

Environmental Management System: system for continuous monitoring and archiving of data on consumption and waste management at the three company sites.

Life Cycle Assessment: calculation of the environmental impact of the production processes carried out using SIMAPRO 8.3 software. LCAs are used as tools to support all decisions related to product and process innovation.

ISO 14001 "Environmental Management System" certification (since 2003): system that monitors the environmental impacts of the company's activities, systematically striving for improvement in a way that is consistent, effective and above all sustainable.

EMAS III Regulation (since 2004): tool to promote constant improvements in the environmental efficiency of industrial activities. In 2005, illycaffè won the EMAS Award for its commitment to improving the environmental aspects of production.

SEA Single Environmental Authorisation (since 2015): legal requirement that simplifies administrative procedures and meets the twofold need to ensure environmental protection and reduce the bureaucratic burden for operators. It replaces the various environmental certifications (air emissions, water discharges, noise impact, etc.) that were previously requested and obtained separately.

ISO 50001 "Energy Management Systems" certification (since 2015): a systemic approach to energy efficiency.

Factories and production process

TRIESTE, VIA FLAVIA: site that manages coffee processing and is responsible for the majority of direct impacts on the environment.

TRIESTE, VIA MALASPINA: Distripark logistics hub that combines storage and warehouse activities.

TRIESTE, VIA CABOTO: site where marginal production activities are carried out, such as coffee machine design and quality control.

ROBECCHETTO CON INDUNO (MI), VIA VINCENZO MONTI: headquarters of Mitaca, a company controlled by the parent company since 2017, where single-portion capsule production, coffee processing and machine marketing activities are carried out.

The sites are environmentally certified and do not fall within protected areas or at risk areas with high biodiversity. Preventive measures are carried out everywhere to control and monitor environmental impacts and to minimise potential risks within the production site and in neighbouring communities. Any anomalies are handled promptly and corrected at source. No fines or penalties for non-compliance with environmental regulations and laws were received in 2020.

Then there are the illycaffè branches, which deal with product marketing and mainly carry out administrative and commercial activities with a low environmental impact. Every branch independently manages activities to optimise and reduce energy consumption and management of waste and materials in relation to illycaffè's goals.

Environmental protection expenditure in 2020 amounted to €673,000 (+1.2% compared to 2019):

ILLYCAFFÈ S.P.A. EXPENDITURE	2019	2020
Waste treatment and disposal, including electronic waste	622,966 €	643,174 €
External services for environmental management	10,000 €	15,190.80 €
External certification of environmental management systems	1,500 €	1,500 €
Other	30,470 €	17,954 €



■ 02.6.3 Raw materials

Every year hundreds of thousands of bags of Arabica coffee are purchased from producers in Latin America, Africa and South East Asia. Production and processing of the raw material accounts for a considerable share of the company's indirect environmental impact. Consequently, illy monitors every stage of its supply process, from cultivation at the plantations to transport to the processing plant.

In addition to green coffee, all the packing and wrapping materials used for the various packaging (plastics and metals) and the use of nitrogen in the production process for coffee preservation have an environmental impact. The other materials used by illycaffè are less relevant from an environmental standpoint.

These include oils, solvents, inks, chemicals, wood, jute bags, carbon dioxide, paper and cardboard (other than packaging). Paper and cardboard, jute bags and wood for packaging are mainly sourced from recycled material. At a consolidated level, 4% of the materials used for packaging are renewable. Other materials that come into direct contact with coffee, on the other hand, are, as required by law, strictly virgin materials.

MATERIALS USED - 2020*	NON-RENEWABLE	RENEWABLE
RAW MATERIAL		
Glass	234 kg	
Aluminium	214 kg	13,343 kg
Steel	50,951 kg	
Copper	-	
Rubber	537 kg	
Plastic	8,879 kg	
MATERIALS REQUIRED IN THE PRODUCTION PROCESS		
Lubricating oils for equipment	916 l	
Degreasing solutions	25 l	
Lubricating grease	-	
Paint	20 l	
Adhesive	-	
Absorbent materials	-	
Inks	18 l	
Solvents	538 l	
Raw coffee	-	18,932 t
Nitrogen	-	2,828 Nm ³
SEMI-FINISHED PRODUCTS OR COMPONENTS		
Electrical components	3,371 pezzi	
Electric bulbs	2 pezzi	13,343 kg
PACKAGING MATERIALS		
Paper/cardboard packaging	515,220 kg	40,077 kg
Plastic packaging	515,493 kg	3,445 kg
Cardboard	-	7,889 kg
Poly-laminated plastic aluminium	223,987 kg	-

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■ 02.6.4 Energy Management

illycaffè guarantees responsible management of energy resources through a representative for environmental management and an Energy Manager, who are responsible for analysis, monitoring and optimisation of energy use.

The environmental management system makes it possible to control the following activities:

- Company staff training.
- Internal and external communication.
- Documentation management.
- Control of production processes and related activities.
- Identification and management of potential emergencies to prevent them or minimise the consequences for people and the environment.

The energy sources used for the production process are methane, LPG, diesel and electric, and for company cars diesel, petrol and electric. With regard to mobility, two charging points were installed in 2019 for electric cars for employees and guests.

In 2020, electricity consumption – in absolute terms – decreased by 6.53% and at the three Trieste sites electricity consumption was entirely met by energy from guaranteed renewable sources.

The reduction in electricity consumption can be attributed – in absolute terms – to the lower coffee output due to Covid-19; in relative terms, we report the savings obtained after the revamping of the cold production machines, machines that are used to dry compressed air and cool other devices, as well as for air conditioning in the summer; the characteristic EnPi KPI* dropped from 46 to 42 kWh/t.

Natural gas (methane) is currently distributed as follows: 86% in the roasting stage, 13% in hot water production and heating, and the remaining 1% in the company restaurant. In terms of energy, the total requirement in 2020 was 58.731 GJ and is associated with the Via Flavia and Via Caboto sites, while methane was not used at the Via Malaspina logistics centre.

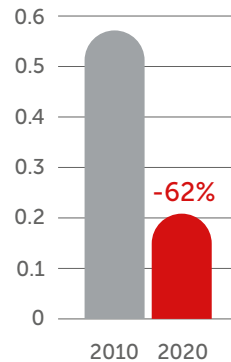
* Energy Performance indicator.

