

A close-up photograph of several roasted coffee beans. The beans are dark brown with a visible crack down the middle. They are arranged in a diagonal line from the bottom left towards the top left, with some in sharp focus and others blurred in the background.

SEED:S

Social
Environmental
Economic
Development:
Sustainability

Sustainable value report 2015

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SEED:S

Social
Environmental
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Sustainability



identity and value



■ 1.1

Lifelong promises... and world-changing ideas.

Our Sustainable Value Report is in its fourth edition this year, as we continue the dialogue with our stakeholders about the value that we have created during the year throughout the supply chain.

2015 was the year of Expo Milano, the Universal Exhibition dedicated to food where we were the protagonists at the Coffee Cluster, the pavilion curated by illy in which we recounted the past, present, and future of our beverage. The Cluster represented a unique opportunity for coffee producing and consumer countries to meet, and that enabled us to raise awareness on the theme of sustainability, quality and climate change among the 13 million visitors. The climax was the Global Coffee Forum, the international event that centred around the future of coffee. The Milan Coffee Legacy was drafted during this event, and it affirms that Coffee brings well-being and pleasure in consumer countries as well as social and economic development in producer countries, in a virtuous circle that both the public and private sector must continue to promote. This statement was attached to the Milan Charter and was presented a few months later to the United Nations President, Ban Ki Moon. To immediately follow up on the signed commitment, illycaffè and the Ernesto Illy Foundation signed an agreement with the United Nations Industrial Development Organization (Unido) sponsored by the Ethiopian Ministry of Industry and the Italian Cooperation. The purpose of the agreement is to increase the quality and capacity of coffee production in Ethiopia, enable small producers to increase profits by encouraging the development of the local economy and obtaining international recognition. Also in this context, a Statement of Intent between the company and the Colombian Servicio Nacional de Aprendizaje was signed to develop and start up an international cooperation with the purpose of transferring the know-how in terms of coffee production and preparation and creating a benefit for the entire industry.



The collaboration with the Earth Institute of Columbia University continued in 2015. This is the most authoritative institution in the world on the topic of climate change. Together with this important partner, we constantly pursue an in-depth analysis of the impact of global warming on the coffee industry, which is believed to be the primary risk factor for agriculture.

Energy efficiency projects continued on the production plant to enhance environmental protection through the commissioning of the cooling energy recovery and hot air recovery systems, which are added to already existing projects of heat recovery from roasting chimney and energy production from renewable sources through the photovoltaic system.

The increase in the Added Value generated by the company – 149.9 million Euro (+ 9% compared to 2014) – spotlights the ability to produce wealth for the benefit of the various stakeholders while complying with economical management and the expectations of the stakeholders.

This is why the Ethisphere Institute once again confirmed illycaffè as the World's Most Ethical Company in 2015 and 2016. The pursuit of the highest ethical standards has always been at the centre of our values and our business model, and has initiated a virtuous circle that is essential for realising our dream to offer the best coffee in the world.

Andrea Illy
President

■ 1.2

Group Profile

■ 1.2.1 Identity and numbers

Key numbers of illycaffè

140

countries in which illycaffè operates

100,000

retailers serving illy coffee

200+

Espressamente illy retail points worldwide

1764

Artisti del Gusto worldwide

430

clients have chosen the new Extra Scuro roasting launched in 2015

1,177

employees as of December 31, 2015, at the consolidated level
+8.6% compared to 2014

437.1

million Euros in overall turnover (+11% compared to 2014)

70,000

visitors per day at the illycaffè Cluster during Expo 2015

5

certifications: 4 quality certifications and 1 sustainability certification

5

specialized laboratories

4

cutting-edge innovations from research activities conducted by illycaffè

25

Università del Caffè campuses

illycaffè produces and sells worldwide a **unique blend of premium quality coffee**, formed by nine varieties of pure **Arabica** beans. The perfect balance obtained by combining ingredients from South America, Central America, India, Africa and China produces the distinctive illy flavor and aroma in every single cup of coffee, all over the world. illycaffè products are available in selected hotels, restaurants, cafés, homes, offices and as take-away products.

The illy blend is prepared and produced in different sizes: 3kg cans of beans (for large scale end users, such as hotels, restaurants and cafeterias, the so-called Ho.Re.Ca sector), small 250-gram cans for domestic use, capsules, E.S.E. pods and ready-to-drink cans. illycaffè products are on the market **in more than 140 countries, on all five continents and are served in about 100,000 selling points**.

In order to offer a complete coffee experience, the company has fine-tuned a series of elements and tools which contribute to the perfect enjoyment of a cup of coffee: from where it is consumed—with **illy stores** (the “illy caffè” and the “espressamente illy” coffee boutiques) offering all the illy brand products—and the **Artisti del Gusto** program (an international network created by illycaffè to valorize and enhance the professionalism of the best coffee bars).

Great attention is paid to the culture of coffee, and this is why the company founded the **Università del Caffè**. Study programs and courses have been formulated to address different levels of specialized profiles and are dedicated to training selected coffee growers, distributors, retailers and staff in the Ho.Re.Ca sector, consumers and experts. illycaffè is based in Trieste and is guided by the third generation of the Illy family.

Main companies of the illycaffè Group on December 31, 2015

The list does not show ancillary services undertakings (eg. Real estate) that have no employees.

COMPANY	ACTIVITY	NO. EMPLOYEES ON DEC. 31, 2015
ILLYCAFFÈ SPA – Parent company	Parent company: roasting and distribution (Trieste)	799
ILLYCAFFÈ S.P.A. NIEDERLASSUNG ÖSTERREICH	Branch: distribution (Vienna – Austria)	
ILLYCAFFÈ S.P.A. - NIEDERLASSUNG DEUTSCHLAND	Branch: distribution (Munich – Germany)	
ILLYCAFFÈ S.P.A. VESTIGING NEDERLAND	Branch: Distribution (Rotterdam – Netherlands)	
ILLYCAFFÈ SPA ASIA PACIFIC BRANCH	Marketing and retail for Asia (Hong Kong – China)	
ILLYCAFFÈ SPA SUCURSAL EN ESPANA	Branch: Distribution (Barcelona – Spain)	
ILLYCAFFÈ SPA DWC BRANCH	Marketing e retail (U.A.E. and Middle East)	
ILLYCAFFÈ FRANCE SAS	Distribution (France, Belgium and Luxemburg)	47
ESPRESSAMENTE FRANCE S.A.S.	Management business administration (France)	33
ILLYNL BV	Fund raising on foreign markets (Netherlands)	1
MAGIC L'ESPRESSO SL	Espresso coffee machine manufacturing (Spain)	18
ILLYCAFFÈ NORTH AMERICA INC.	Distribution (USA and Mexico)	94
ESPRESSAMENTE ILLY AMERICAS INC.	Franchising development (USA)	2
ILLY ESPRESSO CANADA INC.	Subsidiary of illycaffè North America: Distribution (Canada)	2
ILLY CAFFÈ SAN FRANCISCO LLC	Indirect subsidiary: management exercise administration (San Francisco)	26
ILLYCAFFÈ SHANGHAI CO. LTD	Distribution (China)	52
ILLYCAFFÈ SUD AMERICA L.T.D.A.	Distribution (Brazil)	21
EXPERIMENTAL AGRICOLA DO BRASIL L.T.A.	Intermediation and research on green coffee	12
MITACA SRL	Production of espresso capsule systems (Milan)	58
ESPRESSAMENTE RETAIL LONDON LTD	Franchising development (UK)	11
ILKO COFFEE INT. S.R.L.	Production and merchandizing of ready-to-drink coffee (Italy)	1

■ 1.2.2 The illy Group

Gruppo illy S.p.A. is the holding company of the Illy family. The Group controls **illycaffè**, **Domori** (manufacturers of high quality chocolate products), **Dammann Frères** (a French company of tea dealers) and **Mastroianni** (a winery located in Montalcino, Tuscany). The Group is also a shareholder in other companies, such as **Agrimontana** (a leader in the production of high-end pastry products, including marrons glacés and fruit preserves). Gruppo illy S.p.A. was created with the long-term goal of developing a gastronomic

pole, in which each company is a reference point of top quality. Each company is led by its respective founder or by relevant successors, in order to guarantee a high level of independence in managerial leadership, as well as maintain intact the spirit of research and innovation of the individual brands. **Riccardo Illy** is the President of the Group.

Each individual company possesses its own personal history and traditional know-how and the holding company is committed to constantly searching out the best possible synergies, also with regard to sustainability





■ 1.3

History, Mission, Vision and Values

■ 1.3.1 Mission, Vision e Values

MISSION

To delight all those people, throughout the world, who cherish the quality of life and beauty, through the best coffee nature can provide, enhanced by the best available technologies and by art.

VISION

Our objective is to become a worldwide **reference point** in the **culture** and excellence of coffee: an innovative company offering the best products together with the best locations to enjoy them, thereby becoming a **leader in the top-quality sector**.

VALUES

illy is a stakeholder company with the intention of improving the quality of life through ethics and excellence.

Therefore, the fundamental values are:

Excellence. A passion for quality, beauty and continuous improvement.

Ethics. The creation of long-term value through transparency, sustainability and personal growth.

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[Available material to download](#)

- [Ethical code of conduct and organizational model 231](#)
- [Ethical code of conduct and organizational model 231](#)



■ ILLYCAFFÈ, AN OFFICIAL COFFEE PARTNER OF EXPO 2015 OVER 13 MILLION VISITORS TO THE COFFEE CLUSTER

illy was an official partner of Expo Milano 2015 and oversaw the Universal Exposition's Coffee Cluster,

the pavilion which was entirely dedicated to the famous black beverage and which was entitled "From the ground to the cup." Expo Milano 2015, whose leitmotif was "Feeding the Planet. Energy for Life," gave visibility to the traditions, creativity and innovations in the food sector. illycaffè was chosen to carry out this initiative as a top-tier example of excellence in the world of coffee and as a top expert in the sector. The project came about thanks to the knowledge, experience and relations the company has accrued over the course of its eighty-year history. This unique patrimony has made illycaffè the recognized coffee specialist all over the world. illycaffè's search for excellence, its passion, innovation and dedication to sustainable development were the driving engine of the initiative. During the six months of Expo Milano 2015, the Cluster recounted the past, present and future of coffee in its three dimensions: the product and its pathway from the coffee bean to the cup; the creativity, art and culture which develop around the coffee cup; the stories and traditions of the countries where coffee is produced and where it is consumed. The project was inspired by the three benefits of coffee identified

by the ICO Promotion Committee: coffee and pleasure (sensorial, intellectual and social), coffee and health (its qualities as a drink), coffee and sustainability (economic, social and environmental). The Cluster represented and created a unique opportunity for coffee producing and consuming countries to encounter each other. Thanks to Expo 2015, projects of global interest have been initiated, whose ultimate goal is TO debate and raise awareness about topics such as sustainability, the working conditions of coffee producers and climate change. On September 30th and October 1st, the **Global Coffee Forum** was held. This international event revolved around discussions of the present and the future of coffee. It was promoted by the ICO; the Ministry of Agricultural, Food and Forestry Policies; the Comitato Italiano Caffè; illycaffè; and Lavazza. At the end of the Global Coffee Forum, the **Milan Coffee Legacy** was drawn up and then attached to the Charter of Milan. Its message is that coffee brings wellbeing and pleasure to the consumer countries and economic and social development to the countries which produce it: a virtuous circle which must be preserved and promoted by both the public and the private sectors. That same day, the International Coffee Day was promoted and Coffee4Change was organized, an online campaign to gather funds for a number of coffee communities. Promoted by Oxfam, it was inspired by the Neapolitan tradition of the suspended coffee and allowed people to donate the equivalent of the cost of a cup of coffee to help support farmers.

The high participation of the public demonstrated the winning formula of the Coffee Cluster, which registered:

- **over 70,000 visitors** on a daily average (13 million over the course of six months)
- **over 35,000 guided tours**, both traditional and digital, thanks to the Epson Moverio glasses;
- **almost 12,000 people** participating at the courses organized by the Università del Caffè;
- **870,000 coffee-based drinks** served at the illycaffè bar to the pavilion's visitors.

Moreover, during the six months, illycaffè welcomed many guests to the Coffee Cluster, including Sebastião Salgado; Martha Stewart; Jeffrey Sachs (Director of the Earth Institute); the chefs Gualtiero Marchesi, Josean Alija, Andrea Berton and Davide Oldani; the President of the Friuli Venezia Giulia Region, Debora Serracchiani; Maurizio Scaparro, Pino Micol, the sociologist Francesco Morace, José Graziano da Silva (FAO Director-General), Santo Versace, Francis Ford Coppola and Joe Bastianich.



■ 1.3.3 The Ernesto Illy Foundation

Highlights

350,000 euro endowment fund by illycaffè SpA

illycaffè created the Foundation, administered by the Illy family, with the aim to provide continuation to the moral and cultural heritage received from Ernesto Illy. The Foundation is a nonprofit organization and was created with the goal to develop and increase ethics and sustainability through the promotion of research, and the organization and dissemination of activities open to all stakeholders. Its ultimate goal is to create value and wealth.

The Foundation is involved in scientific and cultural projects it directly oversees and/or in partnerships, including editorial events and activities: for more information, see paragraph 4.3.3.

■ THE ETHICAL STATUTE

The Ernesto Illy Foundation's goal is to enhance knowledge, ethics and sustainability as absolute values governing lives and the company, and as linchpins of the patrimony of Ernesto Illy's ideas and activities. It believes that scientific research is the source of truth, progress and human development, and promotes it in the areas of ethics, sustainability and coffee culture.

The Ernesto Illy Foundation is a cofounder of three other organizations:

- **Fondazione Italia Patria della Bellezza**: whose mission is to enhance Italy's place in the world by reinforcing the collective perception that Italy is the home of beauty.
- **L'International Coffee Genome Network (ICGN)** a worldwide network of scientists dedicated to the development of research on the coffee genome
- **Jacques Attali - the Positive Economy Forum**: founded by Jacques Attali's Planet Finance group. Its main objective is to create a virtuous group of positive economy ambassadors in Italy.



FONDAZIONE ERNESTO ILLY

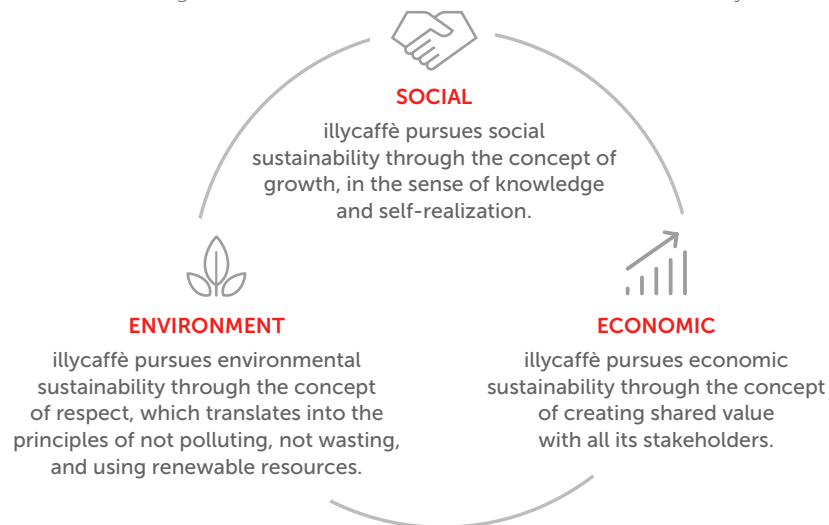
■ 1.4

Sustainability Strategy and Governance

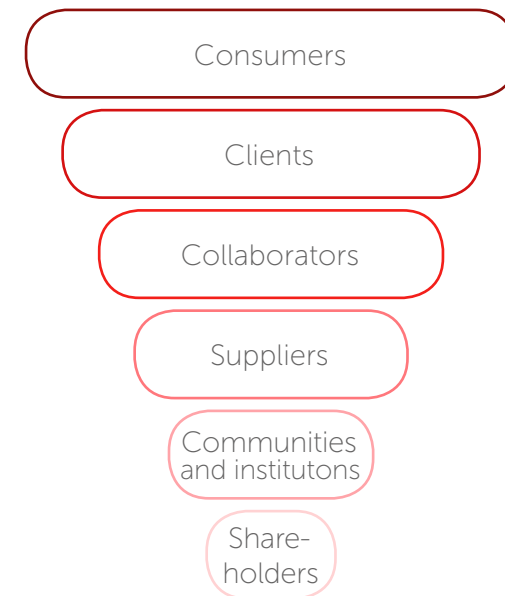
■ 1.4.1 Sustainability Strategy and Governance

The inspiring principle of illycaffè is the continuous striving for perfection. This driving force is expressed through two different founding values: the passion for **excellence**, intended as a love of beauty and a job well done; and **ethics**, the creation of long-term value through sustainability, transparency, the betterment of people, creating value, fostering social growth, and respecting the environment.

illycaffè is a **stakeholder company** which pursues the betterment of life through economic, social and environmental sustainability.



In the hierarchy of stakeholders, consumers are placed at the top, followed by customers, who are partners of the company in offering the best products and services to consumers. Then, talents collaborating with the company are placed in the next step, as the excellence of products could not be achieved without their passion, competence and professional commitment to the company. Suppliers also have a crucial role in ensuring the delivery of our products, as well as all the communities sharing relations with illycaffè. Shareholders form the base which sustains the company.



In order to ensure a better share of its business strategy with all the stakeholders, the company formulated in 2010 the **Sustainability Manifesto** which, together with the **Ethical Code of Conduct**, forms illycaffè's core commitment within the framework of responsible business management in the three main areas of sustainability.

SUSTAINABILITY AS A VALUE



STRATEGIC COMMITTEE

- Analyzes and approves the policies and strategies
- Analyzes and approves the plans
- controls the communications activities and reporting strategies

PLANNING AS A FUNCTION OF SUSTAINABILITY

OBJECTIVES OF IMPROVEMENT
FOR SUSTAINABILITY



BUSINESS ETHICS RISKS



COMMITMENTS TOWARD
THE STAKEHOLDERS



SUSTAINABILITY COMMITTEE

- Supporting the development of company plans and assessing sustainability objectives
- Periodically monitors the actions called for
- Coordinates the process of supply chain certification
- Proposals to the Strategic Committee
- Communication and dissemination of the principles of sustainability

SPECIFIC PROJECTS



MANAGEMENT AND COMPANY FUNCTIONS

- Manages individual initiatives and their relative budgets

The Chief Sustainability Officer of illycaffè is in charge of supervising all the issues relevant to sustainability, coordinating and facilitating relationships with industrial stakeholders. The Officer is also a member of the Strategic Committee of the company (which at the end of 2014 was renamed the "Front Line Assembly"), reporting periodically on the initiatives, tools and control systems implemented within the framework of responsible and sustainable management. The Strategic Plan of illycaffè includes special sections dedicated to sustainability project initiatives, under the overall supervision of the Strategic Committee, which periodically analyzes and updates the plan, also in the optic of sustainability issues.

In 2016, illycaffè was included on the list of the "World's Most Ethical Companies" and has continued its participation in specific programs and initiatives to implement strategies of sustainability and improve its own impact, such as the **Global Compact**, the International Coffee Organization (Andrea Illy is the President of its *Promotion and Market Development Committee*), and **Planet Positive**.

Global Compact

illycaffè has been an adherent of the Global Compact since 2012. This initiative was launched by the United Nations in 2000 with the aim of promoting the involvement of the private sector, in particular private enterprise, in ten global ethical principles relevant to important themes such as human rights, environment protection, labor rights and the fight against corruption. These principles are universally shared and subscribed to, since they are based on based on the Universal Declaration of Human Rights, the ILO Declaration, the Rio Declaration and the United Nations Convention Against Corruption.

DOWNLOAD

Download available here

- [Communication On Progress 2015](#)

World's Most Ethical Companies

For the fourth consecutive year, illycaffè has made the list of the World's Most Ethical Companies, created by the Ethisphere Institute, a global leader in defining and promoting ethical standards and commercial practices. illycaffè is one of the four companies awarded in the Food, Beverage & Agriculture category for 2016 and is the only Italian company, thus taking its places among the companies of excellence and sector leaders.

illycaffè is the only Italian company awarded, among the four winning ones, in the Food, Drink and Agriculture category for 2016. This confirms illycaffè as a leading company in the industry of Excellence

■ 1.4.2 Scenario of reference and risk management

Economic scenario

illycaffè operates in about 140 countries worldwide: during the year, the economic trends of the countries evidenced contrasting signals, in connection with the macroeconomic scenario. In more advanced countries, the scenario reflects slight improvement; nonetheless, the weakness of the **emerging countries** hinders the expansion of global exchanges and constricts the prices of raw materials. In emerging economies, the picture remains generally weak, with different trends: in Brazil, the crisis is intensifying; India presents a positive evolution; Russia's fall is slowing down; and China's trend is disappointing. In the Euro area, there is weak growth but the confidence of companies and families, supported by positive employment signals, indicates a recovery is underway.

According to data provided by IRI, the institute which measures Italian Modern Trade market data, illycaffè has a quota equal to 4.1% of the overall coffee total (stable, compared to its percentage in 2014) and 10.7% in the sector of ground espresso beans. According to the Databank Cerved Group, illy is the number one roaster in the Ho.Re.Ca sector, including the turnover sector, with a 2014 quota of 8.8% (in 2013 it was 8.9%).

At the beginning of 2016, the International Coffee Organization estimated the worldwide production of green coffee for the 2015/16 campaign at 145.5 million bags, roughly 2 million more bags compared to the production of the preceding campaign, thanks to an overall increase in Robusta production. 2015, too, after the record in 2014, ended with a landmark record in exports of 112.5 million bags. Arabica exports continue to increase, whereas those of Robusta have diminished, in particular in Indonesia and Vietnam, where part of the harvest has been stored in hopes of a recovery in prices. The first unofficial estimates for 2015 highlight a general increase in consumption of 1.5% to 2%. Robusta and the top quality of Arabica show a particular increase in consumption. 2015 was greatly influenced by the worldwide macroeconomic situation and the devaluation of a number of currencies, in particular the Brazilian Real and the Colombian Peso.



■ ILLYCAFFÈ AND THE CHALLENGES INVOLVING GREEN COFFEE

According to the Foreign Agricultural Service of the US Department of Agriculture, coffee is one of the cultivations which is most influenced by atmospheric conditions.

Climate change has been identified as the main factor of epidemics like coffee leaf rust, a disease which affects over 50 percent of coffee cultivations in Central America and roughly 30-40 percent in South America. Moreover, the plantations have also been affected by heat waves, drought and above-average rainfall.

To deal with these emergencies and similar scenarios in the future, illycaffè believes the solution lies in **research and knowledge**.

Together with the Earth Institute, headed by Jeffrey Sachs, the company is conducting a study on the impact of climate change in coffee growing countries. Moreover, the **Università del Caffè** is studying ways to improve farming practices and every year the team of experts organizes about one hundred visits to plantations to analyze the specific situations. Already in the past, solutions have been found which have led to significant improvements and changes.

Besides global warming, in the future coffee farmers will have to deal with other challenges which must be faced with **increasingly sustainable solutions**, such as farming practices, farming methods which are less and less dependent on water and at the same time allow for an increase in yield, avoiding deforestation. To illycaffè, the quality of the coffee bean is the fundamental value in its relations with producers: this is why the company follows the production chain right from the beginning, from the fields and plantations all the way to the finished product, and it is the only company in the world to have inaugurated a **Master's degree in Coffee Economy and Science**.

To invest in the production chain, in knowledge and in quality means to invest in innovation, even in terms of **new production sites**: according to estimates, in the next 50 years, the planet will lose up to 50 percent of land that can be cultivated with coffee and we will be faced with a major problem. Over the past 20 years, the average growth rate in coffee consumption has risen 1.6% and it is predicted that production will have to double to respond to the market demands—but with only half the amount of cultivatable land. The increase in production costs for the positive growth of the economies in producing countries, and the resulting revaluation of local currencies, calls for increasingly well-organized companies.

For all these reasons, illycaffè considers it not only a necessity but a true strategic mission to promote a modern coffee culture, based on the principles of Integrated Agriculture and dedicated to transforming agricultural producers into modern entrepreneurs.

illycaffè has equipped itself with a **Process of Internal Control and Risk Management**. By means of a process of identification, measurement, management and monitoring of the main risks, it ensures that the company is run in a healthy, correct way that is in keeping with the business' established objective of sustainable development.

illycaffè constantly monitors the **financial risks** to which it is exposed (credit risks, liquidity risks and market risks such as exchange rate risks, interest rate risks, and commodity price risks), in order to minimize the impact of negative variations on the company's economic results. These risks are centrally managed by the Office of Administration, Finance and Control, following guidelines stipulated with the company's top management. illycaffè also uses derivative instruments solely for coverage.

In 2015, a new project of **risk assessment** was begun and will be fully implemented during the course of 2016. The new plan calls for greater integration in risk management and the management of financial and **non-financial** opportunities

Also, in 2015, illycaffè further reinforced its own **Process of Internal Control** by implementing an annual audit plan, developed in keeping with the company's strategy and an evaluation in terms of the risk levels of the primary company processes.



■ 1.5

Corporate governance

illycaffè has its own specific systems of governance and control aiming to ensure a sustainable development of the business, paying due respect to the laws and to economic, social and environmental equilibrium.

Board of Directors - B.o.D.

The Board of Directors directly represents the stakeholders. Councilors are elected in part according to their specific competencies and qualifications, in line with the sustainability-oriented vision of illycaffè S.p.A. They are in charge of special duties and bear the full responsibility for economic, social and environmental results, which are subject to the approval of the General Assembly of Shareholders on a yearly basis. The Chairman of the Board of Directors is also the Chief Executive Officer. The Board of Directors includes five independent directors and a total of nine non-executive directors. Three members are women.

As of December 31, 2015, the Board of Directors is composed of:

- **Andrea Illy (President)**
- **Riccardo Illy (Vice President)**
- **Anna Rossi Illy (Honorary President)**
- **Anna Illy**
- **Pierluigi Celli**
- **Maurizio Dallochio**
- **Giancarlo Michellone**
- **Mario Cannata**
- **Marina Salamon**

The CEO informs the Board of Directors on decisions having a substantial impact on business sustainability; the Sustainable Value Report is approved on voluntary basis on behalf of the CEO; as of today there is no mandatory regulation or a law prescription. Every year, the Board of Directors evaluates and approves all the reports and documents produced by the Surveillance Body and by the other internal controlling functions on issues relevant to risks and opportunities, encompassing all the main concerns involved: strategic, operational, environmental, social and related to governance. Projects showing interesting impact in terms of sustainability are in keeping with the objectives of the corporate strategic plan.

Executive Committee

The Executive Committee is formed by an Independent Director (1) and Dependent Directors (2) and possesses executive power in the ordinary and extraordinary management of the company. The Committee has the authority to make decisions for the implementation and development of corporate objectives, excluding the actions not allowed by boundaries imposed by laws, by corporate statute and which are exclusively reserved to the governance of the General Assembly of Shareholders, to the Board of Directors and to the CEO.

Surveillance and Monitoring Committee

This Committee is composed of Independent Directors (2) and Dependent Directors (1). Its main function is to survey and monitor the operations, the efficacy and the compliance of the Organizational Model in order to prevent corporate offences for which illycaffè may result to be administratively responsible, in observance of the Decree Law 231/2001 (related to corruption, fraud in corporate communication, mistreatment of manpower, etc.). In order to completely define the Model, illycaffè formulated an Ethical Code of Conduct which, among the various conduct norms, calls for the prevention of conflicts of interest and a specific, dedicated channel to prevent or notify conduct contrary to the Code. In 2015, no claims or disputes were filed following reports of violations of the Ethical Code or the 231 Law.

Nominating and Compensation Committee

Composed of independent (2) and dependent (1) directors, formulates proposals to the Board of Directors related to the Compensation of the CEO and Directors and provides guidance on the criteria for the determination of compensation for the top roles within the company. During this process, illycaffè often avails itself of the support and advice of external independent consultants.

Chief Risk Manager

The Chief Risk Manager is in charge of the evaluation of all the risks connected with the supply chain: product, safety, environment, intellectual property, market, information technology, legal, financial and also of issues relevant to the management of the corporate reputation in the short and medium term. The person in charge of the role designs and formulates a Risk Evaluation Program, reporting on regular basis to the President, the Board of Statutory Auditors and the Surveillance and Monitoring Committee.

Internal Audit

Implements internal audit activities aiming to analyze and verify the compliance to standards, the regular operations, the reliability and functioning of all the processes, as well as of the control systems.

In confirmation of the strengthening of the internal audit system, in 2015 the Internal Audit conducted various audits, applying the 231 Law, the compliance of the organizational structure, the active cycle of tenders and commercial price lists, the activities of the controlled companies in Brazil and England, the application of on-the-job safety in the company's buildings and the management processes of sustainability. The Internal Audit also participated at all the meetings of the Surveillance and Monitoring Committee



■ 1.6

Management and Certification Systems

QUALITY MANAGEMENT SYSTEM ISO 9001:2008



illycaffè was the first company in the coffee sector in Europe to receive the certification for its quality management system.

The system is applied by illycaffè S.p.A. and Experimental

HACCP



Prevention or minimization of safety hazards for safety of processes used in food and drink preparation (mandatory in many countries, including the EU).

The system is applied by HACCP illycaffè S.p.A.

BRC FOOD CERTIFICATE



Guarantees the ability of an enterprise to achieve suitable standards in packaging, storage and distribution of safe food and consumption of safe products.

Applied by illycaffè S.p.A.

IFS FOOD CERTIFICATE



Guarantees the quality and food safety of branded food products, for retail and wholesale sectors.

Applied by IFS illycaffè S.p.A.

CERTIFICATION FOR COMPLIANCE OF PRODUCTS



Certificates the conformity of a product to a mutually agreed standard, able to ensure the best satisfaction of clients.

Applied by Qualité France and guarantees the religious certification of Halal and Kosher products (Israel, USA, OU, Jewish Community of Venice)

ENVIRONMENTAL MANAGEMENT SYSTEM 14001:2004



Defines the development and implementation of an effective environmental management system.

Applied by illycaffè S.p.A.

ENERGY MANAGEMENT SYSTEM ISO 50001



Defines the development of an efficient energy management system.

RESPONSIBLE SUPPLY CHAIN PROCESS



illycaffè is the first company in the world to obtain the certification which attests the sustainability throughout the production chain.

Applied by illycaffè S.p.A.

ACCREDITED LABORATORIES ISO 17025:2005



The illycaffè Aromalab and Sensorylab laboratories are recognized and accredited by Accredia.

CERTIFICATION EMAS (Eco-Management and Audit Scheme)



Certification to promote the continuous improvement of environmental efficiency of industrial activities and to enable the publishing of the environmental declarations. Certified by APAT (Italian Agency for Environmental Protection and Technical Services), Ecolabel - (Ecoaudit Committee)

HE WHO
SOWS VALUES,
GAIN HIMSELF.



■ 1.7

Università del Caffè

Highlights

25
operating sites
worldwide

2
new campuses inaugurated
in 2015 (Japan,
United Arab Emirates)

Roughly 180,000
people trained since 2000

over 30,000 trainees in 2015:
190 producers; 15,810 professionals; 3,662
consumers; and 11,800 trainees participating
in the courses organized at EXPO

The Università del Caffè was founded in Naples in 1999. In 2002, the campus was moved to Trieste, to the illycaffè headquarters. The Università del Caffè represents a Center of Excellence created to promote, foster and disseminate the culture of high-quality coffee worldwide, through training and education. In this privileged location, professionals from the world of coffee and hospitality, as well as aficionados, interested people and aspiring connoisseurs, can share the passion for knowledge, an illycaffè hallmark.

The educational activities of the Università del Caffè have been created to allow all professionals involved in the production chain to grow and improve the quality level of every single phase in the various sectors of competence. A **virtuous circle of knowledge** destined to create value over time through **growth, sustainability** and **transparency**.

The prestige of the Università del Caffè is based on the strong commitment which, since 1933, the company has dedicated to research and the innovation of processes and products. This **multidisciplinary patrimony of culture and competence** focuses attention on the **true demands and needs** of producers, professionals in the sectors of coffee bars, restaurants and hospitality; as a result, the Università del Caffè has diversified its educational proposals on various levels of depth and competence.

Having opened campuses on almost every continent, the Università del Caffè is present on the territory with specialized teachers able to satisfy technical, didactic and local needs. In fact, the program is based on 3 different levels of in-house teaching governed by internal procedures, on a rising scale of complexity and competences: instructors (27, to date), associated professors (39, to date) and full professors (44, to date).

In 2015, the university worked to increase and improve the company's knowledge base, reorganizing, updating and implementing the available contents, on which the entire company's culture and values are based. Teaching manuals have been created, dedicated to various topics: internal training, baristas, salespeople and entertainers at Expo 's Coffee Cluster. Caffè nel mondo: 2015 saw a major growth in support given to branches in educational terms, with the addition of shared materials, coordinated images, didactic alignment through the illy Culture Manual, a greater offering thanks to the addition of side topics (for example, service) and participation at important trade fairs.

HIGH LEVEL EDUCATION

In 2015: 190 producers and 16 professionals were trained

A pathway of excellence in coffee production, from responsible farming methods to economic administrative processes, dedicated to farmers, partners in the production chain and graduates interested in the world of coffee.

Since 2010, over 1,000 producers have participated in the training programs. Supporting activities for producers originated from a collaboration between illycaffè and PENSA (the Agribusiness Intelligence Centre of the University of São Paulo) which began in 2000. To date, the Università del Caffè in Brazil is a reference point for the training of local growers and entrepreneurs. Attention to the communities in coffee growing countries is translated into the creation of focused and specialized training programs to be held on site and through the establishment of partnerships with local institutions to create projects with important social impact, such as the online course in Agribusiness Management in Brazil and the development of educational material to be distributed online in Central America.

The Università del Caffè promotes the **Master's degree, first and second level, in Coffee Economics and Science - Ernesto Illy**, offered to graduates worldwide, with the objective of providing an academic and interdisciplinary background to create careers in the world of coffee—and more in general for the agribusiness sector and the overall supply chain: from cultivation to food service sector and retail, also encompassing aspects related to logistics, trade, management and industrial processes. Over the years, the Higher Education Program of the Università del Caffè has established several important collaboration initiatives with prestigious national and international partners, such as the University of Gastronomic Sciences of Pollenzo (Cuneo, Italy), the Master's degree in International Business Administration - MIB Trieste, the Master's degree in Food Management at Liuc – Libero Istituto Universitario Carlo Cattaneo, and the Master's degree in Food & Bioresource Technologies with the MCI Management Center Innsbruck (Innsbruck University, Austria).

DISSEMINATION COURSES

In 2015: 3,662 consumers trained, plus another 11,800 at Expo.

The courses the Università del Caffè organizes for consumers have various topics and processes, including:

- Courses on coffee culture and tastings, combined with a tour of the company, primarily of interest to schools and tour operators.
- Courses to become coffee sommeliers.

Eight new courses have been created for consumers, focusing on macro arguments: coffee culture, economics, sustainability, health, uses and customs.

TRAINING COURSES

In 2015: 15,810 professionals trained.

To professionals who work in bars, restaurants and hospitality, the Università del Caffè offers educational opportunities and updating on coffee and the management and promotion of commercial activities. The courses offer participants know-how that can be immediately put to use—from how to prepare beverages to managerial competences and instruments to make the most of market opportunities. Training is also conducted in ad hoc classrooms for specific clients, for whom programs were created which reflect the on-the-job situations they encounter. The Università del Caffè also deals with the validation of equipment and the creation of new, coffee-based recipes and products.

EXPO 2015

The Università del Caffè was involved in an intense program to train the **Expo personnel**. It created 3 personalized educational programs for the staff at the various services offered by illycaffè at the Coffee Cluster, involving 99 internal and 13 external employees, during a 6-week, full-immersion and full-time period.

Moreover, various educational and training initiatives **were created for visitors to the Coffee Cluster**, attracting great interest and interaction on the part of the participants. The numbers: **24** dedicated weekends, a total of **71** days, **388** courses conducted and over **11,800** estimated visitors.

■ 1.8

illycaffè Stakeholder



■ 1.8.1 Mapping of the stakeholders and communications tools

From several years now, illycaffè has been orienting its strategies toward a new sustainable business model, able to create competitive advantages integrating economic-profit objectives with a social and environmental perspective. In order to translate this new approach into reality, a new model of its relationships with all its stakeholders had to be configured, centering the global vision on the **creation of shared added value**, as a combination of policies and operative practices which strengthen the company's competitiveness and at the same time improve the economic and social conditions of the communities in which the company operates, together with that of its stakeholders.

A careful mapping of stakeholders and the activation of a new model of interactive dialogue allowed illycaffè to identify and analyze their indications and expectations and to incorporate them within the set of objectives and activities of the company: in this framework, the Sustainable Value Report is intended to be a reference

document addressing all the major issues raised by stakeholders and to be a guideline to better depict the social, environmental and economic impact of the enterprise (the more material issues). The primary channels and instruments of communication with its stakeholders which, again in 2015, illycaffè has used are:

STAKEHOLDER	MAIN COMMUNICATION TOOLS AND CHANNELS
CUSTOMERS AND CONSUMERS	<ul style="list-style-type: none"> • Customer care: • Pre-sales and after-sales assistance • Ad hoc visit in the company • Social network • Customer satisfaction analysis or market survey • Training in the Università del caffè • Replies to queries from association of consumers • The Quality Promoter team and the Technical Consultants actively interact with informational initiatives and/or activities directly in the client's premises
SUPPLIERS OF GREEN COFFEE	<ul style="list-style-type: none"> • Verification activities prescribed by Responsible Supply Chain Process • Clube Site in Brazil, with focus group and forum on topics of interest • On site training with agronomists and/or Università del Caffè • Periodic technical visits, meeting with coffee growers • Brazil Awards • Periodical feedback on quality of coffee after test in at the headquarters site or test in illycaffè laboratories, in order to improve coffee quality (even in case of non-purchase) • Relations and collaborations with category associations, government bodies and other representative subject of coffee growers at local level • Expo 2015
OTHER SUPPLIERS	<ul style="list-style-type: none"> • Vendor evaluation activity (started in 2014) • Certification of suppliers according to prescriptions indicated by the quality system
HUMAN RESOURCES	<ul style="list-style-type: none"> • Team building activities • illy citizen's projects • Internal committee for the organization of recreational social activities • Working groups to improve the safety and welfare in chain production • Formulation of the Exchange report with dependent journalists of illycaffè • Mechanism for the collection of warnings relevant to the ethical code

SHAREHOLDERS	<ul style="list-style-type: none"> • General Assembly and Participation in the BoD • Participation in internal events • Involvement for the formulation and revision of ethical code
ENVIRONMENT	<ul style="list-style-type: none"> • Dialogue and interaction with institutions for authorizations • Study group with institutions and authorities for environmental issues • Participation in working table events of categories or pre-competitive associations (ESE Consortium, AllPA) • Support to activities realized by clients for environmental support • Support to environmental management activities for the coffee cultivation (reduction of water consumption, research activities with Oxford University) • Support given to the environmental management of the coffee farmers (reduction of water consumption)
PARTNERS	<ul style="list-style-type: none"> • Global PR meeting and international commercial meeting • Meeting for the presentation of projects (i.e. Sustainable Value Report) to the individual co-associated companies and branches • Participation in the BoD of other enterprises of the Group • Co-organization of events • Meetings to present the projects at the individual associated companies and branches
COMMUNITY	<ul style="list-style-type: none"> • Projects and collaborations with Schools and Universities in Italy and abroad • University Master in Economics and Science of Coffee • Periodical invitation of local institutions in the headquarters • Competitions and fellowship for young national and international • Media tour for journalists in coffee-growing countries and at the headquarters • Join project with the major cultural international institutions • illy Gallery and other cultural initiatives • Dialogue and collaboration with main international schools of art and design • Project 'illy sustains art' to provide support and visibility to young artists from the South of the world • Dialogue and collaboration with the main institutions in the wine-gastronomy sector • The illy sustain art project to give support and visibility to young artists in the southern hemisphere • Expo 2015
PUBLIC INSTITUTIONS	<ul style="list-style-type: none"> • Periodical invitation to main authorities and institutional officers to visit the plant and the headquarters • Institutional awards and recognitions for best practices of illycaffè worldwide • Participation to thematic round table discussions • Collaboration with projects (United Nations or governments in developing countries) • International Coffee Organization
MARKET	<ul style="list-style-type: none"> • Direct contacts in occasion of industry events and fairs • Active participation in pre-competitive working table discussions with competitors and academic institutions (ISIC; ASIC, Coffee Industrial District) • Active participation in events organized by main category associations (Industrial Federation, Industrial Association of Trieste, Coffee Industrial District, SCAE Italia, Centromarca, Altagamma, ASIC, ISC, FERPI) • Participation in conferences

■ 1.8.2 Engagement process and materiality

In 2015, illycaffè updated its materiality analysis of the more relevant thematic areas, involving an internal work group composed of company managers and supervisors. The analysis followed the principles of materiality as described by the GRI-G4 standard and included:

- Identification of the potentially relevant topics through documentation analysis. The sources on which the analysis was conducted were both internal and external;
- Evaluation of the relevance of each thematic area for the stakeholders or for illycaffè, on the basis of documentation analysis and interviews conducted with the internal stakeholders responsible for the topics on which the accounting focused. On the basis of this analysis, a score was given to each thematic area on the questionnaire. During this phase, the perimeter of each material aspect was identified, or rather, the area (both within and outside the Group) was delineated, within which the impacts correlated to the material topics are manifested;
- Validation of the materiality matrix by the Management and the definition of the threshold of materiality above which an accounting of the material aspects should be conducted.

The following chart shows the mapping of the thematic areas deemed potentially relevant for illycaffè and for the stakeholders. After defining the threshold of materiality, it was decided to conduct an internal budget accounting, primarily of the thematic areas which are most material for the external stakeholders and for society as a whole, or rather, those which received a high score.



MATRIX OF MATERIALITY



By means of the Correlation table with the Global Reporting Initiative standard, it was possible to verify where the material aspects were reported.

The following chart analyzes the perimeter within which impacts manifest themselves which are relative to the material aspects which emerged:

- **illycaffè**: the impacts were verified above all within the parent company and the companies under the perimeter of the Value Report, as described in the Methodological Note.
- **Coffee producers**: aspects which were primarily relevant for the green coffee production chain.
- **Suppliers**: aspects relevant to the relationship with other suppliers.
- **Customers/consumers**: topics relevant to processes of sales, distribution, consumption of the products/services.
- **Community/environment**: aspects with relevant impact on the community, the institutions, the environment.