As a direct consequence of Covid-19, tonnes of roasted coffee decreased by 20.3% and consumption of methane for roasting decreased by 15.3%.

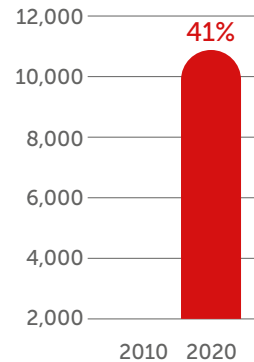
Thanks to recently implemented initiatives, illycaffè had already reached and exceeded its 2020 target, achieving an efficiency of 4.81 GJ/t at the end of 2019; in 2020, given the lower output, efficiency decreased, reaching a result of 5.46 GJ/t, which we expect to restore in the current year.

In 2020, there were continued initiatives to improve energy use, namely: revamping chillers, high-efficiency devices and inverters, completing the revamping of motors and roaster burners, and efficient use of compressed air.

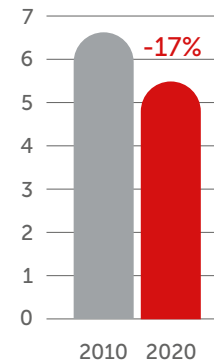
**GREENHOUSE
GASES
tCO₂eq/t
ROASTED
COFFEE**



**RENEWABLE
ENERGY
GWh**



**ENERGY
EFFICIENCY
GJ/t ROASTED
COFFEE**



In 2020, illycaffè consumed 49,404.57 GJ of electricity, of which 80% came from renewable sources.

Fuel used by the organisation from a non-renewable source - 2020		Conversion factors ¹⁵	Values in GJ
Natural gas	1,642,294 Smc	0.039626405	65,078
Diesel – for production processes	9,871 l	0.035984912	355.21
Fuel for vehicles:			
Diesel	329,312 l ¹⁶	0.035984912	11,850.27
Petrol	81,068 l ¹⁷	0.032819383	2,660.59
TOTAL			79,944

Purchased energy consumption - 2020*		Conversion factors ¹⁸	Values in GJ
Electricity from non-renewable sources	2,801,766 Kwh ¹⁹	0.0036	10,086.36
Electricity from renewable sources	10,936,726 Kwh	0.0036	39,372.21
TOTAL electricity purchased	13,738,492 Kwh	–	59,490.93
TOTAL aggregated	–	–	139,434.93

Internal energy consumption - main energy factors in GJ 2018	headquarters and plants Trieste 2018	headquarters and plants Trieste 2019	Mitaca plant 2019
Methane consumption	70,345.5	69,672	4,751.4
Electricity (100% renewable)	42,710.4	41,512.5	6,857.4
Total energy consumption (MJ)	113,055.9	109,380.5	11,608.8
Indicator energy consumption per ton of roasted coffee	5.19	4.81	

Conversion factor 1Kwh = 0.0036GJ; 1000 mc Methane = 39.01 GJ – Source Global Reporting Initiative, 3.1.

ENERGY EFFICIENCY AND RENEWABLE ENERGY INITIATIVES

In 2011, a photovoltaic system covering 11,000 square metres was installed on the roof of the Distripark logistics centre in Via Malaspina. The company does not own this system, but has leased the roof in order to make a contribution to the development of renewable energy. In 2019 the plant produced 799,937 kWh, while in 2020 the plant produced 915,386 kWh.

¹⁵ Conversion factors are taken from authoritative sources: Conversion to GJ: "Greenhouse gas reporting: fuel properties" 2020, provided by DEFRA (UK Department for Environment Food & Rural Affairs).

¹⁶ The data for the French plant have been estimated.

¹⁷ The data for the French plant have been estimated.

¹⁸ Conversion factors are taken from authoritative sources: Conversion to GJ: "Greenhouse gas reporting: fuel properties" 2020, provided by DEFRA (UK Department for Environment Food & Rural Affairs).

¹⁹ The data for the Brazil office were estimated based on average monthly consumption.

■ 02.6.5 Water Management

illycaffè mainly deals with the water resources of Trieste, which come from the artesian aquifers of the Bassa Pianura Isontina, located between 100 and 300 metres deep in San Pier d'Isonzo, where the water – coming from the Isonzo river – collects after passing through several layers of soil and undergoing a natural filtration process that can last from 12 months to 7 years²⁰.

Water is a fundamentally important resource for illycaffè and the company's water consumption is constantly monitored on a fortnightly basis through reading of tax meters owned by the municipal company and those 'for internal use' installed for better control and knowledge of end uses.

Meanwhile all devices that use the water network (taps, toilet drains, showers and irrigation systems) are checked on a daily basis. illycaffè, conscious of its impact on water resources, has set itself a quantitative target of 2.3 m³ of water per tonne of roasted coffee, since this correlates to the generic output of roasted coffee. illycaffè's ongoing commitment also involves the coffee suppliers of green coffee plantations with a view to suggesting and supporting various initiatives for the best use and recovery of process water. Management of the impacts related to water resources is handled through constant contact with the distribution company for the city of Trieste in order to find applications or test devices which, for example, can reduce or eliminate the occurrence of hidden leaks (remote reading with alarm information in the event that the set threshold is exceeded) or share suggestions in the event of anomalous events. The methodology used to identify the impacts of water resources is made possible thanks to the sites currently equipped with fiscal counters and meters²¹, some of which are used "for internal use", which are installed to monitor the different uses that the company has implemented over time (hot water for sanitary use, softened water for chillers and packaging machines, and water for irrigating green areas). Recently installed counters and meters²² have large capacities and are designed for "remote reading", which is awaiting final data distribution tests before full operation.

The company does not have any rainwater recovery systems or tanks, nor the option of using industrial water sources.

All water is taken from the water network and almost completely returned to the environment. Approximately 5% of this withdrawal is consumed in the roasting process in the form of evaporated water.

Water discharges authorised under SEA²³ relate to the following discharges:

- Discharge of the sample testing tank for 3 kg containers.
- Demineralisation system.
- Discharge of compressor condensate.
- Discharge of the finished product testing tanks (coffee beans, ground coffee or portioned).
- Discharge of the test tanks for 250 g containers.
- Condensate from cooling towers.

As part of the new Single Environmental Authorisation, the parameters annually analysed by the accredited external laboratory are listed. The values of the analysed parameters are within the limits defined by the authorisation with sampling located in the vicinity of the Via Frigessi - Via Flavia site.