MATERIALITY TOPICS	GRI ASPECT (SPECIFIC STANDARD DISCLOSURE)	ILLYCAFFÈ	COFFEE PRODUCERS	SUPPLIERS	CUSTOMERS CONSUMERS	COMMUNITY ENVIRONMENT
Local supplies	Procurement Practices			•		
Communication and Marketing Officers	Product and Service Labeling	•			•	
Compliance with normative framework and fraud prevention	Compliance (SO)	•				•
Commercial and negotiation correctness	Marketing communication	•	•	•	•	
Creation of value and wealth	Economic performance	•	•	•		
Energy Efficiency	Energy	•	•	•	•	•
Emissions in the atmosphere	Emissions	•	•	•		•
Management of water resources in plantations	Water		•			
Waste management	Effluents and Waste	•				•
Responsible management in over the whole supply chain	Procurement Practices + Supplier Environmental Assessment + Supplier Assessment for Labor Practices + Supplier Human Rights Assessment		•	•		
Research and Innovation		•			•	
Social investments in the community	Local Communities					•
Know-how and incentives for producers	Indirect Economic Impacts		•			
Lobby and protection of interest of the sector	Public Policy	•				•
Packaging and recycling	Products and Services	•			•	•
Pricing and service to clients	Product and Service Labeling	•			•	
Promotion of art, aesthetics and culture	Local Communities	•				•
Quality of raw materials		•	•		•	
Profitability and company value	Economic performance	•				
Reputation and value of the brand		•				
Human rights in the coffee supply chain and of critical suppliers	Investment + Non Discrimination + Freedom of Association and Collective Bargaining + Child Labor + Forced of Compulsory Labor + Security Practices + Indigenous Rights	•	•	•		
Health and safety in the working place	Occupational Health and Safety	•	•	•		
Protection of the intellectual capital value	Employment	•				
Protection of consumers health	Customer Health and Safety				•	
Protection of environmental asset and biodiversity	Biodiversity		•			•
Valorization of human resources	Training and Education + Diversity and Equal Opportunity + Equal Remuneration for Women and Men	•				

SEED:S

Social
Environmental
Economic
Development
Sustainability



social value

■ 2.1

The real added value in life lies in human relations

Highlights

550

tastings every day to guarantee product quality

1,177

employees as of 12/31/2015 at a consolidated level

140

the illy blend is sold in 140 countries on all 5 continents, and is served in over 100,000 retail points

43,400

contacts with clients through customer care service

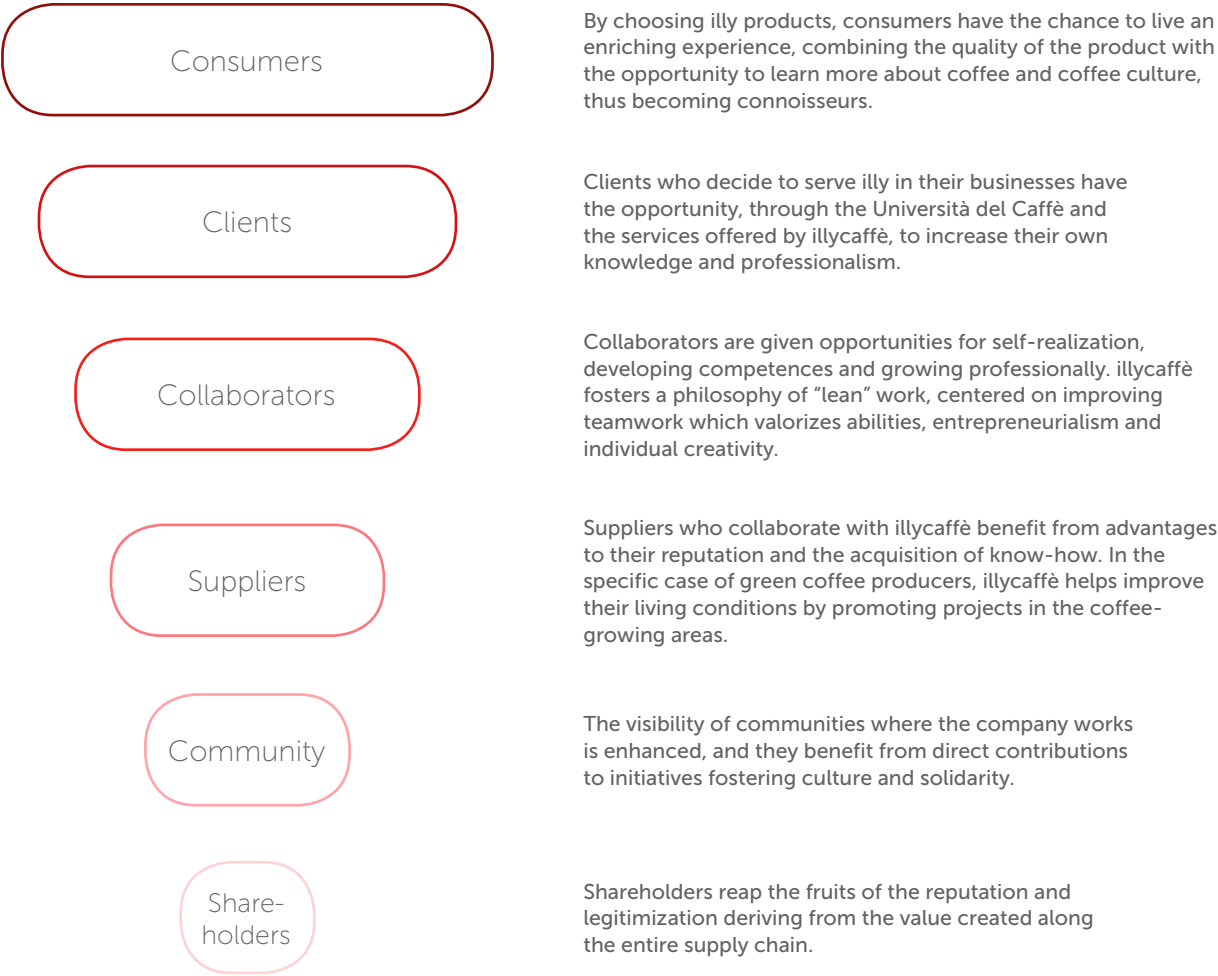
790,000€

in contributions from associated members or donations to organizations of social utility in 2015



THE CREATION OF SOCIAL VALUE

The business model developed by illycaffè aims to create social value through the concept of growth.



■ 2.2

Quality and safety of illy products

Highlights

4,500

The illycaffè laboratories carry out approximately 4,500 analyses of samples of green coffee

45,000

The illycaffè laboratories carry out approximately 45,000 analyses of samples of roasted coffee

550

Every day, illycaffè performs an average of 550 tastings to guarantee product quality

illycaffè's strategy is based on the principle of offering consumers a perfect cup of coffee, in every place throughout the world, and proposing a unique sensorial and memorable tasting experience, which lasts over time. In order to achieve this objective, it is also necessary to serve – together with an excellent product – all the elements which contribute to its preparation, its service and its environment. For this reason, the company is committed to the continuous improvement of every aspect of quality standards: production, processes, service to clients. This attitude is also reflected in the efforts of the company in the realization of safe products, in the absolute respect of rules and specifications which regulate the agro-food sector. illycaffè has thus developed sophisticated systems to monitor its products:



RAW MATERIAL SUPPLY:

With the best coffee farmers worldwide the company develops a relationship of long-term cooperation to ensure the quality of coffee. Before buying, illycaffè's quality and testing labs examine the samples, both to issue plant health certificates and to confirm that the coffee is free of heavy metals, pesticides, herbicides and insecticides.



STORAGE AND MIXING:

The green coffee is stored in insulated warehouses and it is mixed according to the Arabica illy blend recipe to make a homogeneous and balanced taste.



PACKAGING AND PRESSURE

Espresso coffee is a complex beverage composed by 1,500 substances (of which 800 are volatile) and more than 13 chemical-physical variables that affect the correct preparation. illycaffè has created the pressurization process that involves the replacement of the air inside the packages with inert gas, capturing the aroma of freshly roasted coffee. In this way, the aromas are concentrated in the oils of coffee, preserving the sweetness and the intensity of the taste for a long time.

From the moment the coffee enters the processing plant until the moment it leaves, it undergoes 125 tests. The coffee is blended and roasted at the plant in Trieste, while the IES, MPS and UNO capsule products are packaged at the Mitaca srl plant, located in the province of Milan, which is regularly supplied with toasted coffee beans in pressurized silos. Mitaca and all the other plants which carry out service activities (assembly, packaging, labeling, etc.) are directly monitored by expert illycaffè auditors.

Quality, certification and food safety

In order to guarantee the quality of products and their safety illycaffè has developed management systems which enable the company to obtain the most important international certifications of quality and sustainability for its industrial sector of reference. For more information, see paragraph 1.6.

In 2015, the company updated and retained every certification; the following internal and external audits were conducted according to the various monitoring plans:

- 36 internal audits including accreditation (35 in 2014),
- 136 audits c/o suppliers,
- 8 audits by third parties (7 in 2014)

The British Retail Consortium, International Food Standard, and HACCP certifications are the guidelines for all of illycaffè's activities to guarantee the health and safety of consumers, and involve **all the illycaffè brand products**.

In 2015 the Company did not receive any sanctions for non-conformity to laws or regulations in matters of quality, food safety, traceability and the like.

■ SPECIFIC ACTIVITIES IN 2015 TO BETTER SAFEGUARD FOOD SAFETY

- HACCP Self-monitoring manual for Expo 2015.
- Specific presidia at retail sales points: illy store in Milan and the illy bar Caffè di Milano.
- New acceptance protocol for raw materials from Brazil: acceptance control at the origin of 100% of the product samples and active involvement of all the proposing producers.
- Increased control of the uniformity of the roasting in production to optimize the qualitative yield in the cup.
- Revision of the product labels and computer solutions for better disseminating required information at the European level (Reg. 1169/2011/CE).



■ 2.3

illy clients

Highlights

Artisti del Gusto **1,700**
globally, 1,500 in Italy

168
Single brand stores in the principle cities
in 34 countries, with 16 new openings in 2015

Over **43,000**
Customer Care Service contacts

Bar illy, over **50,000**
baristas all over the world who
serve their clients illy coffee

illy shop & illyteca: roughly **71**
sales points in 2015, with 13 new
openings during the year

87%
earnings derived from coffee products
(6% espresso machines and 7% other products)

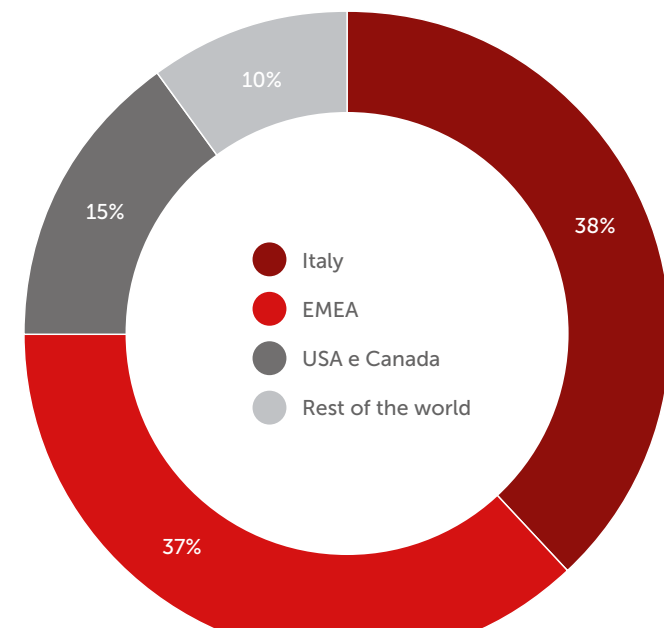
■ 2.3.1 Clients and served markets

illycaffè clients and consumers are offered a unique blend composed of 100% Arabica coffee, the outcome of a process to select and process the coffee that safeguards and exalts its quality.

Today, illycaffè is served in over **100,000** of the best bars, hotels, restaurants and stores in over **140** countries throughout the world, on all 5 continents, with over 7 million cups of coffee consumed every day, at home, away from home, on the job and on the go (internal estimates based on sales and number of clients).

In 2015, illycaffè sales marked a significant increase compared to the preceding year in terms of volume and turnover, with growth distributed among the countries where the company works with direct distribution and the countries which are served through independent distributors. The growth trend of international markets is confirmed for 2015, as well, with EMEA and Italy continuing to represent over 50% of overall turnover.

REVENUE PER GEOGRAPHIC AREA - 2015



■ ILLY'S OFFER

The Coffee products

Capsules - Packs

Capsules - Cans

Capsules Monoarabica

Pods E.S.E.

Ground Coffee for Espresso Machine

Ground coffee for Moka

Coffee beans

Americana Coffee Filter

Cold coffee and illyquore

At the end of 2014, the company organized its commercial business units into Business to Consumer and Business to Business units. Thus, even the revenue per typology has been transmitted to the market through distinct methods, whereby the Business to Business division continues to grow and remains larger and the Business to Consumer division has begun its own operations.

The **central position of clients** is, in fact, at the basis of company strategy and is translated into the construction of a long-lasting relation and continuous attention to client satisfaction, offering products and services that are top-quality, innovative and with a high level of know-how.

Distribution strategies focus on constructing value over the **long term**. The client's professional growth is fostered by applying a strategic model which shifts the commercial aspect to the concept of sustainability. The social value generated by illycaffè is transformed into economically positive results for the client, too, in terms of volume of coffee sales. An internal analysis has shown that by participating in more evolved and complete forms of the illycaffè offering (Artisti del Gusto, illy stores), clients can obtain better results.

The Group's plan for growth focuses on three key areas:

- increasing market share in the global premium-hospitality segment by developing our product/service mix
- branching out into other opportunities for consumption – especially in the home – through single-serve preparation systems
- focusing on a high-quality offering to consumers via single-brand sales points and the e-shop

The distribution of illycaffè products occurs primarily through the following channels for the organization's sectors:

Business to Business

- Ho.Re.Ca: Hotel, Restaurants, Café
- Artisti del Gusto
- illy bars
- Traditional retail
- Organized large-scale retail trade
- Eldom (consumer electronics market)
- Vending (offices and workplaces)

Business to Consumer

- illy Shops
- illy stores (espressamente illy e illy Caffè)
- e-commerce

■ 2.3.2 Creating value and sustainability for clients

Initiatives for 2015 to create value in the B2C channel

illycaffè has given further impetus to its B2C offering with new types of shops, such as the illy cafés, or programs to restyle and renovate existing shops: all have the common denominator as places which involve the consumer and stimulate creativity, valorizing the company philosophy based on art, culture, design, and food and wine.

The search for quality is the fulcrum of every retail sales point and is maximized in the new stores (16 espressamente stores and 13 illyshops), developed by the illycaffè artistic management, often in collaboration with important national and international designers. Consumer interest continues to grow regarding purchasing products online through the **illy e-shop**: in 2015, in Europe, visits rose by 32% and web transactions by 19%

Fidelity programs were also launched, such as:

- **illy lovers**: a subscription that gives consumers a coffee machine free of charge and under warranty (machines always in working order and substituted should they break); participants commit to purchasing capsules for 12-18 months on a bimonthly basis. In 2015, starting in May, **almost 2,200 subscriptions** were activated.
- **CrM & loyalty**: an experiential program (available only in Italy) based on quantitative badges which, on the basis of the purchases made, give consumers discount vouchers to spend at the online shop or in offline shops at will, in the coffee, coffee machine and coffee cup sections. **Over 41,500** cards have been issued.

Initiatives in 2015 to create value in the B2B channel

The **Artisti del Gusto** network was created in response to the fervent desires of clients, offering the best possible consumption experience possible, always and everywhere, and involving over 1,700 professionals worldwide (1,500 in Italy alone). illycaffè offers the baristas participating in the project personalized consultations and an activities program that is updated every year: advanced courses for them at the Università del Caffè; dedicated accessories; and coffee machines, such as the new, professional YP1 with Bluetooth technology, which roughly 440 baristas adopted in 2015.

The network's guarantee of excellence was also documented on the **National Geographic Channel**, which dedicated an entire TV series to the Artisti del Gusto, reaching over 640,000 viewers in its third edition. The **Gambero Rosso**, an Italian food and wine magazine and a reference point for aficionados the world over, also recognized the excellence of this initiative, listing various Artisti del Gusto locations in its guidebooks and including them among the best professionals in Italy. Sales analyses for 2015 have shown that participation in the training programs proposed by the company have allowed the participating businesses to keep their sales numbers constant during a year marked by a crisis in consumption that has resulted in an average of 6% loss in retail businesses compared to the preceding year. To support and offer specialized services to the Ho.Re.Ca channels, illycaffè has developed the "Professional" section on its own institutional website, offering consultations and practical suggestions to sector professionals. The section registers an increase in monthly visits (+25%).

■ ILLYCAFFÈ AND THE LARGE INTERNATIONAL AND NATIONAL BUSINESSES IN THE HOSPITALITY AND TRANSPORTATION SECTORS

- The Marriott International Group has given illycaffè its **Marriott International: 2015 global sustainable supplier award**.
- The **AccorHotels group** has involved illycaffè in a program to monitor its own supply chain regarding sustainability, through the ECOVADIS platform, which analyzes and monitors suppliers, taking into consideration policies and requirements for environmental commitment, working conditions, the transparency and correctness of the business, and supply chain management.
- illycaffè has signed an agreement with **Le Meridien** to collaborate on training workers through the "Master baristas" program.
- On a global level, important collaborations have been activated in the transportation sector: **United Airlines (USA)** has awarded illycaffè as the preferred coffee of its travelers (through surveys conducted with consumers) and has introduced it into its own onboard beverage selection. In Italy, the collaboration continues with Trenitalia and Costa Crociere; thanks to Expo, a partnership was developed with other airport operators, such as Aeroporti Milanesi.

Innovative and sustainable solutions for clients and consumers

Market development always begins with the underlying principle that quality and sustainability are an inseparable duo for the company: a product cannot be excellent unless it is also sustainable. With this philosophy, in 2015 illycaffè continued developing innovative and sustainable solutions for its clients and stakeholders.

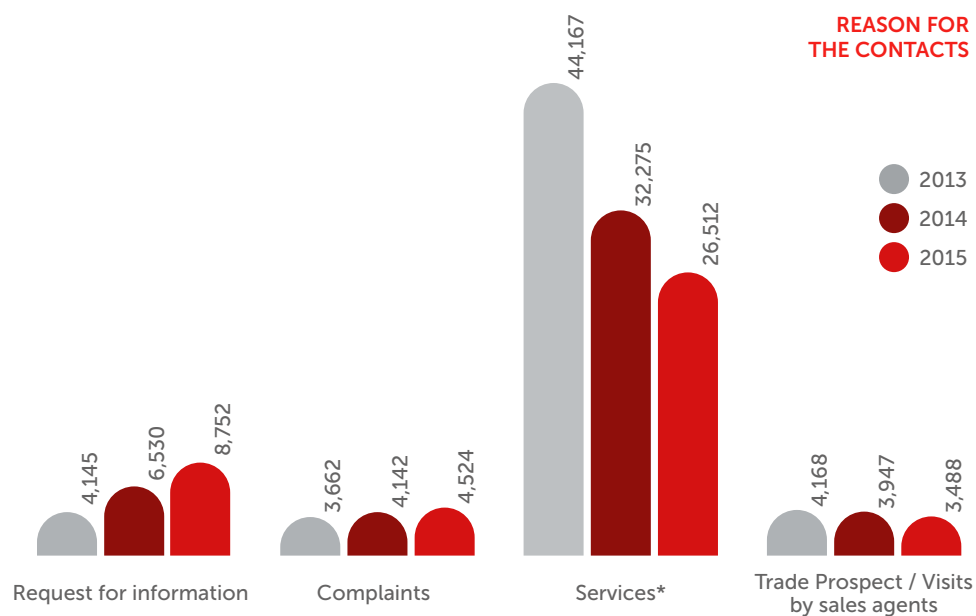
Packaging

- Support for recognition of **the empty capsule as packaging** by CONAI (the Italian national packaging consortium), thereby encouraging the recyclability of the empty capsules ([link to the Environment section](#));
- Manufacture the **ECO (Easy Capsules Opener)** - manual capsule openers for the home, which let consumers separate the plastic from the coffee at home and properly sort trash for recycling;
- Test solution to **salvage and recycle the plastic from the capsules**, even at bars and retail stores, in order to create a virtuous cycle involving the company and consumers;
- Invest in research and technology to **reduce the weight of the capsules and overpackaging**, through Life Cycle Assessment methodology ([link to the Environment section](#));
- Adopt **new technology to weld the cans**, which can result in an improved final product and an advantage in terms of LCA (lower carbon footprint).

Products and systems

- Launch new product on the market in response to consumer needs, such as:
 - **capsules to prepare caffè lungo**, (caffè americano) ([link to the Innovation section](#));
 - Pulcina, the new coffee maker that combines illycaffè's thermodynamics technology with the design experience of Alessi to boost the performance of the classic moka coffee pot and bring out the coffee's flavour and aroma to the full;
 - coffee with **Extra Scuro roasting**, dedicated to those who prefer an ever more intense aroma;
 - **water-decaffeinated coffee**, made using a natural extraction process that ensures an impeccable cup.
- Also, illycaffè has signed partnerships with important players in the sector, like Keurig Green Mountain, an important American company in specialty coffees, coffee machines and other beverages: the partnership involves a **multiyear agreement to manufacture K-Cup capsules** for the Keurig coffee system using the illy trademark and blend, in the United States and Canada.

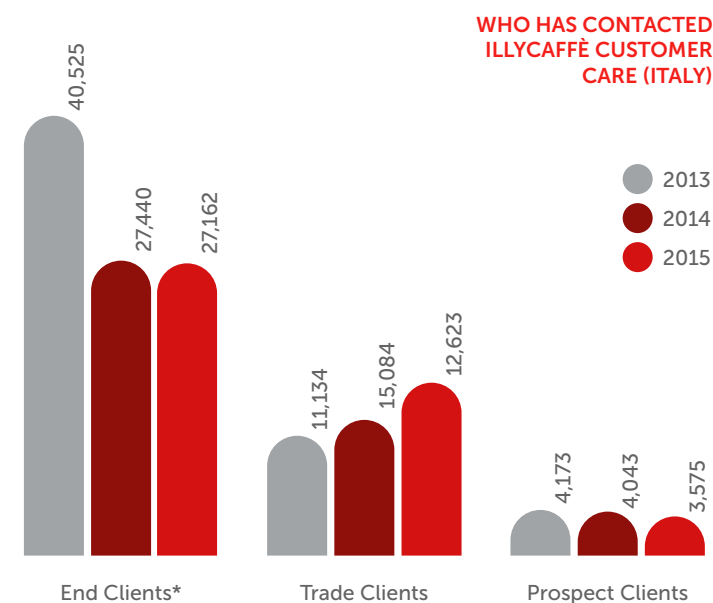
■ 2.3.3 Listening to clients and customer satisfaction



* Includes technical assistance for coffee machines and other administrative services

A positive decrease in trade contacts (Ho.Re.Ca channel) can be noted with respect to 2014, indicating a **greater supervision on the part of the sales force**.

The constant attention in cultivating a continuous relationship with customers allows illycaffè to improve its capacity to orient their needs and give them greater satisfaction. In order to achieve this goal, illycaffè centers its strategies on factors having a positive impact on the quality of services, such as: accessibility, transparency of processes, times of feedback, homogeneity of work among all the selling channels, delivery of services with high added value. The main tool adopted by illycaffè in the management of customer relations is represented by sales representatives (160 people with continuous contacts and dialogue with the territory assigned). Websites, social networks, customer care service, training courses held by the Università del Caffè and



*Compared to previous years, the categories "Consumers" and "Eshop Customers" have been combined in the category "End Clients"

relations with media all play a crucial role, as well. In 2015, there were **43,360 customer care contacts**:

- fewer requests for assistance/service and commercial requests by potential clients;
- more requests for information by consumers;
- fewer complaints about the quality of the coffee product.

In the final four-month period, compared to the same period the previous year,, requests for information about promotions and subscriptions increased 149%, above all regarding the fidelity initiative illylovers, promotional code numbers and Indesit campaigns; requests for information regarding technical assistance of the Francis Francis coffee machines increased 129%.

■ ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES

In Brazil and Holland, Customer Care is provided by 3 people, whereas in China it is provided by 2. Germany, too, has a dedicated team, which manages many contacts per day, while Spain's Customer Care manages a pool of 100 clients and roughly 3,000 sales leads. In 2015, illycaffè North America registered over 145,000 contacts through its call center, managed by telephone and by e-mail, whereas Austria receives approximately 15-20 contacts on average per month. These contacts reveal a very high customer satisfaction, with 85% of the clients satisfied and 86% who would recommend the products to friends and family.

In China, the customer service maintains weekly supervision of the complaints received through the e-commerce website. The company has recently completed a list of frequently asked questions in order to efficiently respond to every client.

In Holland, the entire Customer Care system is presently being improved; an automatic system to manage contacts was introduced in 2015, guaranteeing clients a rapid response (1 business day) and resolving roughly 91% of the complaints and contacts.

Thanks to its efficient management system and the constant attention it pays to improving, illycaffè comes into play with specific problem-solving actions and continues to keep the level of satisfaction high in its customers and consumers. Besides the activities of the Customer Care services, other types of channels are used to stay in contact with clients and listen to their requests and needs. These services include:

- presence on social networks;
- research analysis of customer satisfaction regarding "Artisti del Gusto" (roughly 500); illy bars, online clients;
- telephone surveys for: Artisti del Gusto, former Ho.Re.Ca and Ho.Re.Ca iperespresso clients;
- Activities of Quality Promoters and Technical Consultants, interacting directly with customers through initiatives and/or information activities directly on the spot (local interventions);
- visits to the company and ad hoc Open Days.

Quality in the cup

In order to better support customers of the Ho.Re.Ca channel, the company developed and implemented the project "Quality in the cup." A team of qualified technicians provides assistance services and personalized consultancy to owners of bars and cafés. The initiative is based on the following actions:

- Monitoring the quality of the illycaffè served in the cup by Ho.Re.Ca and Vending clients (on demand) throughout Italy;
- Management and monitoring of the visibility of the sales points;
- Training and management of know-how regarding the qualitative standards of illycaffè and relevant equipment;
- Management of tests and trials of new products;
- Involvement of retail managers and operators in the activities offered by the Università del Caffè.

Furthermore, in September 2012, illycaffè launched a cooperation agreement with the Ministry of Agricultural, Food, and Forestry Policies (department of the central inspectorate for quality and fraud prevention in food and agricultural products). The main objectives of the cooperation agreement are to preserve the superior quality of the 100% Arabica illy blend and to safeguard the expert businesses which, every day, deliver the illy taste and excellence to Italians. The agreement includes analyses of coffee samples, a test trial for a new methodology of analysis, in order to allow a more rapid and effective detection of coffee blends using products other than the ingredients used by illycaffè in its illy blend. These instruments, in addition to the numerous controls performed by the company along the entire supply chain, represent a further guarantee to protect the brand in a context of fair competition between commercial competitors and to allow customers to taste a cup of illy espresso coffee wherever the brand is displayed.

Management of reports and actions for improvement

Reports and complaints received by the illycaffè Customer Care service are received by the Total Quality Insurance division of the company, which analyzes and manages them in cooperation with other different company functions, in order to identify the main causes of dissatisfaction and specific critical issues.



AMBASSADORS
OF VALUE,
STAKEHOLDERS.

■ 2.3.4 Communications and responsible information

The ambition of illycaffè is to create an emotional and intellectual involvement of its customers, offering a multi-sensory experience. Starting from this idea, in addition to the quality of its products, where the aroma, taste and body are essential to vehicle a unique and extraordinary experience, the company transferred this same excellence to the coffee cup, the most important tool for the utilization of the product. In 1992, the illy Art Collection of coffee cups was created. To allow customers to experience the taste of coffee means sharing with them a passion for aesthetics and culture: this is why art and creativity are the two main concepts which characterize the language chosen to express illycaffè's values and philosophy.

The single-brand stores move in this direction, experiments in contemporary communications, and the promotion and development of cultural events of international importance all move in this direction. To illycaffè, respecting consumers' right to information is at the heart of all its communications to its clients and stakeholders. Each communications activity is in full compliance with the laws, rules, and practices of professional conduct, and is carried out clearly, transparently and rapidly.

- illycaffè is in full compliance with the self-disciplinary code for advertising initiatives;
- to reinforce its compliance with all the norms and regulations in the reference countries, illycaffè subjects its labels to the professional advice and services of Total Quality Food Consultants, a company specialized in the promotion and development of agro-food quality



■ 2.4

illycaffè people

■ 2.4.1 Human resources policies

illycaffè recognises the **central role of people**, who are strategic stakeholders, and the importance of lasting relationships based on transparency, mutual loyalty, trust and the application of the company's code of ethics.

The management of and cooperation in working relationships is founded on **respect for worker rights and the full valorisation** of their contribution in order to foster their development and growth. The company promotes the value of human resources and thus improves and enhances each employee's range of skills. illycaffè is dedicated to fulfilling the professional satisfaction of individuals through an integrated personnel management system embracing the processes set out in the company's strategic plan.

In addition, performance-evaluation systems are used that periodically involve the whole population by clearly defining individual and shared objectives that are measurable in numeric, economic and financial terms. Those who achieve their objectives earn a variable economic reward: managers and supervisors receive an annual performance review, while a more streamlined, efficient system applies for office and other workers.

The company protects and fosters the improvement of the **quality of life** of its employees and their families, offering a safe and comfortable working environment, stimulating the capacities, potentialities and personal interests of its human resources; it monitors and develops a network of benefits and conventions which can facilitate their lives.

Regarding **organizational development**, 2015 continued in the pathway undertaken in previous years, carrying out many projects whose goal is to reinforce the logic of the client's central role, in keeping with the company's strategic plan.

In order to also support this change on the level of organizational culture, in 2015 the active citizenship program **illycitizen** was continued, in order to improve the commitment and motivation of all the company's collaborators. This initiative permitted the identification and implementation of a plan of ameliorative actions, both internally and aimed at end clients, in part in response to feedback received.

This commitment, oriented toward focusing more of the company's attention toward the requests of clients and end consumers, was also applied in the initiative which, more than any other, characterized 2015: illycaffè's presence at Expo Milano 2015 with the Coffee Cluster. Fifty new people were hired and important competences were acquired, such as the management of major events and serving coffee in areas with a high density of daily turnouts. In keeping with preceding years, illycaffè maintained its numerous investments in training, including executive training for management, digital trips and other initiatives.

■ 2.4.2 Employees

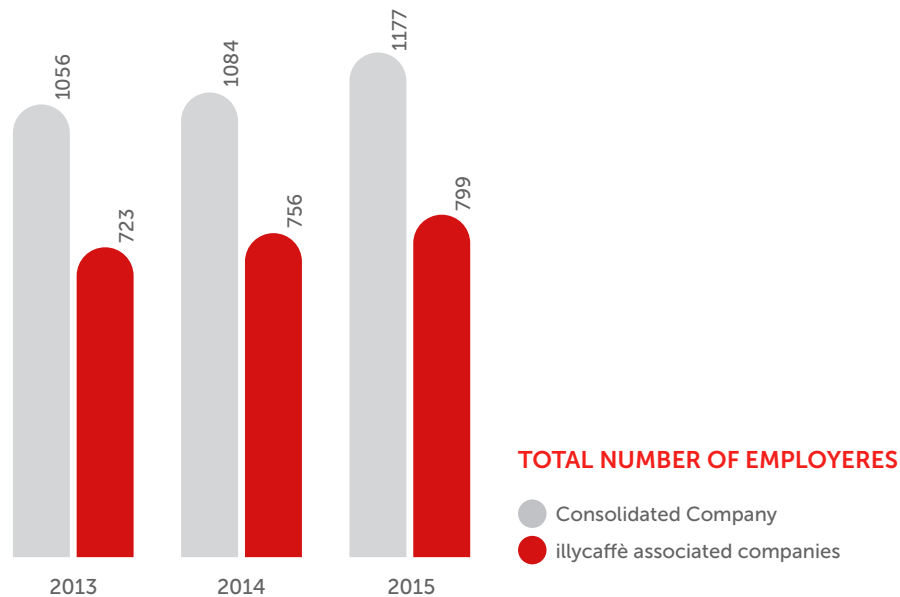
■ FRAMEWORK OF REFERENCE REGARDING EMPLOYMENT DATA

The following data refers to the personnel of the companies of the illycaffè group, within the framework of accountability as described in the Methodological Note, unless otherwise specified: some of the data is presented with reference to the parent company illycaffè (Italy) because the normative differences and the labor laws of the various countries in which the company is present render it difficult to compare and unify the reported performances. The company has begun to prepare a monitoring and reporting process which, starting with the next fiscal year, will gradually permit the organic and integrated management of the personnel information on a global level.

In general terms, 2015 confirmed the trends of the preceding years, with an increase in the workforce in keeping with the 'business' development, a moderate turnover rate and positive internal relations.

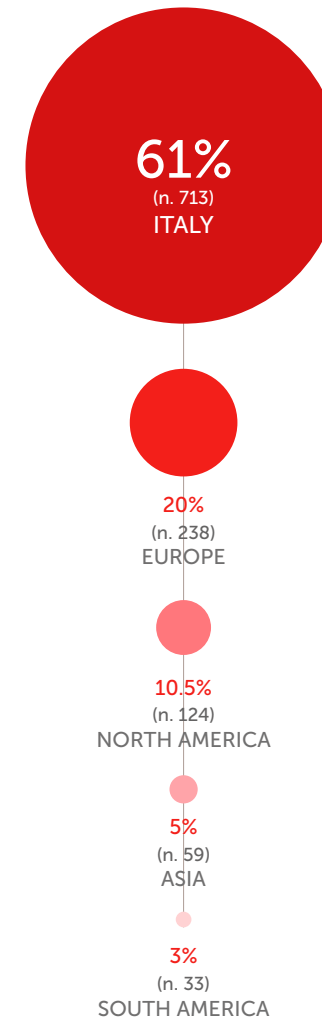
As of December 31, 2015, on a consolidated level of the entire illycaffè S.p.A. workforce, there were **1,777 employees** (+8.6% compared to 2014). 68% of the personnel was employed by the parent company, 82% of which in Italy: on a global level, 44% are women.

With reference to the companies within the framework of accountability (which represents 86% of the total workforce), on the basis of the subdivision per age group, employees between 30 and 50 years of age still represent the majority of the personnel (66.8% of the total). However, in proportion and with respect to 2014, there has been an increase in the number of workers under 30 years of age (from 13.3% in 2014 to 14.6% in 2015) or over 50 years of age (18.6% compared to 17% in 2014).

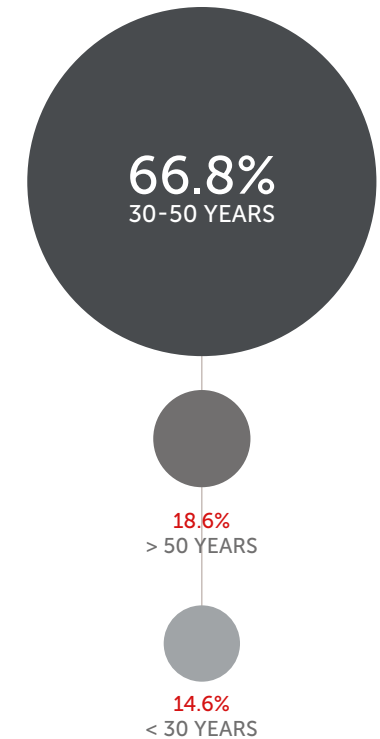


As of December 2015, illycaffè, in Italy, had 20 people with staff leasing contracts (35% of whom are women) and 3 with project contracts, all of whom are men. Moreover, there were 6 active internships involving students from educational institutes and the local university.

**EMPLOYEES PER
GEOGRAPHIC AREA
AS OF DEC. 31, 2015**



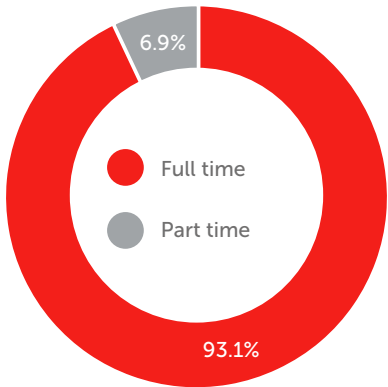
**EMPLOYEES PER
AGE GROUP**



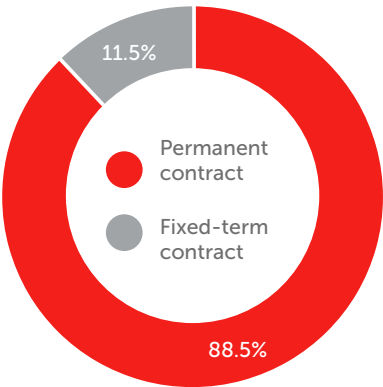
Geographical distribution of the personnel in 2015 presents a picture very close to the one of 2014. About 60.5% of the personnel is employed in the Italian companies of illycaffè (62% in 2014), while 20.6% of the personnel is employed in other companies with headquarters in Europe. The rest of the personnel is distributed between North America (10.5%), Asia (5.4%) and South America (3%).

As of December 31, 2015, illycaffè personnel with permanent contracts (or similar, in keeping with the contract models used in the various countries in which illycaffè operates) represents 88.5% of the total. Part-time contracts were given only in 6.9% of the cases (compared to 5.5% in 2014) and was most frequently requested by women (85.7% of the cases).

FULL TIME EMPLOYEES
(2015)



PERMANENT EMPLOYEES
(2015)

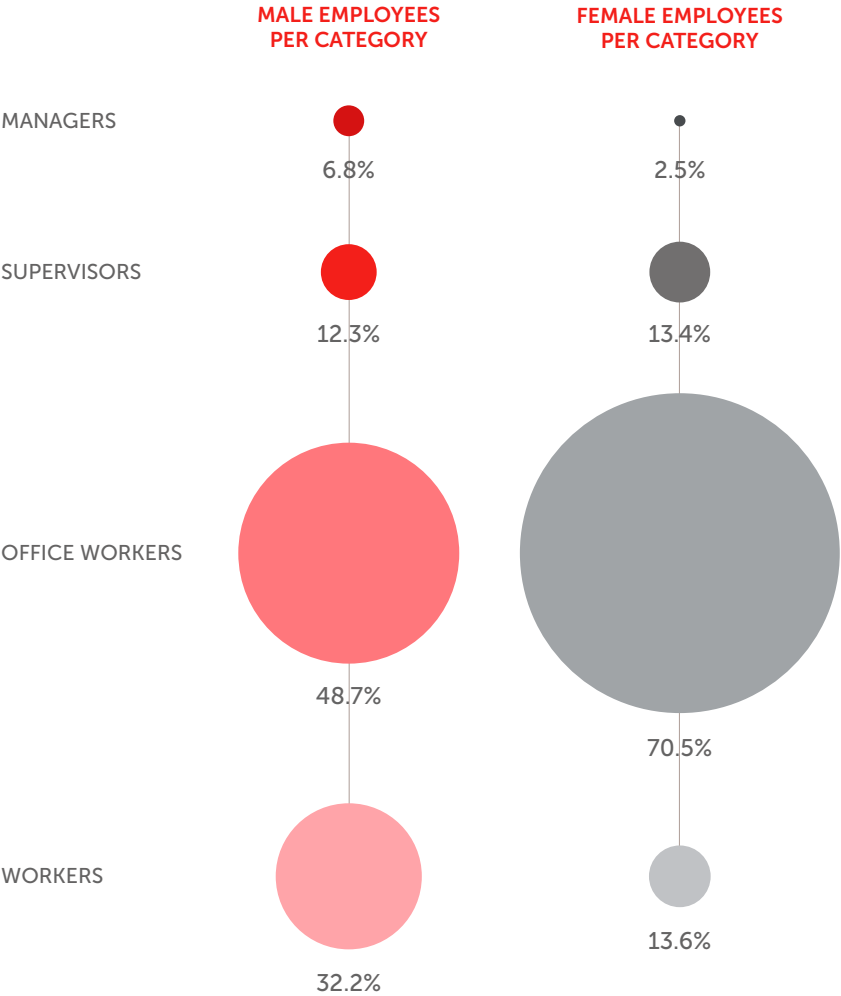


illycaffè recognizes the merit of its employees, as envisaged by the Ethical Code, and offers its collaborators work opportunities based on their professional competencies and productivity. In terms of remuneration, the regulations applied are the same as those of the national contracting framework and laws in force in the different countries in which the company operates.

The ratio between the average annual gross remuneration (base salary as defined by CCNL, increased by the steps of seniority, contingency, bonus and/or benefits, compensation for overtime, payment in lieu of leave not taken, etc.) received from women employees in **Italy** and the RAL average

received by men is 0.85 for employees, 0.92 for managers and 0.91 for workers. This ratio was calculated by dividing the total sum of received RAL received by women by the total RAL received by men, for each category of employees.

34% of managers and supervisors at Illycaffè Italia are women.



The **turnover** rate in 2015, calculated as the ratio between people leaving the company during the year and the total workforce staff at the end of the period is equal to 5.72%. Instead, the **rate of personnel hired** in the period is 11.75%, equal to the ratio between people hired during the year and the total workforce staff at the end of the period. This number is in keeping with the increase in the number of occupied personnel compared to the previous year.

Hirings and termination of contracts did not vary in the case of male and female employees
Employees belonging to protected categories are: 22 for the parent company in Italy, 10 of whom are women and 12 of whom are men: they represent 3.20% of the total illycaffè workforce in Italy (stable compared to 2014).