²⁰ Source AcegasApsAmga

²¹ Tools are divided across the different locations as follows:

1. Via Flavia complex (site consisting of several buildings that were acquired at different times and have maintained the meters for the main utilities) composed of

- 10 tax counters/meters
- 9 counters/meters for internal use

2. Via Caboto complex consisting of 1 tax counter/meter

3. Distripark Logistics Centre Complex - Via Malaspina equipped with 3 tax counters/ meters

²² The two tax counters/meters in Via Flavia and the three tax counters/meters in Via Malaspina - Distripark

²³ (Decree 648/AMB of 08.02.2017 – Decree 1970/AMB of 07.05.2019 – Decree 1893/AMB of 24.04.2020)

Water at the different sites

In 2020, illycaffè withdrew 42.11 megalitres of water, 1% less than in 2019; this was achieved through continuous monitoring, control and correction of anomalous consumption that occurred during the year due to losses in the system.

The Mitaca site drew 5.13 megalitres of water in 2019 and 2.54 megalitres in 2020. The 51% drop in water consumption is due to the start of smartworking and the closure of showers as a result of the pandemic emergency.

Water at production sites

The water used at the production sites is entirely drawn from the aqueducts of the respective municipalities. At the Trieste sites, the water comes entirely from the city's aqueduct and is partly used for sensory testing of coffee and partly for testing the 3 kg, 250 g and serving containers. The remaining part is used for cooling chillers, irrigation, fire fighting, drinking and sanitary uses.

Water on the plantations

To ensure proper management of water resources in coffee growing countries, illycaffè has produced and distributed specific Water and Coffee manuals identifying the machines that consume less than a litre of water for every kilogram of processed fruit (usually 5 to 10 litres are consumed) and providing training on how to treat residual water that comes out of washing stations and requires special treatment before it is released into natural systems. There is also an online course dedicated to process wastewater treatment, which in some countries has resulted in the implementation of very efficient treatment systems.

In 2020, illycaffè S.p.A.'s water withdrawal amounted to 37.29 megaliters; compared to 2019, a slight increase of 8.7%.

WATER DRAWN FOR THE PRODUCTION PROCESS AT VIA FLAVIA, VIA CABOTO VIA MALASPINA, VIA MONTI (MI)



Volume of water drawn from the mains (m³). Data source: water consumption meters.

WATER WITHDRAWALS IN MEGALITRES – 2020	ALL AREAS ²⁴	WATER STRESS AREAS
Surface water	3.51	0.286
Fresh water	3.51	0.286
Other water types	-	-
Groundwater	37.29	0.416
Fresh water	37.29	0.416
Other water types	-	-
Sea water	-	-
Fresh water	-	-
Other water types	-	-
Water produced	-	-
Fresh water	-	-
Other water types	-	-
Third-party water resources	0.300	0.308
Fresh water	0.300	0.308
Other water types	-	-
TOTAL	41.10	1.01

²⁴ Brazil data were estimated based on average monthly consumption, while UK, North America, Germany Taccari, France_Belux data are not available.

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■ 02.6.6 Biodiversity

The field visits that illycaffè's technicians regularly carry out in the various countries, together with the training sessions organised by the company, promote biodiversity protection as one of the cornerstones of integrated farming techniques, the agricultural production system with a low environmental impact.

Integrated agriculture

The company promotes the principles of integrated agriculture, which is based on IPM (Integrated Pest Management), to limit the use of pesticides, and on good agronomic practices. These include: the use of plant cover and cultivation along contour lines to reduce soil erosion, the reduction of soil tillage to maintain fertility and the choice of mineral and organic substances among the various fertilisers.



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■ 02.6.7 Air emissions

Polluting emissions

Emissions caused by production processes mainly come from the raw coffee plant and coffee roasting stages and consist of the release of NOx (nitrogen oxides) dust, TOC (Total Organic Carbon) and volatile organic substances produced by coffee roasting into the atmosphere.

EU Directive 2010/75/EU on integrated pollution prevention and control introduced new parameters for the control of pollutant emissions of NOx and TOC for roasting machine chimneys. These types of emissions are monitored on an annual basis and the results are sent to the Province of Trieste, ARPA FVG, ASS n1 Triestina and the City of Trieste.

The values recorded in 2019 for the illycaffè sites are below the emission limits authorised by the regional authorities (350 mg/Nm³ for NOx and 50 mg/Nm³ for COT). Following the renovation of the roasting plants last year, even better results are expected next year. In addition, thanks to the catalysers, pollutants resulting from the processes are eliminated as a result of the high temperature and oxidising action, reducing emissions of coffee dust into the atmosphere.

Any dust production deriving from coffee transportation is directly managed on the vehicles in which the coffee is transported, which are all equipped with suction and filter systems for dust sedimentation. The storage and loading silos are also equipped with the same technology.

NOx AND TOC CONCENTRATIONS ROASTING CHIMNEYS IN mg/Nm³ 2020

CHIMNEY		AVERAGE VALUE mg/Nm ³		LIMIT mg/Nm ³	
			2019	2020	
Catalyser N	Roaster E21	NOx	223.7	272.3	350
Burner N		TOC	5.77	28.1	50
Catalyser N	Roaster E22	NOx	276	153,3	350
Burner V		TOC	20.9	17.8	50
Catalyser N	Roaster E23	NOx	210.3	47.3	350
Burner N		TOC	26.8	6.67	50
Catalyser under renovation	Roaster E24	NOx	60	294	350
Burner N		TOC	44.4	26.1	50

TOC CONCENTRATIONS AND TOTAL ALDEHYDES MITACA FACTORY ROASTING CHIMNEY IN mg/Nm³ 2020

CHIMNEY		AVERAGE VALUE mg/Nm ³		LIMIT mg/Nm ³	
			2019	2020	
Catalyser Burner	Roaster	Aldehydes	<0.01	<0.01	20
		Dust	4.1	7.2	10
		TOC	15.9	47.2	50