	N. HIRINGS		N. TERMINATIONS		RATE HIRINGS*		RATE TERMINATIONS*	
	2014	2015	2014	2015	2014	2015	2014	2015
Men	60	46	30	24	10.45%	12.07%	5.23%	6.30%
<30 years	20	17	6	1				
30-50	39	27	20	16				
>50 years	1	2	4	7				
Donne	45	32	25	14	10.27%	11.30%	5.71%	4.95%
<30 years	28	15	10	1				
30-50	17	17	14	7				
>50 years	0	0	1	6				
Total	105	78	55	38	10.38%	11.75%	5.43%	5.72%



■ 2.4.3 Training and development of personnel

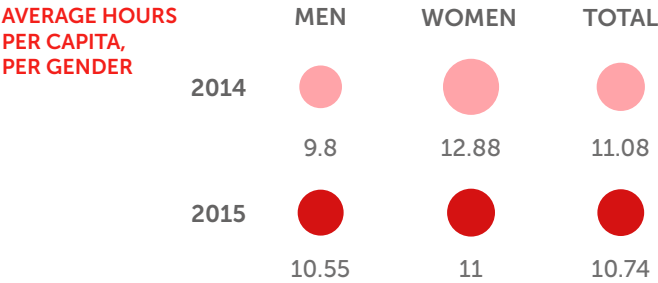
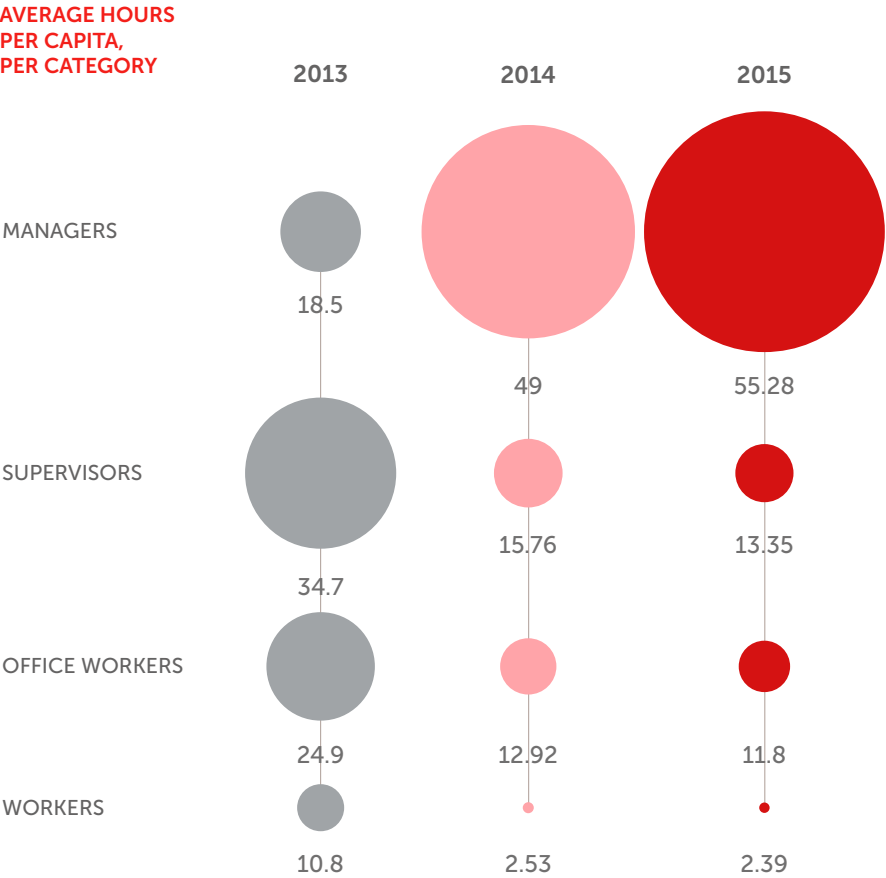
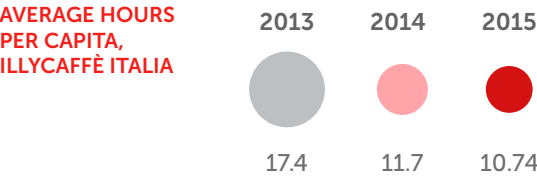
People are the company’s core of interest and the fundamental component at the basis of its strategy of evolution and growth. The hiring system fosters the personal development of employees for the positions that may become available. Training collaborators is of vital importance for professional improvement; it is an important lever supporting the development process adopted in the company’s strategic plan and the development of individuals, because people are the protagonists in the success story of illycaffè. Through specific educational programs, illycaffè aims to make its collaborators:

- Business partners: supporting the company in its main corporate project initiatives, in achieving objectives, in developing competences.
- People partners: assisting the management in the development of the internal staff.
- Company partners: supporting the company in the development of an identity and a culture to create widespread leadership.

The plan’s cyclical nature affects the various professional roles in different ways. They are involved to a greater or lesser extent from year to year according to their training objectives and the work done in previous periods. The training programs are carefully created and are divided according to technical competences and behavioral competences: didactic methodologies vary according to the type of course. For years now, illycaffè has cooperated with the best schools of corporate training, such as SDA Bocconi in Milan, MIB in Trieste, the London School of Economics, the il Sole 24 Ore training program, Infinity and others.

Through the illycitizen program, all the company functions have participated actively via themed workshops on improving customer relations and customer service, and on developing the company values. The project has enabled us to establish improvement plans that will be monitored during 2016. Sessions have also taken place in the other European companies (Austria and the Netherlands).

In 2015, the average number of training hours per capita totaled 10.74, with similar levels also on the basis of gender (10.44 for men and 11.00 for women).





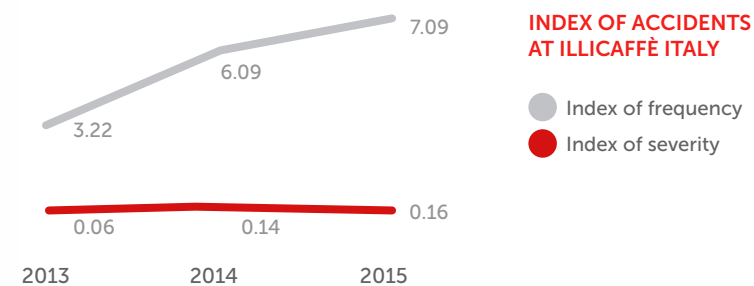
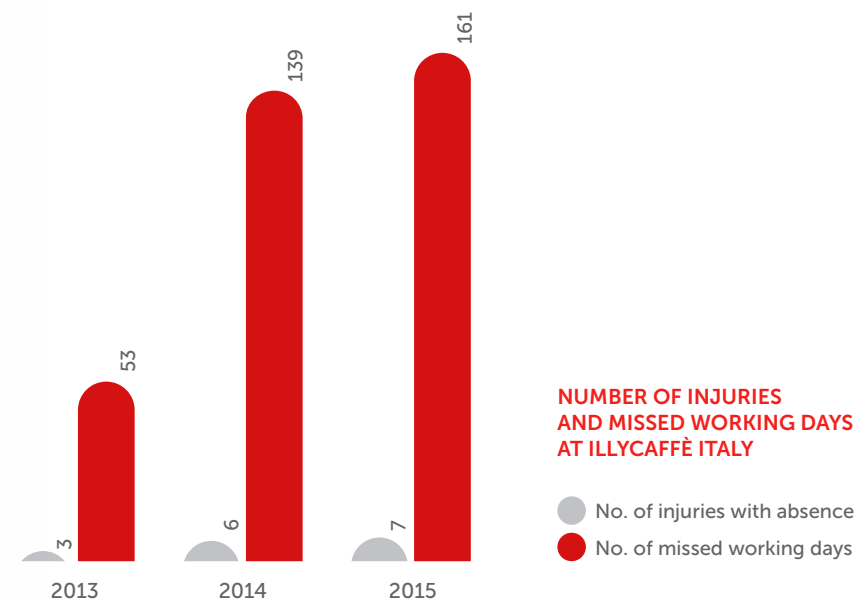
■ ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES

At the global level, in countries outside Italy, associated companies conduct various training activities, mainly focused on technical and commercial thematic areas (to develop selling capacities, client management capabilities and customer care service), on organizational topics and on information technology issues. Over 100 employees participated in these activities in 2015.

In the **United States**, specific initiatives were conducted regarding communications, time management, developing coaching abilities for managers, and Italian language and culture. In **Spain**, through the Università del Caffè, theoretical and practical training courses were organized to enhance participants' knowledge of coffee and to offer an increasingly elevated level of service.

In **Holland**, the company launched a support system for employees which includes education, training and programs fostering professional growth.

Austria, too, was involved in the illycitizen program, which develops improvement plans on the basis of client feedback.



Framework of reference: data refers to illycaffè S.p.A. in Italy. The index of frequency is 1,000,000 X the ratio of the number of accidents in a year to the hours worked.

The index of severity is 1,000 X the ratio of the number of days' absence because of accidents to the hours worked.

The culture of safety is vital to the company and illycaffè has chosen to build a shared concept of the culture of health with its collaborators, developing an awareness of risks related to work activities and promoting responsible practices. The health and safety of workers is safeguarded through preventive actions—in keeping with legal statutes—and training activities. The company develops training programs dedicated to the operational units of the production plant, with the aim to widely disseminate the culture of individual safety among workers and to share the process of risk analysis and evaluation. A first aid emergency team is always on duty at the company, able to carry out first aid and fire-prevention activities: at the end of 2015, this team numbered 30 members for the fire brigade and 27 members dedicated to the administration of first aid.

Since 2014, four semiautomatic defibrillators (DAE) have been installed on company premises; the members of the first aid team are qualified to use them and conduct drills twice a year.

In 2015, there were 7 on-the-job injuries (4 men and 3 women), for a total of 150 days of absence, and 1 commuting accident (0 days of absence). The rate of absenteeism due to on-the-job injuries equals 0.07%.

The rate of absenteeism for workers' illnesses at illycaffè in Italy equals 2.84% (calculated as hours of illness-related absence to the total of workable hours). No accidents involving personnel of outside companies working at the illycaffè plants were registered..

Risk management and risk assessment system

In order to guarantee continuous improvement in working conditions, illycaffè constantly monitors the changes in norms and regulations on safety issues. In particular, a new risk assessment regarding work-related stress, recently introduced as part of the Decree Law No.81/2008 (Consolidated Act on Occupational Health and Safety). The company complied with this obligation even before the rules in that directive became applicable. The company also implemented an internal management system which includes all those responsible for safety and security issues: a supervisor for the Prevention and Protection Services, representatives of Lavoratori per la Sicurezza ("Workers for Safety"), the medical doctor in charge, operational delegates for safety, and the employer. The company has three representatives of Lavoratori per la Sicurezza for each category of worker.

Since 2013, the procedure has been improved for reporting and detecting events related to safety: dedicated forms have been prepared for listing the main information and the corrective measures suggested. Moreover, a report is prepared on a monthly basis on the state of these reports (concluded, open or in progress). The report is forwarded to all unit managers, to the Chief Executive Officer, the Board of Vigilance 231, the Board of Statutory Auditors and representatives of Lavoratori per la Sicurezza. In 2015, 3 close calls, 2 accidents, 2 dangerous situations and 3 conditions of non-conformity were reported.

Training and prevention

At illycaffè, training plays a primary role: among all employees, men received 1.65 hours of training in safety and risk prevention and women 1.0 hours over the course of the year, whereas the personnel involved in activities at Expo received a total of 536 hours of training, which involved the participation of 67 employees. illycaffè's commitment increased the number of training hours, from 1,608 in 2014 to 1,767 in 2015, involving 443 employees.

Safety for employees of outside companies

Monitoring the safety of the workplace is also extended to the employees of outside companies: contracting companies which operate inside the illycaffè plants must follow all the norms. The company extends to all those working within its plants activities of information and awareness. The application of the Interference Risk Assessment Document (D.U.V.R.I.) calls for the rapid communication of accidents which might occur, in order to verify if the causes of the accident can be traced back to illycaffè and take appropriate action.

In 2015, illycaffè took action to further improve its relations with outside companies, also regarding health and safety: it launched the Suppliers' Portal, through which illycaffè gathers, organizes and manages in real time relevant information regarding its own suppliers, personal data, requested technical requisites, necessary professional suitability, documents to be produced, adherence to norms regarding safety, etc. Moreover, the system optimizes and computerizes the verification of access to company premises by the personnel of suppliers.

■ 2.4.5 Internal communications and company welfare policy

illycaffè pays a special attention to internal relations, in order to facilitate the cooperation among people, to enhance their sense of belonging, to improve the dissemination of the company's values and culture. At the same time, the company implements internal communication activities through the development of knowledge, cohesion, sense of belonging and value sharing, and by fostering interaction between the various internal units. Throughout the year, the encounters known as "Exchange Moments" took place to present previews of projects and products or simply to communicate news and information relevant to the company. The internal newsletter Exchange, in Italian and English, is distributed every two months to every employee working in Trieste, in Italy and at the branches abroad. The bimonthly publication, which presents company matters, is prepared by a unit of in-house editors

Since 2013, the company has had an agreement of co-shared responsibility to be signed by all illy citizens, with the objective of defining the mutual commitments of employees, managers, executives and owners, to protect the uniqueness of the brand. The agreement states the importance of working with passion, humility and a spirit of self-criticism, with an eye on the company as a whole and sharing personal opinions with honesty.

The project "Made in illy" continues: through this initiative, people working for the company share their competences and their availability to cooperate, on a voluntary basis, in the organization of celebrative events.

Internal communications activities and internal relations are integrated with the overall training program and with the industrial relations plan. Trade union membership at the company is low. The internal relations illycaffè has created over time are oriented toward maintaining correct and transparent relations with its employees, in full respect of the national collective agreements and in respect of national and international laws regulating work-related issues.

A benefits plan has been defined for all categories of employees (also in the case of part-time and fixed-term contracts), which involves financial and social compensations. These initiatives are dedicated both to improving the welfare of individuals and collaborators, as well as their families, and to fostering after-work activities and interests.

Nurseries and school books

Since 2007, the company supports employees with children, financing 33%

of the monthly tuition at selected private nurseries: in 2015, 2 nurseries were selected and a total of 15 children of employees benefitted from the company contribution.

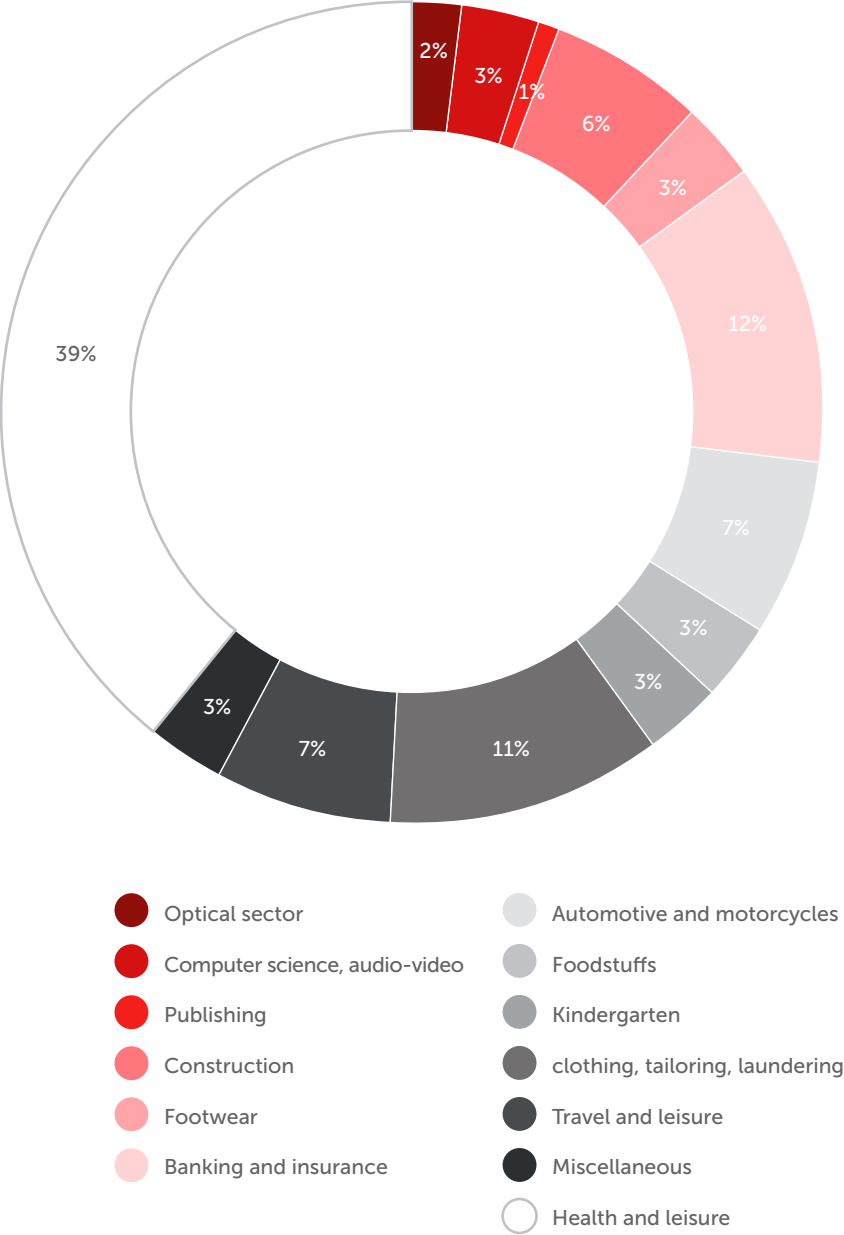
Health assistance and supplementary health policies

Since 2003, the company awards families of employees with an integrative health plan (at its sole expense). During 2015, there were 1,150 requests for health care reimbursements (830 in 2014). Regarding integrative welfare plans, the company provides a contribution which is higher than contract provisions, for a total amount of 147,000 Euros (143,000 Euros in 2014). As of December 31, 2015, a total of 345 employees subscribed to the pension fund plan offered by the company (351 in 2014).

Cafeteria, agreements and other "time saving" services

At the Trieste headquarters, employees can use the company cafeteria (with services contracted to an external specialized company) which, in 2015 distributed 89,941 meals to employees, accounting for an increase of 5.68% compared to 2014 and without any increase in price to employees: the company, in fact, pays for 67% of each complete meal.

Always at the Trieste headquarters, illycaffè offers additional services such as an internal ATM and laundry services, contracted to a specialized external company which collects and delivers the clothing of employees and workers on a regular basis. Several initiatives in collaboration with other types of public services are also offered: access to sports facilities, theatres, shops, private medical practices, professional offices, territorial agencies. All these initiatives are carried out with the aim to contribute to the quality of life and welfare of its employees, also outside the workplace, supporting them in the protection of their health and the health of their families, offering benefits in their purchases, contributing to the overall satisfaction of their cultural interests, and, more in general, of sports and leisure activities.



■ **ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES**

Foreign companies in the group also receive employee benefits such as health insurance, company cars, special rates, free gifts, Christmas dinners and timesaving services. For example, in Spain, since 2015, employees receive 500 Euros per child, earmarked for purchasing books. In Austria, employees are given yearly passes on the public transport system.



A COFFEE
WHO INDUCES
INDIPENDENCE.

■ 2.5

Suppliers of goods and services

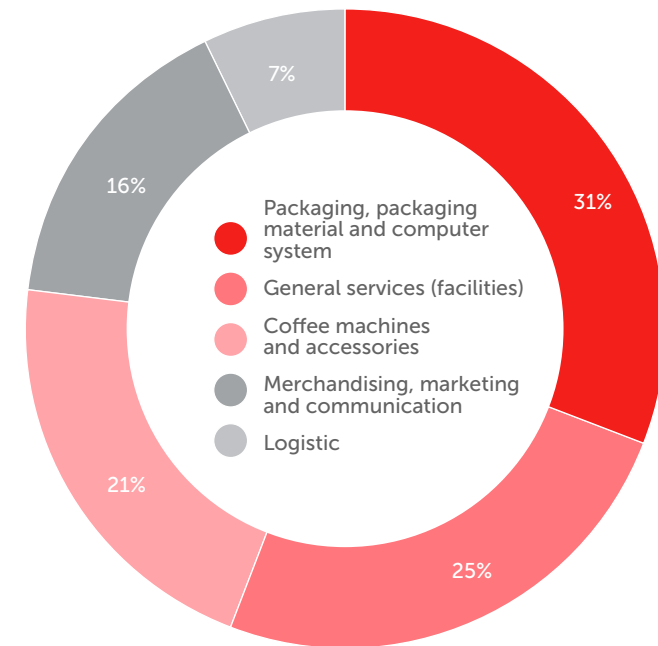
illycaffè, in respect of the value of sustainability and business ethics, maintains relationships of mutual benefit with its suppliers, which are also selected and oriented on the basis of their compliance with the company' ethical values.

As quoted in the company's Ethics Code of Conduct (art. 305), "relationships with suppliers are constantly subject to monitoring control. Among relationships are included business financial contracts and consultancy activities. The subscription and signature of contracts with suppliers has to be always based on transparency and clarity". In support of this commitment, the General Purchasing Terms and Conditions attached to Purchase Orders contain a link to the illycaffè code of ethics.

- **Safety of products – services-processes.** the first commitment of the company to stakeholders is to guarantee the long term creation of responsibility and added value, together with the achievement of qualitative excellence of products, processes and services, which have to be safe and in full respect of the most severe regulations in force. For this reason, selection and management of suppliers form the basis for a global safety..
- **Excellence of quality and wellbeing.** sustainability of business and the added value that illycaffè is able to create, depend indissolubly from excellence of quality and wellbeing that the company can deliver to stakeholders.
- **Integrity, value sharing and commercial benefit.** every single contracting supplier is mandatory requested to adopt and respect requirements included in the ethical code of illycaffè.

During 2015, illycaffè has improved the classification of its suppliers, pinpointing new categories or macro classes, for greater detail in order to obtain more precise analyses. A Supplier Accreditation Portal was launched and implemented which, according to defined criteria, qualifies suppliers before initiating any activity with them.

**TYPES OF SUPPLIERS
(% OF PURCHASE VOLUME)**



illycaffè considers suppliers of goods and/or services as strategic and/or critical when they show a particularly significant economic impact (i.e., with a sales turnover profit for illycaffè above 500,000 Euros), when they share production/distribution processes, or when they provide raw materials or services relevant to the overall business of the company. Considering only the economic parameter, in 2015, once again, there were 27 illycaffè suppliers with sales volumes above 500,000 Euros.

In 2015, the company continued its project involving the supply chain of non-green coffee; on the basis of its Strategic Purchasing Plan, the company adopted a Supplier Management System with strategic suppliers to define and manage its own supply chain during the various phases of selection, evaluation, classification, development and risk management sourcing. Thanks to a new purchasing procedure, the company has introduced standardized methodologies for the selection of suppliers and the evaluation of calls for tenders for indirect materials, services, investments, raw materials and finished products: 60% of the decision matrix is based on technical information and 40% on economic information.

In 2015, the selection process for suppliers was monitored according to environmental risk, turnover, uniqueness, historical and strategic criteria. Starting in 2016, when possible, new selection criteria will be introduced involving sustainability and energy. In particular, the **Sourcing Risk Management** project is in the process of definition; its goal is to map, on the basis of precise criteria, the supply/supplier risks (including those relative to the environment, health and safety, social & ethics, compliance, innovation, etc.) and to pinpoint corrective measures in order to reduce these risks to a minimum, if not eliminate them. The objective is to complete the mapping of the supply/supplier risks by the end of 2016, in order to begin implementing the corrective measures the following year.

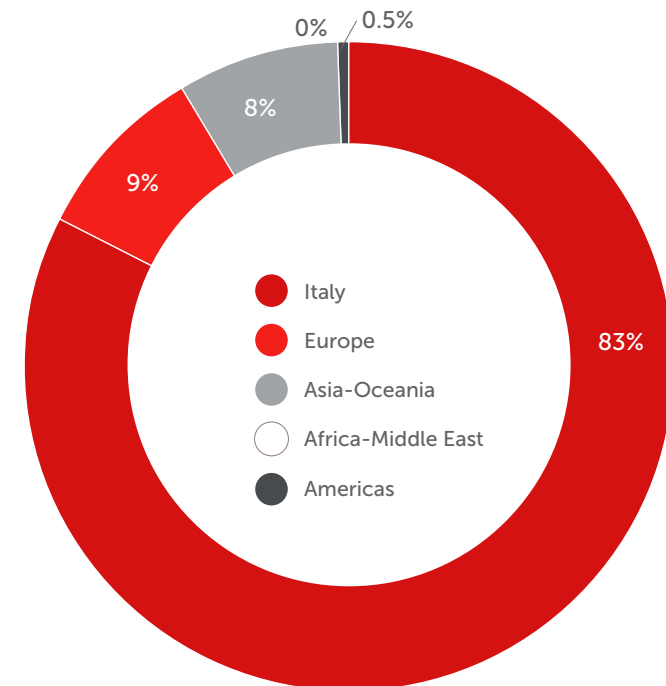
In 2015, the process continued to optimize and standardize the general supply system (with the exclusion of green coffee providers, which still are under a separate management). The new process aims to introduce improvements in the company's Procurement Division, to obtain a more centralized and organic work system. Moreover, a new and gradual evaluation process for the revision of suppliers has been also initiated,

based on a vendor evaluation strategy. Strategic and/or critical suppliers will be classified through a structured, scoring methodology (vendor rating), permitting the measurement of performance in purchases. On the basis of the results of this rating, suppliers will be evaluated by the Procurement Division in conjunction with the Quality Assurance Division, to identify areas of improvement and design a more detailed intervention plan.

No new major suppliers were acquired in 2015 and thus, no new suppliers were evaluating according to criteria regarding the environment, work practices, human rights, and impact on society.

The analysis of the mapping per geographical distribution of the main suppliers for non-coffee procurement, reveals that 82.5% of sales turnover is produced in Italy. This information confirms the trend of the company, oriented to national providers; 9% of total turnover is generated by suppliers headquartered in other European countries, while 8% in Asia-Oceania. Roughly 0.5% of purchases come from the Americas.

PROVENANCE OF SUPPLIERS (% PURCHASE VOLUME)



■ 2.6

illycaffè and communities

Highlights

Several projects for the promotion and development of initiatives with high social impact in coffee producing countries

illycaffè operates in full respect of human rights of the community of producers through a commitment presently certified by the Responsible Supply Chain Process.

430,000 Euros donated by the parent company in Italy to contribute to activities of social utility in 2015 and 355,000 Euros contributed by associated companies; 512,000 Euros donated by foreign companies in donations, sponsorships, in-kind and other activities for the community.

illycaffè supports the community of artists through its participation in national and international events and by directly promoting cultural and artistic projects.

■ 2.6.1 Company citizenship

illycaffè holds direct responsible relationships with communities involved along the value chain of its products, paying special attention to benefits generated by this mutual interaction. Environmental protection represents a fundamental value in all corporate activities. The production plant was constructed, and is constantly updated, in full respect of the local territory and the surrounding community. With the local authorities, illycaffè promoted the creation of the Coffee District in the province of Trieste, allowing the creation of opportunities of growth for the whole industrial sector, both at the national and the international level. In the recruitment of competences and skills, the company refers to local and regional resources whenever possible.

The attention for rural communities can be seen especially in the training provided locally and in the partnerships with local institutions to create projects offering significant social benefits. Activities of knowledge sharing are carried out by the Università del Caffè, or by specialized agronomists and technicians working in the company, to enable producers to grow

coffee with higher levels of quality and hence to receive prices higher than the market standards, once the objectives of quality excellence have been achieved.

illycaffè communication channels are also activated through contemporary art. Over the years, the company has started a dialogue focused on the dissemination of art, aesthetics and culture with communities of artists and creative designers, personally creating events and initiatives and offering opportunities of expression to many young artists. Lastly, illycaffè's strong connection with communities is demonstrated by its support of local initiatives and projects and by its strong commitment to Human Rights, which is reflected in its total respect of individuals, at all levels and in every environment.

■ 2.6.2 Support to local communities and institutional relationships

illycaffè in Italy



IT'S ALWAYS THE RIGHT
TIME FOR TAKING CARE
OF PEOPLE.

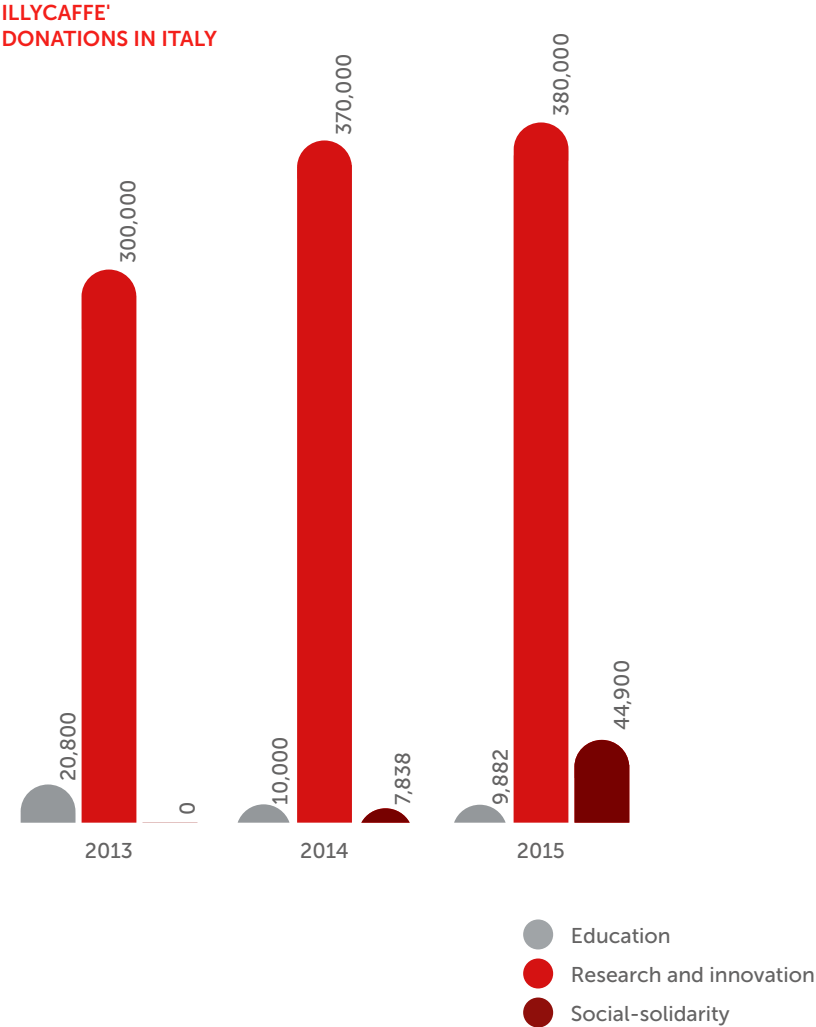
Concerning “social investments,” besides strategic collaborations with the communities of the coffee producing countries, the various companies of the Group strive to create value and benefits for the communities in which they operate. A long-term vision of the company envisages investments in welfare and solidarity, education and scientific research. In 2015, taking into account only data collected for the parent company (illycaffè S.p.A.), a total amount of 430,000 Euros of investments in these sectors was donated. Funding from other companies abroad amounted in the same year to 512,000 Euros and include donations, sponsorships and the value of services rendered in-kind, as well as other types of activities.

Research and innovation initiatives supported by illycaffè in Italy are mainly funded by the activities of the Ernesto Illy Foundation. In education and culture, illy contributes to institutions and training centers and to other associations, whereas social-solidarity initiatives are financed through donations to NGOs and non-profit associations. In many cases, illycaffè sustains solidarity activities through direct in-kind donations of illy products: for example, during the 2011 flood in Liguria or on the occasion of the earthquake in the Emilia-Romagna region in 2012.

At local level, the company supports two important cultural institutions: the Giuseppe Verdi opera theatre, which is the main theatre in Trieste, and Politeama Rosetti, the public theatre in the Friuli Venezia Giulia region.

illycaffè also fosters voluntary activities on behalf of employees, who launch charitable actions aiming to collect funds to contribute to social initiatives.

On a continuous basis and in the proximity of annual festivities, illycaffè contributes with in-kind donations to the collection of products for several charity institutions operating in the territory, which support cafeterias for indigent people and charitable contributions of food.



■ ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES

The Group's foreign companies have also conducted various initiatives:

In **Spain**, illycaffè supports the Food Bank, Circulo Bellas Artes, Guggenheim Museum, Palau de la Musica, Teatro Liceu, Reina Sofia, MACBA and donated 135,000 Euros in 2015.

In **France**, it contributes to a business school specialized in teaching economics specialized in the Ho.Re.Ca sector.

In **Holland**, every year it supports the Roparun and Kika foundations, specialized in cancer research and in Austria it sponsors "life ball," an event to gather funds for the fight against AIDS.

In **North America**, many community projects were conducted in 2015 revolving around healthy lifestyles, film and art, fund-raising campaigns, seminars and a company volunteer day in collaboration with the "Clean the World" foundation. Overall, in 2015 illycaffè North America offered over 370 thousand Euros in donations, in-kind initiatives and funding for numerous activities, including the series of seminars entitled "The Coffee Talk" at the USA pavilion at Expo. The seminars featured numerous experts from the Università del Caffè discussing topics relative to the world of coffee and supporting the pavilion's exhibit on food scarcity and nutrition.

Institutional relationships

illycaffè's relationships with national and supranational institutions are based on an absolute transparency and clarity and governed by precise norms of behavior, as determined by the Corporate Ethical Code.

Its relationships with the Public Administration "must be inspired by strict observance of the applicable laws, regulations and norms and cannot in any way compromise the integrity or the reputation of the company" (point 3.8 of the Corporate Ethical Code).

In this framework and in keeping with this approach, illycaffè collaborates with all types of institutions to develop and implement norms and agreements relevant to the coffee sector. In order to guarantee an adequate comprehension of the activities carried out and of the interests represented by the parties, institutional subjects are involved in the dissemination of information concerning the activities organized by illycaffè; the projects which impact the territory; the most important research and innovation initiatives; and economic, environmental and social sustainability key factors. The company's goal is also to activate the interest of its stakeholders of reference; for this reason, the institutional dialogue is enhanced with projects and initiatives conducted in collaboration with the institutions to promote and support thematic areas of shared interest (see: Ernesto Illy Foundation, initiatives carried out in the coffee supply chain).



illycaffè is a member of several associations and institutions at the national and international level, with the aim to contribute to the dissemination of quality, innovation, coffee culture and, more in general, sustainability:

- ASIC - International Coffee Science Association
- ISIC - Institute for Scientific Information on Coffee
- Comitato Italiano Caffè
- Associazione Caffè Trieste
- FOUNDATION FOR THE GLOBAL COMPACT
- TRIESTE COFFEE CLUSTER - Consorzio Promozione Caffè
- A.D.A.C.I. - Associazione Italiana di Management degli Approvvigionamenti
- AIIPA - Associazione Italiana Industrie Prodotti Alimentari
- ASSOKNOWLEDGE - Associazione Italiana dell'Education e del Knowledge del sistema di Confindustria
- CENTROMARCA
- CONSORZIO SVILUPPO-TUTELA
- EIRMA - European Industrial Research Management Association
- INDICAM Istituto di Centromarca per la lotta alla contraffazione
- ISTITUTO ITALIANO IMBALLAGGIO
- ISTITUTO PER I VALORI d'IMPRESA
- UPA - Utenti Pubblicità Associati
- World Economic Forum
- Altagamma
- Confindustria
- Federalimentare
- Confimprese

Foreign companies of the group are also members of representative associations, both regional and national, chambers of commerce, federations of the sector and of the district.

Trieste coffee cluster

illycaffè is actively involved in the coffee industry in Trieste province, which is officially recognised by the Friuli Venezia Giulia region as an economic player and a force for growth in the province and its region as a whole.

Trieste Coffee Cluster S.r.l. (TCC) is the company which gathers together all the players in the coffee sector; it was created to valorize the excellence of the products and services and to promote joint initiatives and projects to stimulate innovation and growth.

Founded in 1994 from an idea of the Industrial Association and from the contribution of other enterprises working in the sector, the original name of the company was Qualicaf Trieste S.r.l. In 2008, the TCC strengthened its corporate structure with the addition of new public and private partners, obtaining the recognition "Agency for the Development of the Coffee Industrial District (Agenzia per lo Sviluppo del Distretto Industriale del caffè - ASDI) on behalf of the Friuli Venezia Giulia Region.

International community

The company pays constant attention to the local communities in which it operates, establishing long-term and durable relations based on a careful survey of actual need, on dialogue and on active involvement within a framework of a continuous improvement

The link between the growth of communities and the quality of coffee is indivisible: over the past twenty years, the company has adopted a selection and training system of the best coffee growers, based on the know-how it has acquired in eighty years of activity in the sector. The main goal is to obtain the best possible product, directly from the source.

In order to address the needs of coffee communities, illycaffè creates partnerships and maintains relations with important institutions at the worldwide level and supports communities in which coffee is cultivated. Over the years, the company has constructed schools, donated resources and created basic infrastructures to help coffee plantations, in Ethiopia, for example. illycaffè also contributed to the creation of a primary school and a secondary school in Sisota (in the region of Sidamo), an area near one of the country's main coffee washing stations. The initiative contributed to the substantial improvement of the educational system of the region and guaranteed continued education for students under 14 years of age.

In 2015, an agreement was signed between illycaffè, the Ernesto Illy Foundation and the United Nations Industrial Development Organization (Unido), under the aegis of the Ethiopian Minister of Industry, Mebrathu Meles, and Luca Zelioli, head of the General Administrative Office of the Italian Ministry for Foreign Affairs and International Cooperation. The objective is to increase Ethiopia's coffee quality and production capability, and to permit small farmers to boost their earnings, fostering local economic growth and obtaining international recognition.

The UNIDO project "Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnership" aims to achieve its development and business objectives in a sustainable manner, using the best technologies to produce and market Ethiopian coffee throughout the world.

Small Ethiopian farmers and cooperatives will be offered the possibility to adopt the best agronomical practices to improve their technical competence and production. Moreover, it will introduce efficient models of sustainable development, including the "Illy Responsible Supply Chain Process Certification," which will be used as a reference point to reinforce Ethiopian suppliers.

This new partnership is integrated in the Programme for Country Partnership for Ethiopia, a UNIDO program to foster progress in Ethiopia, in order to make it a country with a sustainable income by 2025.

Always in 2015, a declaration of intent was signed between illycaffè' and SENA (Servicio Nacional de Aprendizaje), the Colombian public institution, to create international cooperation in order to transfer knowledge and good practices in the production and preparation of coffee, creating benefits both for producers and for consumers. Officializing the accord in Bogotá were Matteo Renzi, Italy's Prime Minister; the Vice President of the Republic of Colombia, German Vargas Lleras; the President and CEO of illycaffè, Andrea Illy; and the General Manager of SENA, Alfonso Prada Gil.

Over time, the company has maintained a stable and durable dialogue with different government organizations, institutions, category associations, research institutions and universities related to the coffee supply chain and operating in the various producers countries at the national and international level.

COUNTRY	INSTITUTION
Brazil	CECAFÉ – Conselho dos Exportadores de Café do Brasil Embrapa – Empresa Brasileira de Pesquisa Agropecuária Universidade São Paulo Universidade Federal de Viçosa Instituto Terra Funarbe - Fundação Arthur Bernardes
Colombia	Federación Nacional de Cafeteros de Colombia Fundación Natura
Guatemala	Anacafé Gobierno del Guatemala
El Salvador	Consejo Salvadoreño del Café
Ethiopia	Ethiopian Coffee Exporters Association
India	Coffee Board of India
Tanzania	Coffee Board of Tanzania
China	Institute of Tropical and Subtropical Cash Crops (ITSCC)
International	ICO - International Coffee Organization From 2012 to March 2016, Andrea Illy was the Chairman of the Promotion and Market Development Committee UNIDO - United Nations Industrial Development Organization WB – World Bank ASIC - Association for Science and Information on Coffee ICTP - International Centre for Theoretical Physics SAI - Sustainable Agriculture Initiative platform SCAA - Specialty Coffee Association of America ISIC – Institute for Scientific Information on Coffee

■ 2.6.3 Art, aesthetics and culture

Today, after more than twenty years of activities in and support of the contemporary arts, illycaffè can be defined a competent and active player in the field, having supported dozens of well-known and emerging artists and giving them with visibility.

The objective is to disseminate and substantiate a culture of research and pursuit of beauty, combined with beautiful and well-made products, in partnerships with institutions such as the Visual Arts section of the Biennale di Venezia (of which illycaffè has been a partner since 2003), the Triennale of Milan and Expo 2015.

The desire to offer an authentic experience has prompted illycaffè to create Galleria illy, the event for visitors to enjoy a full cultural immersion in the brand. We have also created online communities, with the illywords blog and the website illysustainart.org, for example, a haven for intellectuals, artists and brand aficionados.

illy Art Collection

A tangible example of the company's commitment to contemporary art is the illy Art Collection, initiated in 1992, the series of coffee cups crafted by established designers and emerging talents. Proceeds from the sale of the collections is reinvested in the art world to support projects and institutions that give visibility to young artists.

In 2015, the second series of Expo cups was released, inspired by the theme of Expo Milano 2015, "Feeding the planet, energy for life." The four artists, Felipe Arturo, Wanja Kimani, Marcelo Moscheta and Ernesto Bautista, from Colombia, El Salvador, Ethiopia and Brazil, respectively, were selected by the curators of the illy sustainArt project.

Mended Cups is the new illy Art Collection designed by Yoko Ono and presented at the MoMa in New York. The six cups in the collection recount tragic events in contemporary history: each saucer features the place and the date of the event and the words "Riparato nel 2015" ("Repaired in 2015"). The seventh cup of the collection, Unbroken Cup, is intact, without any cracks or repairs, and its saucer carries a message of peace and hope through Yoko Ono's words: "This cup will never be broken as it will be under

your protection."

illy SustainArt

The initiative illy SustainArt started in 2007, with the aim to offer to the international community of artists an opportunity to attract visibility and communication, with special attention to artists from developing countries, in part through the digital platform illysustainart.org. Initially only a monetary prize, since 2012 it has also offered a 3-month residency at the Bevilacqua La Masa Foundation in Venice, during which the artist takes courses, visits art studios and attends conventions organized by the Foundation. At the end of the residency, the artist is offered the possibility to present the works created during the three months in a dedicated exhibition. At the end of 2014, the initiative screened and evaluated a total of 383 artists from 32 countries, including 352 artists and 31 curators. In 2015, the residency was won by Felipe Arturo, a Colombian artist and architect who proposed an experimental documentary inspired by Huerequeque.

A small section of the world

A winner at the 47th Key Awards for best original sound track and at the Cristal Festival for best documentary in the Branded Entertainment & Content category, "A Small Section of the World" is a documentary produced by illycaffè in 2014 and directed by Lesley Chilcott. The film tells the story of a group of courageous women in a remote farming region of Costa Rica who sparked a true revolution in the coffee growing world. After the men of the village left their families in search of work, the women of the community of Asomobi, with the help of illycaffè, were able to transform their small section of the world into one of prosperity and sustainability. The song "The Morning" was co-written with Carlos "Tapado" Vargas and sung by Alanis Morissette. The collaboration helps support company projects encouraging the education of the women in communities where coffee is farmed.

illyartlab @ La Triennale di Milano

illy Coffee Surfing - Share a Dream

On the occasion of Milan's Salone del Mobile, the illyartlab space at the Triennale featured the famous Italian photographer Gabriele Galimberti, who has collaborated with illy since 2013 on the project Coffee Surfing, which, in a snapshot, captures the expressiveness of visitors intent on living their dream, inspired by the aroma and the taste of a cup of illy coffee.

Sustainable Connections

Sustainable Connections is an exhibit which brings together the works by eight artists who were invited by illy to interpret the two collections of coffee cups for Expo Milano 2015. The artists are Adán Vallecillo (Honduras), Elias Sime (Ethiopia), Esteban Piedra León (Costa Rica), Naufus Ramirez-Figueroa (Guatemala), Felipe Arturo (Colombia), Ernesto Bautista (El Salvador), Wanja Kimani (Ethiopia) and Marcelo Moscheta (Brazil) and they all come from coffee-producing countries. Their works and various artistic methods stimulate dialogue about the meaning of sustainability in their lands of origin and reflect new frontiers of creativity.

The Biennale di Venezia and the Bevilacqua La Masa Foundation

In 2015, illycaffè was once again a sponsor of the International Art Exposition (56th edition). Always in Venice, at the prestigious Piazza San Marco headquarters of the Bevilacqua La Masa Foundation, illycaffè inaugurated the exhibit **"Scent of a Dream", a journey in the world of coffee** with photographs by Sebastião Salgado, creating a bridge between Venice and the concurrent Expo 2015, where the images by the great Brazilian photographer are exhibited in large format inside the Coffee Cluster.

The project is the **largest reportage** ever made about the **world of coffee**, a **photographic journey** through the coffee producing countries, based on the value shared by illy and the coffee producers: **sustainable development**.

illy also confirmed its support of the **IILA (Istituto Italo-Latino Americano)**, an international organization invited by the Biennale to organize the Latin American Pavilion.