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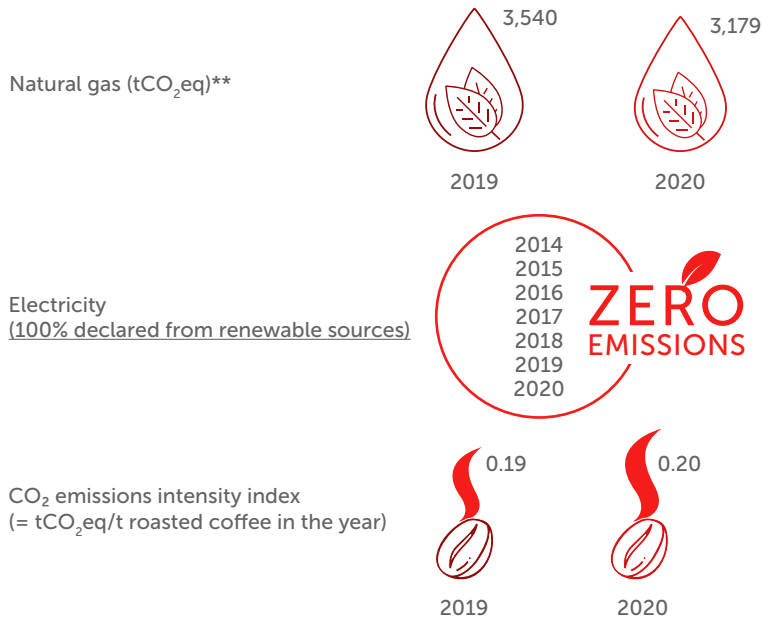
Greenhouse gas emissions

illycaffè aims to achieve decarbonisation by 2033. This global challenge is the greatest faced by the company. To achieve this objective, it is necessary to periodically monitor and control the levels of the pollutants emitted into the atmosphere, investigating all the relationships between the site's production activities and the surrounding environment.

The first stage of carbon footprint mapping was completed in 2019. The activity with the highest impact is green coffee cultivation. Packaging, end-of-life, use, distribution and the production process have a lower impact. A plan is being developed to guide the company along the path to achieving this ambitious goal.

Emissions recorded in 2020 amounted to 5,729.25 tCO₂*.

EMISSIONS RELATED TO PRODUCTION SITES IN ITALY: VIA FLAVIA - VIA MALASPINA - VIA CABOTO, TRIESTE AND MITACA PLANTS (t CO₂eq)



*Calculating Scope 2 using the market-based method.

**Source: Ispra 2019. Conversion factor 1.975=1 (tCO₂/quantity).

209,909 litres of diesel fuel were consumed. It is estimated that the CO₂ emissions of the company fleet were 564 tCO₂ equivalent²⁵

EMISSIONS	Emission factor ²⁶	tCO ₂
Scope 1:		
Natural gas	2.02266	3,321.80
Diesel – for production processes	2.68787	26.53
Fuel for vehicles:		
Diesel	2.68787	885.19
Petrol	2.31467	187.64
Scope 2²⁷:		
Location-based	-	4,331.61
Market-based	-	1,308.09
Total emissions GHG (Location-based)	-	8,752.77
Total emissions GHG (Market-based)	-	5,729.25

²⁵ Diesel fuel diesel gas conversion - Source: GHG: 0.156 kgCO₂/Km.

²⁶ The following emission factors were used to calculate Scope 1 emissions: Greenhouse gas reporting: fuels* 2020, provided by DEFRA (UK Department for Environment Food & Rural Affairs).

²⁷ Indirect emissions (Scope 2): for electricity purchased from the national electricity grid in Italy, for the Location-based method, the ISPRA emission factor was used based on TERNA values from the latest available publication (Fattori di emissione per la produzione e il consumo di energia elettrica in Italia, 2020), while for the remaining countries in the reporting scope, Terna emission factors based on Enerdata values from the latest available publication (Tabella confronti internazionali, 2020) were used. With regard to the Market-based calculation method, for Italy the ISPRA emission factor on TERNA values was used, latest available publication (Fattori di emissione per la produzione e il consumo di energia elettrica in Italia, 2020), while for European countries the Residual Mix conversion factors published by the Association of Issuing Bodies (AIB) were used. Finally, for non-European countries for which, at the time of writing, residual mix factors are not publicly available from accredited sources, the same emission factors applied in the Location-based calculation were used.

■ 02.6.8 Waste management

Sustainable waste management is a crucial issue for illycaffè, which is considering collaborations with manufacturers of compostable materials. A collection and recycling programme for illy capsules in both Iperespresso plastic and aluminium was launched with Terracycle and is active in the main European markets. For Italy, where legal constraints on waste management are more stringent and do not permit the launch of this process, a pre-competitive round table has been set up with Union Food (Milan) to develop a dedicated collection system, an agreement has been signed with Nespresso Italia for the recovery and recycling of aluminium capsules (2021) and the company has taken part in the first Italian pilot project for the recovery of plastic capsules by signing a memorandum of understanding involving, together with illycaffè, the Friuli Venezia-Giulia Region, the Friuli Venezia-Giulia Regional Environment Agency (Arpa Fvg), Nestlé Italiana Spa, Net Spa, A&T2000 Spa and AcegasApsAmga Spa. (2021)

With regard to production waste, the prototype workshop has devised a method to separate the coffee and recover the capsules that are part of production waste. This makes it possible to reduce disposal of capsules and to reuse other materials as efficiently as possible: plastic is used in the manufacture of polypropylene sheets, interleaves and other industrial packaging, while coffee is composted.

Waste management at the Trieste production site and logistics centre is controlled at all its administrative, production and post-production stages, including transport and disposal.

In 2020, for illycaffè S.p.A, 95.2% of total waste produced, equal to 1,896 tonnes, was recovered, broadly in line with 2019. 0.2% of the total is considered dangerous; this part is disposed of within national borders in accordance with the law. At the Mitaca site, in 2020, all waste, amounting to 371 tonnes, was either recovered (such as paper) or used for energy recovery. 8% of waste is considered hazardous. Overall, illycaffè produced 2,341 tonnes of waste, of which 0.02% is considered hazardous.

In order to improve management of “standard” waste, separate waste collection has been improved in both the plants and offices, and training on this subject has been increased for all staff. The company has managed to benefit from this process: from the sale of certain waste, such as paper/ carton, plastic, scrap iron and tinsplate, it received €21,547. This figure is significantly down on the previous year due to a general collapse in the value of materials in the recycling market.

DISPOSAL METHOD - 2020	HAZARDOUS WASTE (tonnes)	NON-HAZARDOUS WASTE (tonnes)	TOTAL	%
Reuse	2.80	1,804.32	1,807.12	77
Recycling	-	60.98	60.98	3
Composting	-	13.00	13.00	1
Recovery, including energy recovery	0.01	337.70	337.70	14
Incineration (mass combustion)	1.04	117.18	118.22	5
Landfill	-	3.56	3.56	0
Elimination	0.00	0.20	0.20	0
TOTAL	3.85	2,336.95	2,340.80	100.00

■ 02.6.9 Disposal of recyclable products and packaging

The circular economy is a crucial issue for illycaffè as a Società Benefit, constituting the third common benefit goal. The company therefore designs and applies innovative solutions to make disposal and disassembly of products as efficient as possible through an approach based on:

- **REDUCE:** during the design stage, the lightest, low-consumption and, where possible, recycled or totally eco-friendly primary and secondary packaging is chosen.
- **REUSE:** for secondary packaging the company prefers to purchase recycled materials.
- **RECYCLE:** packaging that is easy to recycle, made of non-composite materials (metals or plastics), is favoured and designed.

In 2016, illycaffè carried out an LCA study on its entire product portfolio, from raw materials to the production process and use and disposal of all the product components. This study raised awareness about the impacts of all its operations and led to the implementation of improvement plans. Attention was drawn to the products' durability and their design in order to allow the parts to be easily recovered at the end of their life and to use the same components in different machines (design for disassembly & modular design).

In Italy, illycaffè has created ECO Easy Capsules Opener, an accessory for domestic use that makes it possible to open capsules to remove the coffee so that these two forms of waste can be disposed of separately. Collaborations are also continuing with universities, research centres, trade associations and precompetitive round tables to find other valid alternatives such as the use of biodegradable or eco-friendly materials



ILLY IPERESPRESSO RECYCLE PROGRAM

In the United States, illycaffè has been operating the Iperespresso Recycle Program for capsule collection for several years. After it has been opened and separated from the coffee, the plastic is appropriately recycled and the coffee is composted.

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Social
Environmental
Economic
Development
Sustainability



03 standards

■ 03.1 Methodological note

Since 2012, illycaffè has published an annual Sustainable Value Report, a document that not only shows how economic, social and environmental sustainability is integrated into the company's decision-making processes, strategy and governance, but also how the company interacts and engages with its stakeholders who, directly or indirectly, are involved in illycaffè's business. The Value Report also addresses the need to communicate the responsible approach – based on sustainable behaviours, practices and products – that the company has been implementing for years. The most recent report was published in July 2020.

Guidelines and reporting process

The 2020 Sustainable Value Report was prepared in accordance with the "Sustainability Reporting Standards" issued in 2016 by the Global Reporting Initiative (GRI), in line with the "In accordance-Core" option. Moreover, new indicators issued in 2018 relating to water and health and safety have been taken into account.

Although not included in the obligations set out in Legislative Decree 254/2016, illycaffè's reporting pays particular attention to the issues and areas outlined in this decree: the issues are broadly represented through the reporting of precise information and numerous implemented initiatives; for further details, please refer to the materiality analysis and the table showing correlation with the areas of Legislative Decree 256/2016 (p. 14).

With regard to existing processes, the organisation has had a 231 organisational model in place for many years and has drawn up specific company policies and models aimed at monitoring and improving non-financial performance, including the Enterprise Risk Management model; for further details, please refer to the "Corporate governance and risk management" paragraph (p. 10). Moreover, in view of the European Commission's proposal for a 'CSRD' (Corporate Sustainability Reporting Directive) on corporate sustainability reporting (21 April 2021), illycaffè is constantly striving to improve corporate communication on sustainability

and has set itself a list of goals in order to contribute to the transition towards a fully sustainable and inclusive economic and financial system.

In order to comply with the obligations of Law 208 of 28 December 2015, illycaffè has included in its company purpose the common benefit goals for its stakeholders and implements management aimed at balancing the interest of shareholders and the interest of those on whom corporate activities may have an impact.

To produce the Sustainable Value Report, a participatory process was implemented that involved the active contribution of the various organisational departments operating at illycaffè's headquarters, as well as the branch representatives. The reporting process was based on the existing information systems at the company – management control, accounting, quality, environment, internal audit, safety, staff management, etc. – which have been integrated with specific data collection and analysis tools. The data were processed through precise extractions and calculations, and estimates were used to report on specific information that was duly flagged. Conversion factors used to transform energy consumption information into GJ are taken from the Defra (UK Department of Environment, Food and Rural Affairs) 2020 database. For more details, see natural capital.

The company is still aiming to further strengthen the non-financial reporting system, progressively integrating it with other ESG reporting systems (e.g. impact assessment, Global Compact communication on progress, integrated report) currently in place, increasing the accuracy and reliability of data.

Consistent with the structure adopted in the previous year, the 2020 Value Report was organized according to the framework of the six Integrated Reporting Capitals (Financial, Productive, Intellectual, Relational, Human and Natural), with the addition of an introductory section titled "Corporate Identity", in which information was collected that relates to the governance structure, practices and key policies active throughout the entire illycaffè value chain.

FOR ILLYCAFFÈ, REFERENCE IS MADE TO THE GROUP COMPANIES, AS PER THE CONSOLIDATED BALANCE.

An analysis of the applied reporting principles is given below:

REPORTING PRINCIPLES	APPLICATION METHODS
Principles for defining report content	
Stakeholder inclusiveness	illycaffè has identified its stakeholders (see stakeholder map) based on the most significant parties with which it comes into contact. illycaffè implements a series of practices and procedures to respond to the needs expressed by its stakeholders (see materiality map).
Sustainability context	illycaffè considers and reports on its non-financial and sustainability performance, taking into account the context in which it operates and the numerous ESG standards and regulatory references: Global Compact, SDGs, GRI and Società Benefit. Additionally, the organisation carried out the B-Impact assessment as part of B Corp certification.
Materiality analysis	illycaffè carries out annual materiality analysis aimed at identifying the issues considered most relevant in terms of impact for both the organisation and its stakeholders (through engagement activities).
Completeness	illycaffè reports all material aspects that emerge from the materiality analysis and assesses them according to their impact scope. These aspects relate to all companies fully consolidated in illycaffè's financial statements.

Reporting period

The information included in the Sustainable Value Report refers to the period 01/01/2020 – 31/12/2020, unless otherwise indicated in the text, with comparisons to previous years.

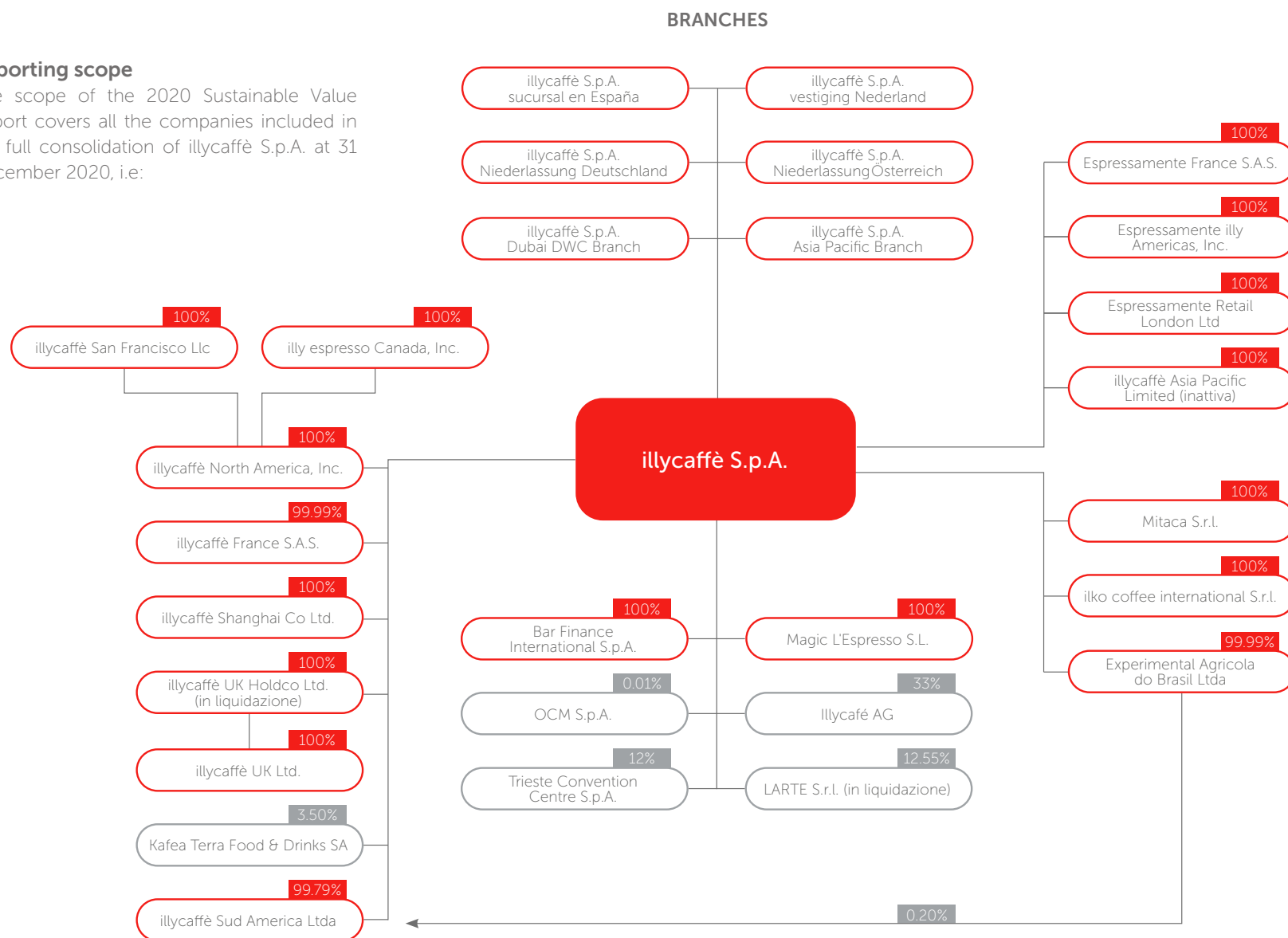
SEED:S

Social
Environmental
Economic
Development
Sustainability



Reporting scope

The scope of the 2020 Sustainable Value Report covers all the companies included in the full consolidation of illycaffè S.p.A. at 31 December 2020, i.e:



Note: companies included in the full consolidation scope of illycaffè S.p.A. are shown in red except for the following:

- Bar Finance International spa, which is excluded because it is a financial company;
- illycaffè Asia Pacific Limited (HK), since it is inactive.

SEED:S

Social
Environmental
Economic
Development
Sustainability

SEED:S

Social
Environmental
Economic
Development
Sustainability

ITALY

illycaffè S.p.A. Italy
Mitaca S.r.l

EUROPE

illycaffè S.p.A. sucursal en España
Magic L'Espresso S.L.
illycaffè S.p.A. vestiging Nederland
illycaffè S.p.A. Niederlassung Österreich
illycaffè S.p.A. Niederlassung Deutschland
illycaffè France S.A.S.
Espressamente France S.A.S.
Espressamente Retail London Ltd.
illycaffè UK Holdco Ltd.

ASIA

illycaffè S.p.A. Asia Pacific Branch
illycaffè Shanghai Co. Ltd.
illycaffè S.p.A. Dubai DWC Branch

AMERICAS

Experimental Agrícola do Brasil Ltda
illycaffè North America Inc.
Espressamente illy Americas, Inc.
illycaffè Sud America Comércio
Importação e Exportação Ltda

Data collection covered all companies within the scope; where there were limitations to the information reported, these were duly noted in the text. Where possible, the report also includes insights along the value chain (e.g. coffee plantation activities) in order to highlight further activities and projects carried out by illycaffè.

In particular, it should be noted that for natural capital, due to the expansion of the perimeter implemented for the year under reporting, the data of some topics are reported only for the fiscal year 2020.

Contacts:

for comments, requests, opinions and suggestions for improvement relating to illycaffè's sustainability activities and the information contained in this Value Report, please contact us at valuereport@illy.com

GRI table

GRI STANDARDS	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PARAGRAPH NUMBER	NOTES OR OMISSIONS
GRI 102: General Disclosures 2016	GENERAL DISCLOSURES			
	ORGANIZATION PROFILE			
	102-1	Name of the organisation	1.1	
	102-2	Activities, brands, products, and services	1.1	
	102-3	Location of headquarters	1.1	
	102-4	Location of operations	2.2.5	
	102-5	Ownership and legal form	1.1	
	102-6	Markets served	1.3; 2.2.5	
	102-7	Scale of the organization	2.4.2; 2.1.1; 2.2.5	
	102-8	Information on employees and other workers	2.4.2	
	102-9	Supply chain	1.4	
	102-10	Significant changes to the organisation and its supply chain		There have not been any significant changes
	102-11	Precautionary principle or approach	1.1; 1.4; 2.1.1; 2.2; 2.3.1; 2.4.1; 2.5.1; 2.6.1	
	102-12	External initiatives	2.3.1	
	102-13	Membership of associations	2.3.1	
	STRATEGY			
	102-14	Statement from senior decision-maker	Letter from the Chairman	
	ETHICS AND INTEGRITY			
	102-16	Values, principles, standards, and norms of behaviour	1.1	
	GOVERNANCE			
	102-18	Governance structure	1.1	
	STAKEHOLDER ENGAGEMENT			
	102-40	List of stakeholder groups	1.2	
	102-41	Collective bargaining agreements		100% of employees are subject to the provisions of national contracts and current regulations in the various countries in which the company operates.

SEED:S

Social
Environmental
Economic
Development
Sustainability

GRI 102: General Disclosures 2016	102-42	Identifying and selecting stakeholders	1.2	
	102-43	Approach to stakeholder engagement	1.2	
	102-44	Key topics and concerns raised	1.2	
	REPORTING PRACTICE			
	102-45	Entities included in the consolidated financial statements	3.1	
	102-46	Defining report content and topic boundaries	3.1	
	102-47	List of material topics	1.2	
	102-48	Restatements of information	3.1	
	102-49	Significant changes in reporting	3.1	
	102-50	Reporting period	3.1	
	102-51	Date of most recent report	3.1	
	102-52	Reporting period	3.1	
	102-53	Contact point for questions regarding the report	3.1	
	102-54	Claims of reporting in accordance with the GRI Standards	3.1	
	102-55	GRI content index	3.2	
	102-56	External assurance	3.3	
MATERIAL THEMES				
BUSINESS CONTINUITY & BUSINESS MODEL RESILIENCE				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.1.1	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	2.1.1	
SOCIAL AND ENVIRONMENTAL IMPACTS				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.3.2; 2.5	
GRI 203: Indirect Economic Impact 2016	203-1	Infrastructure investments and services supported	2.3.2; 2.5	

PROCUREMENT PRACTICES: GREEN COFFEE PRODUCTION				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	14.3	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	14.3	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations		No incidents recorded
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	14.3	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	14.3	
ANTI-CORRUPTION				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	11.5	
GRI 205: Anti-Corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	11.5	
SUSTAINABLE PACKAGING				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.6.3	
GRI 301: Materials 2016	301-1	Materials used by weight and volume	2.6.3	
IMPACTS ON CLIMATE CHANGE				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.6.4; 2.6.7	
GRI 301: Energy 2016	302-1	Energy consumption within the organisation	2.6.4	
GRI 305: Emissions 2016	305-1	Direct GHG emissions (Scope 1)	2.6.7	
	305-2	GHG emissions for energy production (Scope 2)	2.6.7	
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	2.6.7	
RESPONSIBLE USE OF RAW MATERIALS				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.6.3; 2.6.5	
GRI 301: Materials 2016	301-1	Materials used by weight and volume	2.6.3	

SEED:S

Social
Environmental
Economic
Development
Sustainability

GRI 303: Water And Effluents 2018	303-1	Interaction with water as a shared resource	2.6.5	
	303-2	Management of footprints related to water discharge	2.6.5	
	303-3	Water withdrawal	2.6.5	
WASTE MANAGEMENT				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.6.8	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	2.6.8	
CIRCULAR ECONOMY & LIFECYCLE MANAGEMENT				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.6.8	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	2.6.8	
WORKING CONDITIONS				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.4.2.; 2.4.5.; 2.4.6	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	2.4.2	Not Available the rates of assumption and turnover by band of eta. The company arises the objective of report them Next year
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	2.4.5	
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	2.4.2	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	2.4.6	The company is sets the goal to report them Next year
HEALTH & SAFETY AT WORK				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.4.4	

GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	2.4.4	
	403-2	Hazard identification, risk assessment and incident investigation	2.4.4	
	403-3	Occupational health services	2.4.4	
	403-4	Participation and consultation of workers and communication on health and safety at work	2.4.4	
	403-5	Worker training on occupational health and safety	2.4.4	
	403-6	Promoting workers' health	2.4.4	
	403-7	Prevention and mitigation of occupational health and safety impacts within commercial relationships	2.4.4	
	403-9	Safety impacts within business relationships		Information relating to the number and at the rate of injuries recordable on work for non-workers dependents and not even injuries with severe aftermath. The company is sets the goal to report them Next year.
	403-10	Accidents at work	2.4.4	
DIVERSITY & EQUAL OPPORTUNITIES				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.4.2; 2.4.3	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	2.4.2; 1.1.4	
	405-2	Ratio of basic salary and remuneration of women to men	2.4.3	
GRI 406: Non Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	2.4.3	

FEMALE EMPOWERMENT				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.4.2; 2.4.3	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	2.4.2; 1.1.4	
	405-2	Ratio of basic salary and remuneration of women to men	2.4.3	
TRANSPARENCY, INTEGRITY AND ETHICS				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	1.4.2; 2.1.1	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations		No incidents recorded
GRI 407: Freedom Of Association And Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	1.4.2	
GRI 408: Child Labour 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	1.4.2	
GRI 409: Forced and Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	1.4.2	
GRI 415: Public Policy 2016	415-1	Total value of political contributions	2.1.1	No political contributions paid to parties and related institutions
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	2.1.1	
COMMUNITY ENGAGEMENT & RELATIONS WITH THE TERRITORY				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	1.4.2	
GRI 411: Rights Of Indigenous People 2016	411-1	Number of violations involving rights of indigenous people	2.1.1	No incidents recorded
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	1.4.2	

RESPECT FOR HUMAN RIGHTS				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	1.4.1	
GRI 412: Human Rights Assessment 2016	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	1.4.1	
CONSUMER HEALTH & SAFETY				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.2.2	
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	2.2.2	
CUSTOMER SATISFACTION & CLAIMS MANAGEMENT				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.3.7	
GRI 417: Marketing and Labelling 2016	417-3	Incidents of non-compliance concerning marketing communications	2.3.7	not verified cases of non-compliance related to the activity marketing and communication
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	2.3.6	
INNOVATION AND INVESTMENTS IN RESEARCH DEVELOPMENT				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.4	
SUSTAINABLE QUALITY				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.2	
SUSTAINABILITY IN AGRICULTURAL PRACTICES				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.6	
IMPROVEMENT OF ESG RATINGS				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.1	
SUSTAINABILITY STRATEGY				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.3	
MESG RISK MANAGEMENT				
GRI 103: Management Approach 2016	103-1 103-2 103-3	Explanation of the material topic and its boundary	2.1	



Al Consiglio di Amministrazione della
illycaffè S.p.A.

Siamo stati incaricati di effettuare un esame limitato ("limited assurance engagement") del Sustainable Value Report della illycaffè S.p.A. (di seguito "la Società") del Gruppo illycaffè (di seguito anche "il Gruppo") relativo all'esercizio chiuso al 31 dicembre 2020 (di seguito anche "Sustainable Value Report").

Responsabilità degli Amministratori per il Sustainable Value Report

Gli Amministratori della Illycaffè S.p.A. sono responsabili per la redazione del Sustainable Value Report in conformità ai "Global Reporting Initiative Sustainability Reporting Standards" definiti dal GRI - Global Reporting Initiative ("GRI Standards"), come descritto nella sezione "Nota metodologica" del Sustainable Value Report.

Gli Amministratori sono altresì responsabili per quella parte del controllo interno da essi ritenuta necessaria al fine di consentire la redazione di un Sustainable Value Report che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono inoltre responsabili per la definizione degli obiettivi del Gruppo illycaffè in relazione alla performance di sostenibilità, nonché per l'identificazione degli stakeholder e degli aspetti significativi da rendicontare.

Indipendenza della società di revisione e controllo della qualità

Siamo indipendenti in conformità ai principi in materia di etica e di indipendenza del *Code of Ethics for Professional Accountants* emesso dall'*International Ethics Standards Board for Accountants*, basato su principi fondamentali di integrità, obiettività, competenza e diligenza professionale, serietà e comportamento professionale.

La nostra società di revisione applica l'*International Standard on Quality Control 1* (ISQC Italia 1) e, di conseguenza, mantiene un sistema di controllo qualità che include direttive e procedure documentate sulla conformità ai principi etici, ai principi professionali e alle disposizioni di legge e dei regolamenti applicabili.

Responsabilità della società di revisione

E mostra la responsabilità di esprimere, sulla base delle procedure svolte, una conclusione circa la conformità del Sustainable Value Report rispetto a quanto richiesto dai GRI Standards. Il nostro lavoro è stato svolto secondo quanto previsto dal principio "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (di seguito anche "ISAE 3000 Revised"), emanato dall'International Auditing and Assurance Standards Board (IAASB) per gli incarichi di limited assurance. Tale principio

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richiede la pianificazione e lo svolgimento di procedure al fine di acquisire un livello di sicurezza limitato che il Sustainable Value Report non contenga errori significativi.

Pertanto, il nostro esame ha comportato un'estensione di lavoro inferiore a quella necessaria per lo svolgimento di un esame completo secondo l'*ISAE 3000 Revised* ("reasonable assurance engagement") e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti e le circostanze significativi che potrebbero essere identificati con lo svolgimento di tale esame.

Le procedure svolte sul Sustainable Value Report si sono basate sul nostro giudizio professionale e hanno compreso colloqui, prevalentemente con il personale della Società responsabile per la predisposizione delle informazioni presentate nel Sustainable Value Report, nonché analisi di documenti, ricalcoli ed altre procedure volte all'acquisizione di evidenze ritenute utili.

In particolare, abbiamo svolto le seguenti procedure:

1. analisi del processo di definizione dei temi rilevanti rendicontati nel Sustainable Value Report, con riferimento alle modalità di identificazione in termini di loro priorità per le diverse categorie di stakeholder e alla validazione interna delle risultanze del processo;
 2. comparazione tra i dati e le informazioni di carattere economico-finanziario riportati nel paragrafo "Capitale finanziario" del Sustainable Value Report e i dati e le informazioni incluse nel bilancio consolidato del Gruppo;
 3. comprensione dei processi che sottendono alla generazione, rilevazione e gestione delle informazioni qualitative e quantitative significative incluse nel Sustainable Value Report;
 4. in particolare, abbiamo svolto interviste e discussioni con il personale della Direzione della illycaffè S.p.A. e abbiamo svolto limitate verifiche documentali, al fine di raccogliere informazioni circa i processi e le procedure che supportano la raccolta, l'aggregazione, l'elaborazione e la trasmissione dei dati e delle informazioni di carattere non finanziario alla funzione responsabile della predisposizione del Sustainable Value Report.
- Inoltre, per le informazioni significative, tenuto conto delle attività e delle caratteristiche del Gruppo:
- a livello di Gruppo
 - a) con riferimento alle informazioni qualitative contenute nel Sustainable Value Report abbiamo effettuato interviste e acquisito documentazione di supporto per verificarne la coerenza con le evidenze disponibili;
 - b) con riferimento alle informazioni quantitative, abbiamo svolto sia procedure analitiche che limitate verifiche per accertare su base campionaria la corretta aggregazione dei dati.
 - Per il sito produttivo di Trieste (Via Flavia), che abbiamo selezionato sulla base della sua attività, del suo contributo agli indicatori di prestazione a livello consolidato e della sua ubicazione, abbiamo effettuato incontri da remoto nel corso dei quali ci siamo confrontati con i responsabili e abbiamo acquisito riscontri documentali su base campionaria circa la corretta applicazione delle procedure e dei metodi di calcolo utilizzati per gli indicatori.



Conclusioni

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il Sustainable Value Report del Gruppo illycaffè relativo all'esercizio chiuso al 31 dicembre 2020 non sia stato redatto, in tutti gli aspetti significativi, in conformità a quanto richiesto dai GRI Standards come descritto nel paragrafo "Nota metodologica" del Sustainable Value Report.

Altri aspetti

Il Sustainable Value Report del Gruppo illycaffè per l'esercizio chiuso il 31 dicembre 2019, i cui dati sono presentati a fini comparativi, è stato sottoposto ad un esame limitato da parte di un altro revisore, che in data 14 ottobre 2020 ha espresso su tale documento una conclusione senza rilievi.

Treviso, 10 dicembre 2021

EY S.p.A.


Claudio Passelli
(Revisore Legale)