The Taste of a City, Trieste Capital of Coffee

In 2015, illycaffè was one of the promoters of **The Taste of a City, Trieste Capital of Coffee**, an innovative multimedia exhibit set up in Trieste's Salone degli Incanti. The exhibit is a geographical and thematic extension of Expo and the Coffee Cluster and recounts Trieste through its role as a Capital of Coffee: history, economics, tradition, customs, entrepreneurial fabric.

illycaffè and editorial projects

Andrea Illy's book **Il Sogno del Caffè** was published in 2015. From the origins of the discovery of coffee to the ways coffee can stimulate creativity, this book recounts every aspect of one of the most popular beverages in the world. The book is an extraordinary and positive message about what passion and the hard work behind a product of excellence can express in terms of beauty, pleasure, respect and innovation.

The theatrical production "Caffè," by Laura Curino

The theatrical production "Caffè," written by and starring Laura Curino, created for illycaffè in 2008 on the occasion of the 75th anniversary of the company and performed for the first time at Galleria illy Trieste, is now available on video.



■ 2.7

Human rights

The concrete engagement of illycaffè in respect of human rights has been translated over the years in several initiatives, such as:

- Endorsement of the principles stated by the ILO – International Labour Organization: illycaffè purchases goods and services only in countries subscribing ILO standards regarding the minimum age prescribed for minors, 14 or older.
- Application and explicit reference to respect of the Ethical Code, which includes strict clauses on upholding Human Rights in the procurement processes and contracts. Several sections and rules included in the Code and relevant to the respect of Human Rights are also applied along the whole supply chain. A dedicated Supervisory Body has been created to control and monitor potential violations of the correct application of the Ethical Code
- A constant monitoring of coffee suppliers is carried out in order to ensure full respect of the relevant national labor laws, through the certification issued in the Responsible Supply Chain Process. The RSCP prescribes the active control and management of all the potential violations on norms

relevant to child labor and forced labor, trade union rights, overtime rates, health and safety, equal opportunities and gender diversity management, and equal remuneration for men and women. The certification envisages that, during audit verifications, auditors can access the registries of agro-food companies and can carry out direct inspections at facilities allocated to workers and evaluate their equipment, in order to verify respect of the national regulating framework in labor matters. This point represents the minimum requirement companies must comply with in order to be included among illy suppliers. Suppliers not in line with this requirement and which do not comply with the national regulations are reported on a “black list” and must adapt their requirements in order to re-enter the supply chain of the company. A periodical plan of audits (set up by illycaffè) is also carried out on other suppliers of the company supply chain (especially for non-EU countries): the plan includes the verification of supply conditions and the monitoring and evaluation of social issues.

- The formulation of the Sustainability Manifesto.
- Participation in the Global Compact initiative, since 2012.

Through these measures, the company promotes a responsible code of behavior, in full respect of Human Rights with all stakeholders. Moreover, it confirms its strong commitment to the monitoring of any discriminatory actions against employees and suppliers through the dedicated Supervisory Body. Thanks in part to the correct application of these measures, no violations of Human Rights in company procedures and behaviors were reported.



■ ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES

Foreign companies of the group apply the relevant national regulations, the international conventions on Human Rights and adopt the corporate policy of illycaffè, with the internal dissemination of the Corporate Code of Ethics, the periodical distribution of manuals and regulatory frameworks and also through the realization of dedicated training activities.



SEED:S

Social
Environmental
Economic
Development
Sustainability



environmental value

■ 3.1

Recommencing with the future, starting from the present

Highlights

1

operative agreement signed with the Ministry of the Environment for the analysis and evaluation of the climate impact of the coffee sector

1/2 l/kg

the machinery for processing coffee used by illycaffè consumes less than half a liter of water per kilo of parchment coffee produced

475 tons

In 2015, the photovoltaic systems installed on the rooftop of illycaffè plants and in plants of contracting companies generated 893,708 kWh, with a reduction of 475 tons of CO₂ equivalent

The environmental protection policies adopted by the company have been formulated to embrace the whole coffee production process: from the heart of plantations, through the endorsement and promotion of responsible behavior contributing to preserve the ecosystem, up to the creation of sustainable products, addressing issues of quality and with the lowest possible environmental impact.

This approach makes illycaffè a company which innovates, competes at the global level and bases its activities on sustainability: a strategy focused on the future and adopted in the present.





■ BENEFITS AND SUSTAINABLE VALUE PRODUCED BY ILLYCAFFÈ FOR STAKEHOLDERS:

- **Customers and consumers:** enjoy products that are natural, traceable (-> link to Sustainable Supply Chain) and respect the environment.
- **Employees:** enjoy a safe and pleasant working environment, and are involved in training activities regarding environmental topics to develop virtuous attitudes (-> link to illycaffè People).
- **Coffee producers:** illycaffè shares and promotes farming practices which respect the ecosystem, and teaches sustainable farming methods and responsible behavior. It fosters the dissemination of environmental respect and biodiversity (-> link to Sustainable Supply Chain>Certification).
- **Nature:** coffee is the fruit of an environment which is healthy, respected and protected, sustainable right from the start thanks to the care and aware use of resources (-> link to Communities of Producing Countries)
- **Communities:** productive sites are ecologically advanced plants managed within a framework of continuous improvement and causing no risk to the nearby communities (-> link to Systems of Environmental Management).

Environmental commitment is of crucial importance to illycaffè: on the one hand, it manages the direct impact of the organization on the ecosystem and, on the other, the company contributes to sustainable development through the promotion and dissemination of values and proper actions, from farm to cup..

Thanks to this awareness, the company implemented an environmental management system aiming to foster the maintenance of sites which respect the environment and are certified. illycaffè has invested huge sums in order to minimize the direct impact of its production processes, in terms of energy efficiency and the sustainable management of waste.

One method illycaffè has developed to comply with the objectives defined in the European Protocol 20-20-20 (commitment to reduce CO₂ emissions) is to design new packaging with a lower environmental impact and to introduce eco-efficient innovations in the production process.

The company promotes sustainable agricultural methods at green-coffee producers while not losing sight of the economic dimension to production, the quality of the product and farming techniques which are compatible with environmental conservation and food safety, in part by minimizing the use of synthetic compounds. The responsibility the company feels toward the environment and future generations has been translated into the objectives for improvement it has set itself and which it has committed itself to maintaining and communicating in the future.



■ 3.2

Environmental commitment

Since 2003, illycaffè has implemented an Environmental Management System (EMS), certified in compliance with ISO 14001 and has also obtained the Eco-Management Audit Scheme certification. In order to develop and implement an effective system to address this objective, the company carried out an internal analysis which highlighted the most significant impacts and the most critical aspects of the whole productive site, later defining the procedures for management, control, prevention and improvement, subsequently inserted in the EMS.

Plants and production processes

The company guarantees environmentally friendly and certified industrial plants for the territory and the relevant community. Two production sites are based in Trieste: coffee is processed exclusively at the site located on Via Flavia and the majority of the direct impact is produced at this site, while the impact from the Distripark storage facilities is related more to activities of storage and logistical warehousing. Neither site is located in protected areas or in areas with high biodiversity.

INSTRUMENTS AND CERTIFICATIONS FOR ENVIRONMENTAL MANAGEMENT

- **Environmental Policy and Environmental Declaration:** brings together the strategy and detailed activities undertaken by the company, including the dissemination of training programs explaining and actuating environmental policies and objectives, at every level of the organization.
- **Life Cycle Assessment:** illycaffè uses the latest version of the software SIMAPRO 8.3 to calculate and reduce the environmental impact of its production processes. LCA is a support tool for decision-making right from the planning stage, and whose goal is to create new products and packaging.
- **Single Environmental Authorization (in Italian, AUA):** in 2015, illycaffè obtained a single environmental authorization instituted by presidential decree 13/039/2013 no. 59, which substitutes the various environmental qualifications (atmospheric emissions, waste water discharges, acoustic impact, etc.) which previously had been individually requested and obtained. This instrument simplifies administrative bureaucracy and responds to the dual need to guarantee environmental safeguarding and reduce bureaucratic obligations on the part of the operators..
- **ISO 50001 certification "Energy management systems":** in December 2015, the company received the certification by following a systemic approach to energy efficiency.



The energy required during the processing phases is almost exclusively provided by electricity or natural gas: for this reason, the company has adopted specific solutions to reduce its energy consumption and make waste management more efficient.

The Monitoring and Measurement Plan, backed up by the environmental compliance calendar, has certified that the company met its obligations under environmental laws and regulations once again in 2015.

Foreign companies of the group are in charge of the commercialization of products: their activity is mainly based on administrative duties. Nevertheless, besides the activities programmed and managed by the Trieste headquarters, illycaffè also conducts other activities with associated foreign companies in order to obtain benefits from the careful management of energy resources, and of responsible waste management and use of materials. The planning and execution of these initiatives are organized directly by each single country, with the aim to identify the best solutions for the local context of reference (environmental regulations, best practices in the sector and market sensitivities).

The overall expenses incurred by the parent company in 2015 to sustain activities for environmental protection totaled 559.6 thousand Euros, divided into the following items:

EXPENSES OF THE ILLYCAFFÈ PARENT COMPANY	2014	2015
Waste treatment and disposal, including electronic waste	391.7 thousand Euros	489.4 thousand Euros
Contract of external services for environmental management	28 thousand Euros	9 thousand Euros
External audit and certification of environmental management systems	10.7 thousand Euros	7.3 thousand Euros
Environmental development	15.5 thousand Euros	30 thousand Euros
Other	25.4 thousand Euros	23.9 thousand Euros

*In Trieste, illycaffè S.p.A. includes the production plant at Via Flavia 110, the logistics pole at Via Malaspina 32 (both with environmental certifications) and a third site at Via Caboto 19, where a few marginal production activities are conducted, dealing with the design and quality control of the coffee machines. The environmental declaration EMAS describes the activities, environmental aspects, management system, objectives and environmental improvement programs relative to the certificates. Nonetheless, the environmental management system continuously monitors and archives the data of all three sites with regard to consumption and waste management.

■ **ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES**

In **Holland**, numerous initiatives were launched to foster sustainable practices among employees, for example, electronic invoices, recycling and centralized printing to reduce the amount of paper used.

In **France**, too, sustainable practices are encouraged by the company: the promotion of using public transport as often as possible instead of private vehicles; use of videoconference facilities whenever possible to avoid travel; proper use of electric devices and the automatic shut-off function when not in use (computers, printers, coffee machines, lights, etc.) Furthermore, in 2014, illycaffè FraBeLux moved its premises to a new site known as BBC – Batiment Basse Consommation – a building with a low environmental impact which thus reduced energy consumption.

In **Spain**, recycling system was fine-tuned with special attention to the use of electric devices, machinery and lighting

■ **BOX – METHODOLOGICAL NOTE:
ENVIRONMENTAL CONSUMPTION PERIMETER**

The quantitative environmental data presented in this section refers to illycaffè S.p.A. since the impact of the other companies in the group can be considered less material. In fact, besides the nature of the activities conducted by the other companies (administrative duties):

- most of the environmental impact is tied to productive activities, all located in Trieste, in the parent company’s plant;
- 68% of the company employees worldwide are employed by the parent company

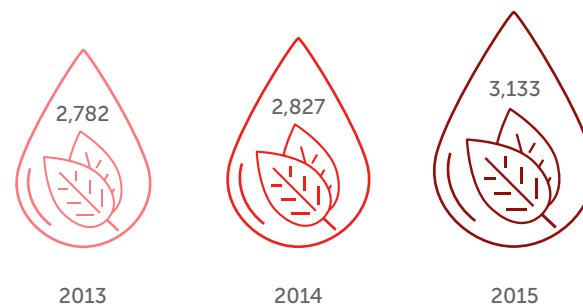
Where specified in the text, the company provides examples of good environmental practices adopted by the other companies in order to best report projects and solutions of environmental importance.

■ 3.3

Atmospheric emissions

illycaffè subscribed a voluntary agreement with the Ministry of the Environment to calculate and report its Carbon Footprint as part of a project developed with the Polytechnic University of Milan on the topic "ISO 14040 coffee – methods to prepare Italian espresso." The project's goal is to measure the environmental impact by studying the LCA of the product in order to concretely follow up its commitment to reduce emissions.

EMISSIONS AT THE PRODUCTION SITES IN ITALY PLANTS AT VIA FLAVIA-CABOTO, TRIESTE



Natural gas (Scope 1): direct emissions (from combustion in plants and fixed machineries) of significant greenhouse gasses (ton)*

*Coefficient from the inventory of CO₂ emissions. National Inventory UNFCCCtCO₂/Un = 1.956 – oxidation coefficient = 1.

Thanks to electrical energy supplies entirely from renewable sources, illycaffè has eliminated CO₂ emissions linked to this energy source.

Moreover, projects to improve energy efficiency and energy production from renewable sources allow illycaffè to avoid emitting into the atmosphere every year:

- 260 tons of CO₂ derived from roasting chimneys: the impact of heat recovery has been functioning since January 2012. In 2015, the energy recovered and utilized equaled 1,011 MWh.
- 475 tons of CO₂: the Distripark photovoltaic system has been connected to the power grid since July 1, 2011. In 2015, it produced 893,708 kWh (amounts transmitted to GSE). The coefficient used is 505.36 grams CO₂ per kWh of electricity consumed (report source: ISPRA, the institute for environmental protection and research).

The new Single Environmental Authorization allows illycaffè to create seven new chimneys to control the particulates deriving from the transportation of the roasted coffee. The need to create new sampling points aims to reinforce control over the particulate.

After coming into effect and its implementation, the new Legislation 2010/75/UE regarding industrial emissions introduced new control parameters, including NOx (nitrogen oxide and TOC (Total Organic Carbon) for roasting chimneys. At least once a year, illycaffè will have to measure, under extremely challenging working conditions, the emissions deriving from the installations and transmit the results to the Province of Trieste, to ARPA FVG, to ASS n1 Triestina and to the Municipality of Trieste. The emission limit values are 350 mg/Nmc per NOx and 50 mg/Nmc per TOC, limits authorized by the Friuli-Venezia-Giulia Region.

CAFÉ DE COSTA RICA
OUR LOT 210042
OUR LOT 1-047
TRIESTE
5-145 0133

OUR LOT
TRIESTE
5-145 0133

AGROMERCADEO
EL DIAMANTE

AGROMERCADEO
EL DIAMANTE

WE ARE AS GREENER
AS THE ENVIRONMENT.

3.4

Raw materials

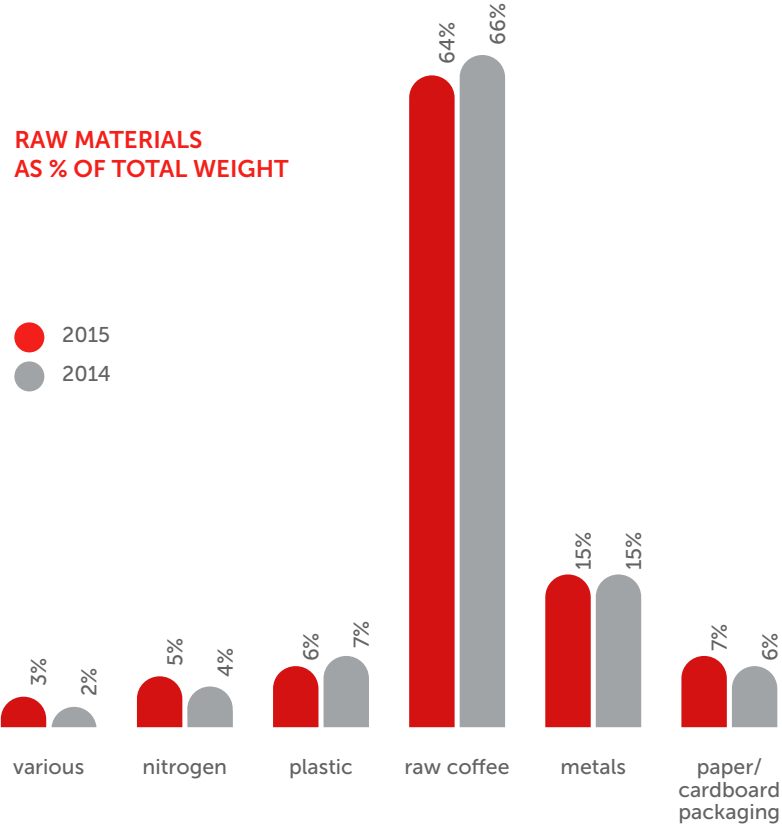
illycaffè's main raw material is raw green coffee. Every year, illycaffè buys hundreds of thousands of Arabica coffee sacks from producers in Latin America, Africa and Southeast Asia. The company is aware that the production of the raw material plays an important role in the indirect environmental impact of its activities and monitors the phases of the raw materials, from the plantations to the transport.

Besides the green coffee, the company considers of relevant importance the use of materials for product packaging (plastic and metal) and nitrogen. Less conspicuous, from the point of view of its effect on the overall estimate, is the use of other materials, such as: oils, solvents, ink, chemical products, wood, jute sacks, carbon dioxide, paper and paper board (different from packaging). Paper and cardboard, jute sacks and wood for packaging primarily come from recycled material.

ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES

A number of initiatives were launched to promote the reduction of raw materials and the use of eco-compatible materials at the headquarters of foreign companies of the group. For example, Brazil encourages its employees to continuously reduce the raw materials used and to correctly recycle the waste produced. In France, in addition to a special campaign launched to reduce printed paper, a bottle made with recycled plastic has been distributed to employees to avoid the use of disposable cups. In Holland the use of paper has been reduced, both through the implementation of electronic invoices and through centralized printers.

RAW MATERIALS AS % OF TOTAL WEIGHT



■ 3.5

Energy management

In Italy, illycaffè voluntarily introduced the professional profile of the Energy Manager, who is responsible for the coordination and monitoring activities of the energy system in the relevant area. These duties include optimal management of the available energy, verifying consumption and promoting actions which lead to improved energetic performance.

The energy required in the various production phases is obtained through the use of sources such as electricity and methane, while the fleet of company cars depends on gasoline and diesel fuel. Regarding electrical energy, thanks to initiatives to increase efficiency introduced in recent years, the increase in consumption was limited to 3.9%. In 2015, at the three sites in Trieste, total consumption of **electrical energy** equaled 42,112,800 MJ (+3.9% compared to 2014), entirely attested by suitable guarantees of origin for all the collecting points located in Trieste. The company does not deliver externally the electricity produced in-house.

Methane gas is involved in the roasting phase of coffee beans and the increase beyond the proportional quota to roasted coffee is due to the company's decision to favor the quality of the finished product. Also, the increase of the offering and the introduction on the market of so-called Caffè Extra Scuro, a product that needs to be roasted longer, has helped to boost consumption, contributed to the increase in energy consumption. This is why achieving the objective of a 20% reduction in methane consumption will be maintained but deferred past the year 2020, which had been initially forecast. 92% of the methane is used in the roasting phase, 6% for heating and the production of hot water, while the remaining 2% is used to prepare meals in the company canteen.

In 2015, consumption totaled MJ 62,477,090 (+10.8% compared to 2014) at the plants on Via Flavia and Via Caboto, whereas the logistics pole on Via Malaspina does not use methane. The reduced consumption of methane gas for heating and the production of domestic hot water are residual with reference to days when the roasting plant is not in use on weekends and holidays, since the heat recovery system of the roasting chimneys satisfies the sites' needs. The machinery does not use fossil fuel sources.

With reference to the fleet of company cars, in 2015, 278,821 liters of fuel (gasoline and diesel fuel) were consumed, for a total of 3,485,263 kilometers driven (with an average consumption per diesel vehicle of 8 liters/100km). It is estimated that the emissions in terms of CO₂ equivalent equaled 544 tons.

In 2015, the initiatives continued to improve energy efficiency, together with better usage of the available resources (building automation, optimization of existing heat recovery systems, refrigeration units based on absorption from heat recovery, property casings, etc.) A global increase in roasted coffee, with respect to the 6.7% of 2014 (+11% compared to 2013) has led to a 3.9% increase in the consumption of electrical energy and a 10.8% increase in the use of methane gas.

ENERGY CONSUMPTION WITHIN THE COMPANY – PRIMARY ENERGY FACTORS	2013	2014	2015
Consumption of methane (non-renewable)	55,344,423	56,377,681	62,477,090
Electricity consumption MJ (100% declared from renewable sources)	38,854,800	40,518,000	42,112,800
Total energy consumption (MJ)	94,199,223	96,895,681	104,589,890
Indicator of energy consumption per ton of roasted coffee	5.70	5.63	5.69

Conversion factor 1Kwh=0.0036GJ; 1000 mc Methane = 39.01 GJ – Source Global Reporting Initiative, 3.1, indicator EN3



Initiatives regarding energy efficiency and renewable energy

In 2015, the plant to recover energy from chilled water and the plant to recover hot air from the compressor room went into service. Cooling energy is created during the phase when nitrogen, an inert gas used in product packaging, passes from the liquid to the gaseous state. This applied technology recovered roughly 40 kWh of energy.

Moreover, in 2015 further energy consumptions savings for cooling and conditioning were obtained thanks to the project involving the efficiency of the casings, both for production/manufacturing and for services.

Regarding the **production of renewable energy**, the level of efficiency of the 1 MW photovoltaic plant, with an extension of 11,000 square meters on the rooftop of the Distripark logistics pole on Via Malaspina in Trieste, remains constant. illycaffè does not own the plant, but has rented a portion of the surface of the plant to a third party, with the objective to contribute to the development of renewable energy. The plant has been connected to the distribution power grid since July 1, 2011 and as of December 31, 2015 it has produced a total of 4,184,926 kWh (data transmitted to the local Electrical Service Provider - ESP). In 2015, the energy produced avoided atmospheric emissions totaling 475t (Source: Ministry for the Environment 2012 – 0.531 Kg/kWh).

■ ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES

Our foreign companies, too, are achieving the group's objectives to reduce energy consumption.

For example, in France, the illycaffè headquarters have been transferred to a new building with greater energy efficiency and lower consumption.

In Holland, timers have been installed to automatically regulate the heating and the office lights to reduce energy consumption.

■ 3.6

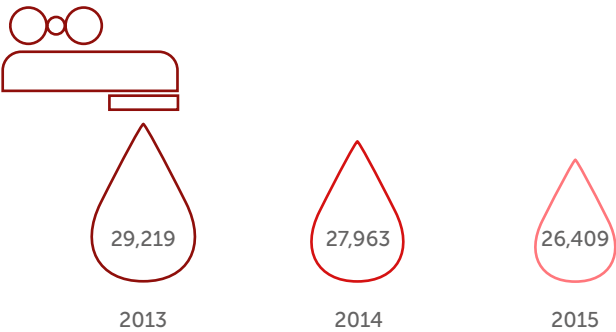
Water management

At the production facilities, water is mainly used for the irrigation of green areas, for sanitation purposes, for drinking water, for fire-fighting purposes, and to carry out organoleptic tests. Only a minor portion of the overall water consumption is employed within the production cycle in the industrial plants (to test cans). All the water used in the industrial premises of Trieste is delivered from the municipal waterworks, and no water is recycled and/or reused; all the used water is disposed into the public sewer system, in compliance with the law.

For the Via Flavia production site, the water drawn is measured by a dedicated meter inside the plant. The total amount of water drawn from the mains is 26,409m3 (-5% on 2014). The amount of water disposed of to sewerage is estimated based on the consumption figures for 2015 as 22,448 m3.

These results are to be integrated with the data illycaffè receives from the coffee growers, who have increased their awareness of practices which can lower the amount of water used to wash the harvested coffee (cf. Paragraph 3.10)

WATER DRAWN - PRODUCTION FACILITIES ON VIA FLAVIA



Volume of water delivered from the waterworks - (Source: water meter readings).



■ 3.7

Waste management

At the production facility and the logistics pole in Trieste, waste management is controlled at every phase: administrative, production and post-production, including transportation and disposal of waste. All these activities comply with current legislation and the Environmental Management System.

The company implemented several initiatives to optimize waste management, such as: the sorting of different types of waste, the deployment of dedicated recycling bins at the plants and offices, and dedicated training courses for the personnel. In 2015, illycaffè was able to recover 99.5% of the produced waste, with an increase of 2,196,321 kg compared to 2014, due to the increased production of roasted coffee. 92.1% of this amount is considered special waste, or rather, waste obtained from production activities and production yields. 0.04% of the total amount of waste is considered hazardous waste and is disposed of according to law, in Italy.

2015		
WASTE DISPOSED OF AT THE FACILITIES IN TRIESTE – IT (KG)	DANGEROUS	NOT DANGEROUS
Sent to disposal	170	11,250
Sent to be recovered (recycled, composted, energy recovery, etc.)	7,362	2,177,359
TOTAL	7,532	2,189,362

In base alle informazioni fornite dal fornitore del servizio di smaltimento rifiuti;

The amount of municipal solid waste produced in 2015 is equal to 7.9% of the total amount of waste produced, and represents the 8.6% of the special waste. The company was able to obtain an advantage by adopting an efficient differentiated collection system: through the sale of some types of recyclable waste such as metals, copper scraps and tin-plate, 133,366.00 Euros were earned. Moreover, illycaffè neither imports nor exports dangerous waste materials and no significant spills occurred during 2015.

Production byproducts

illycaffè's prototype department has designed a process to separate the capsules, which are part of the byproducts in coffee production, and to recover them after the percolation phase. This activity not only reduces the amount of capsules destined for disposal but also separates the various components to be then directed toward their relevant sector of disposal. The plastic is sent to manufacture polypropylene sheets for cellular plastics, filling material and other industrial packaging; the coffee is sent to be composted.

illycaffè has reduced the byproducts from its production facilities thanks to improvements carried out in the last two years and to a decrease in paper consumption due to IT systems, with a 12% reduction in consumption respect to 2014.

■ ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES

All the foreign branches of the company are actively committed to waste recycling: in Spain, a recycling system has been launched; in France, collection points have been installed for recycling old batteries. In Brazil, Holland and North America, too, waste is sorted, paper is recycled and less paper is used at meetings and in communications.

■ 3.8

Product disposal and recyclable packaging

illycaffè designs and implements solutions to dispose of products in the most environmentally efficient manner possible, using an approach based on:

- **REDUCE:** the design phase, which adopts technology to optimise the quality of the coffee, takes into consideration primary and secondary packaging that weighs as little as possible, has a low consumption and, wherever possible, is made from recycled or recyclable materials that are environmentally friendly for their entire life cycle.
- **RE-USE:** for secondary packaging, the company favors purchasing recycled materials, which on average makes up 80% of the paper and cardboard purchased and 100% of the pallets used.
- **RECYCLE:** recyclable packaging made with non-composite (metal or plastic) materials is preferred.

illycaffè uses eco-compatible solutions for the packaging of its own products: it uses tinplate to package its cans (3 kilos, 250 grams) and polypropylene for the Ipso capsules, all of which are recyclable. In 2015, we began welding our 3-kilo can by seaming, to enhance quality, reduce costs, and lessen the environmental impact compared to the previous 3-kilo soldered can.

For secondary packaging, the company favors purchasing recycled material, which on average represents 80% of the paper and cardboard; 100% of the pallets are reused.

Innovations in packaging introduced by illycaffè include:

- **Refilly.** manufactured and distributed since 2014, Refilly is the new refill system for cans of illy's ground coffee blend for the home, studied to reduce its environmental impact. The refill fits inside the 250-gram can, which can then be closed with its original lid, preserving the quality and freshness of the coffee intact. Refilly has two patents and represents an important innovation, since it is the only 5-layer poly laminate-aluminum packaging able to maintain pressurization, which conserves the product and its aromas. Once the inner can is empty, it can be recycled with plastic, thus reducing its environmental impact.
- **Iperespresso Cube.** The packaging was created to replace the aluminium can, to reduce the packaging's environmental impact.
- **Single-serve ESE pod.** The pack was created to reduce the primary, secondary and tertiary packaging.

The Iperespresso capsules, too, respond to illycaffè's models of sustainability: since 2011, the company has been part of the AIIPA work group in the coffee sector, which includes various companies that produce plastic capsules, in order to define a shared procedure to collect and treat exhausted capsules. The same work group commissioned an LCA and LCA study from the Federico II University of Naples in order to outline an operative disposal model to test on a sample of three cities in Italy.

In Trieste, the company has continued an experimental project to collect exhausted capsules at the illyshop boutique and at a number of sales locations. "Reverse vending machines" have been installed in these locations where clients can dispose of exhausted capsules and cans, which are then disposed of. illycaffè is also experimenting various models of machines to crush the capsules and separate the plastic from the coffee. The successful collaboration with the Centro Ricerca Rifiuti Zero (Zero Trash Research Center) of the Municipality of Capannori continues, regarding coffee capsule innovations, recycling, recovery and reuse, and with universities, research centers, trade associations and precompetitive round tables to find valid alternatives, such as the use of biodegradable or eco-compatible materials.

Since January 2015, in Italy, the capsules can be recycled after the plastic packaging has been separated from the coffee. To make a concrete

contribution to the environment, illycaffè has fine-tuned the **ECO easy capsule opener**, a simple instrument which lets consumers separate the plastic of the Iperespresso capsules from the coffee, at home and with a few simple motions.

■ **ILLYCAFFÈ ABROAD: EXAMPLES OF GOOD PRACTICES**

illy North America, only for the United States, continues its “IperEspresso Capsule Recycle Program” to gather and recycle capsules with the participation of consumers. It implemented the project in 2015, broadening the reach to the Ho.Re.Ca sector. The program’s expansion has resulted in more capsules collected compared to 2014, for a total of 624,079 capsules, the equivalent of 5,653 kilos of plastic and 4,181 kilos of coffee.





MARK THE
WAY WITHOUT
SCRATCHING
THE GROUND.

■ 3.9

Green transportation and logistics

Transportation and logistics, both for inbound raw materials and other materials, and the distribution logistics of the finished products to clients are two processes which illycaffè carefully monitors, in order to keep the potential impact of the relevant emissions under control. The company is working on different fronts to evaluate the impact and study strategies for improvement, also through Life Cycle Assessment methodology.

Instead, transportation for the distribution of products is still strongly tied to combustible fossil fuels and the company has given itself the objective to monitor this aspect and evaluate innovative solutions. Regarding product distribution, illycaffè regularly controls its qualified suppliers through surveys regarding specific environmental topics, such as the consumption of resources, emissions into the atmosphere, production of waste, liquid effluents, soil contamination and noise pollution. In 2011, an evaluation of the environmental performance of a leading company in distribution logistics, to which illycaffè entrusts the delivery of a great many of its products throughout Italy, revealed that the logistics company's emissions in terms of grCO_2/Km were limited, both regarding the high frequency and capillarity of deliveries, and thanks to the use of electric vehicles (in urban centers with restricted traffic).

INBOUND LOGISTICS

Origin: Italy

In Italy, transportation is carried out mainly on the road. The incoming goods are purchased under the DAP disclosure agreement (Delivery at Place), for which illycaffè does not have control over the couriers used. One exception

is represented by the components of the capsules, which are purchased with the payment of transport included. In order to optimize the flow and the storage of products in warehouses, the company has launched the Milk Run Project, which coordinates the transport of components for coffee capsules from all its suppliers, in order to gain industrial storage volume. To date, **250 cubic meters of volume area on the industrial premises** have been obtained.

Origin: Abroad

The most significant volumes of weight in overall incoming transportation is represented by green coffee.

All incoming material is transported by sea, which has the lowest environmental impact. The selection of shipping companies on a qualitative basis allows for the identification of important suppliers of services and the involvement of outstanding players in the field of cargo shipping, which have clear policies of sustainability and are oriented to the slashing of their impact.

OUTBOUND LOGISTICS

Destination: Italia

illycaffè bears the responsibility of delivering products to customers in Italy. The total delivery service is carried out through road transport, since it is more economic and better quality than rail transport. 60% of total shipment is handled by an important logistics company, which has adopted an Integrated Policy for Quality, Environment and Safety and a Policy for Corporate Social and Ethical Responsibility. In Italy, intermediate warehouse stations optimize distribution to retailers.

Destination: Abroad

All shipments to European countries are made by road, which few exceptions (see below), while the shipments to the rest of the world are carried out through three major international vectors. Of these, the two which represent almost 90% of deliveries endorse clear and detailed policies of sustainability.

illycaffè has adopted various solutions based on intermodal transportation (carried out using various combinations of means of transportation: road/rails/road) to Norway and Greece; these two cases allow **roughly 0.1 kg $\text{CO}_2/\text{ton-Km}$ to be avoided** (WEF; 2009).

In order to **promote shipment through the use of full containers**, the company exports products with a CIF (Cost, Insurance and Freight) revenue only when the customer purchases a full container, or with FCA revenue (Free Carrier at destination, with no charge) if the customer purchases the complete vector. This option is valid in illycaffè foreign branches (France, Germany, Holland, Spain, Austria, the United States and Canada, Pacific Asian countries and Brazil) and for distributors in Sweden, the United Kingdom, Switzerland, Slovenia, Norway, Romania, Czech Republic and Denmark.



■ 3.10

Sustainable agriculture and biodiversity

illycaffè's commitment to the environment does not end with the control of the activities directly managed by the company but goes beyond, with the monitoring and improvement of performances related to the production of its raw material: green coffee.

In the production areas, illycaffè promotes the dissemination of agricultural methodologies with low environmental impact, with a direct intervention on the most impacting processes during cultivation. Moreover, the company has developed dedicated programs of incentives and recognitions for the growers who promote quality and environmental sustainability, such as the Ernesto Illy de Qualidade do café para Espresso Prize, the Clube illy do Café and the Sustainability Diploma.

Water in coffee plantations

The company provides growers with specific and useful indications on the efficient use of water, in order to avoid waste (for instance through the realization and distribution of handbooks and manuals on "water and coffee" themes), on the correct use of machineries to optimize water use, and on the goal to consume less than half a liter of water for each kilogram of green coffee obtained (generally, the amount of water involved in the process ranges from 5 to 10 liters).

Also, residual water is subject to particular attention and control: water disposed from coffee washing stations displays high charges of organic matter and need to be treated before being released into the ground water.

In 2014, illycaffè started various online training initiatives with the aim of making training and education programs more accessible to the public: these include a training course on waste water treatment-related technologies to reduce water consumption, in which 11 groups of trainees participated. Divulcation activities are carried out on a regular basis by the Università del Caffè: two seminars were organized in Brazil and three in India regarding drip irrigation techniques and fertigation. 115 producers from different parts of Minas Gerais participated and were presented with the results of research on greenhouse gas emissions. In India, the seminar was attended by 135 people from Karnataka, the main region in India for the production of Arabica coffee.

Integrated agriculture: nitrogen fertilizing and the use of chemical products

illycaffè promotes the principles of integrated agriculture, by limiting the use of chemical agents and fostering good agricultural practices, such as the use of ground cover of terrain, the reduction of soil erosion through cultivation along slopes, the reduction of soil processing to preserve soil fertility and the use of macronutrients, also through organic fertilizers. In this regard, in 2014 illycaffè promoted an analysis of the risks of coffee contamination from phytosanitary products. The results of the study were presented in March 2015 in a webinar at which 82 people participated in the classroom and 160 people in direct streaming from all over the world.

Carbon footprint

The company participates in research activities, institutional activities and precompetitive round tables for the definition of common standards to be adopted for the evaluation of carbon footprints generated by green coffee production. For example, in 2014 illycaffè was an active player in the pilot project initiative launched by the European Commission for calculating the footprint of agro-products (Product Environmental Footprint Category Rule on Coffee) and participated at the first stakeholder consultation meeting. The Coffee Working Group of the Sustainable Agriculture Initiative (SAI) Platform pinpointed the relationship between greenhouse gas emissions and the impact of green coffee.

With the aim of publishing the results of a study on the green-coffee life cycle in environmental statements, the first Product Category Rules (PCR) for green coffee worldwide were issued in late 2013 in partnership with the Dutch Sustainable Trade Initiative (IDH).

Biodiversity

Biodiversity is of crucial importance for the company: the preservation of biodiversity represents the ultimate goal in the implementation initiatives for the promotion of integrated agricultural technologies, carried out by specialized illycaffè personnel during field visits. In addition to these consultancy activities, the company implements more wide-ranging actions in order to increase awareness and disseminate information and culture on

biodiversity issues and improve natural ecosystems.

The Ernesto Illy Foundation continues to develop the reforestation project in Támara, Colombia. The aim of the project is to increase the water flow from local water sources, in order to identify a possible solution for the problem of groundwater depletion which, due to deforestation to create grazing land for animals, has progressively worsened during recent years. Reforestation activities involved 80 small producers within an area of 40 hectares. One of the online courses organized in Brazil focused on biodiversity issues, analyzing the changes brought about by the new Brazilian code for the preservation of native forests, techniques to recover the local fauna, and explained how to adapt these concepts to coffee cultivation.





SEED:S

Social
Environmental
Economic
Development
Sustainability



economic value

■ 4.1

Balancing on a coffee bean

Highlights

+9%

the added value generated and distributed on a consolidated level, compared to 2014

1,600

coffee producers have received a specific audit, according to the Responsible Supply Chain Process (through the end of 2015)



■ 4.2

Research and Innovation

Highlights

338

patents lodged, of which 281 have been granted at 31 December 2015

2.4

million Euros in research and development activities in 2015

10

papers published in international scientific journals, 4 poster communications presented and 14 lectures at important national and international scientific conferences

■ 4.2.1 **illycaffè's approach to research and innovation**

illycaffè's approach to innovation is geared to creating sustainable value for stakeholders, by offering them high-quality products, solutions and services. The commitment in this regard is engaged through continuous investments in Research and Technology Development, through relationships with strategic partners and, above all, through the professionalism and competence of the personnel working for the company.

For illycaffè, innovation means:

- experimenting in molecular biology to study the genetics of raw materials, in order to identify the coffee varieties and create coffee "gene libraries" in the ambit of product traceability;
- combining multiple disciplines: agronomy, botany, physics, mathematics, chemistry, biochemistry, biology, physiology, genetics and engineering, to achieve continuous improvement and innovation.

This scientific and technological approach, and the use of science and technology, have marked the company throughout its history, contributing to its growth and success. Of the eight radical innovative discoveries which revolutionized the world of coffee in the last century, three were invented by illycaffè:

- in 1933, **pressurisation** (the preservation system that involves replacing the air inside the packs with high-pressure inert gas) was introduced, to enhance and maintain coffee quality over time;
- in 1935, **illetta**, the forerunner of today's professional coffee machines, reinvented the espresso formula and made espresso machines a familiar presence in bars;
- in 1974, the paper **pod**, the first single-serve system, went into production, allowing espresso to be exported to countries with no professional baristas.

■ 4.2.2 Research and technological development

The illycaffè Research & Technology Development – recognized at the international level as a center of excellence – is formed by two departments for research on quality control (one in Trieste and one in São Paulo, Brazil) and by five integrated laboratories for the horizontal transfer of knowledge and in close contact with university centers:

AromaLab, ISO 17025.2005

- Founded in 1998 at the Area Science Park in Trieste
- Research on the chemistry of coffee, to pinpoint the chemical components forming the aroma, taste, texture and biological activity

SensoryLab, ISO 17025.2005 certificate

- Scientific study of the relationship between sensorial stimuli (taste and smell) and the sensations they evoke
- Union of chemistry, physics and psychology
- Uses human and non-human sensors to catalogue the range of perceived odors and flavors
- Validation of products and processes

illycaffè launched a major research project with the help of other partners to sequence the *Coffea arabica* genome. This wholly unique project has opened the way to future scientific and agribusiness developments, involving all coffee producing and consuming countries and with economic ramifications for the whole supply chain.

The all-Italian research was carried out in collaboration with Lavazza by the Universities of Padua and Trieste and the Istituto di Genomica Applicata in Udine, and was coordinated by Professor Giorgio Graziosi of DNA Analytica Srl, a "spin-off" of the University of Trieste. The Arabica genome sequencing project meant that for the first time for this species of coffee, which accounts for 70% of global coffee production, the genetic structure could be decoded,

allowing the results to be organized systematically and therefore making them available for potential agronomic and industrial applications.

The sequencing of the Arabica genome will mean that farming practices can be significantly improved and, more generally, that the productivity of coffee cultivations can be increased. For example, it will be possible to ensure that the fruits all ripen at the same time, to identify the genes that make the plants more resistant to disease and infection, and to adapt cultivations to unfavorable environments.

The laboratories employ highly specialized researchers and technicians, namely, 5 chemists, 1 molecular biologist, 3 engineers and 3 food technologists.

The company's patent portfolio, as of December 31, 2015, included 338 registered patents, 281 of which have been granted and 107 are pending, subdivided into families of patents.

BioLab

- Studies the various aspects of the biology of coffee: from genetics to varietal identification in the unity of molecular biology (in AREA Science Park), to the creation of morpho-anatomical and ultrastructural characteristics in the unity of microscopy (at central headquarters)

TechLab

- Deals with technological development in the sector of packaging and pre-measured products

FoodScienceLab

- Dedicated to food and the area of coffee-based "consumable" products

■ 4.2.3 Product innovation

When illycaffè launches an innovation in its products or systems for preparing coffee, the objective is quite clear: to improve the degree of satisfaction of its consumers. This is translated into interventions on functionality, aesthetics, design, materials, comfort, pleasantness and the quality of the raw materials.

The main innovations in 2015

Extra Scura roasting

During the process of roasting, the substances are formed which create the patrimony of the blend's flavor and aromas. The degree of roasting influences the color of the coffee; it also determines the organoleptic characteristics of the beverage. illy's Extra Scura roasting is characterized by a process which follows a specially studied, thermal profile to maximize the positive aromas without creating any negative ones. The result is an extra-strong coffee with a rich, captivating aroma which maximizes the perfume of dark chocolate and toasted bread that is released.



Refilly

The innovation introduced in packaging (through an LCA study) and production processes is now fully operative: the production machinery is highly compact and verticalized, producing benefits in terms of production efficiency, as well as better control over the degasification process, which is more stabilized. Refilly is the innovative system to refill the classic 250-gram tin can, pressurized to conserve the product's fragrance over time. Inspiration for this idea came from listening to illy's consumers, and it represents an important innovation in the ground coffee sector.



Drip capsules

Capsules compatible with the lperespresso system, for preparing caffè americano. Production was begun in early 2016. The benefits of this innovation, in terms of sustainability, are:

- reduction of the plastic needed for the capsules;
- passage from the single-beverage system (espresso) to the multi-beverage system (espresso+drip);
- reduction in electricity consumption.



Regarding coffee machines, over time illycaffè has introduced a series of models to respond to the needs of its clients and consumers: the various preparation systems combine the unique illy blend with the technology of machines which have been developed ad hoc. When the company introduces a new model, it also pays attention to innovation which can safeguard the environment and which is produced using non-polluting materials, maximizing the recyclability of the components, reducing consumption and paying attention to waste. Machines now in production include the Y5 coffee machine in the USA version for drip coffee (a development of the lperespresso system with "caffè americano" capsules), the X9 machine for lperespresso capsules, and the Y5 Milk machine with "one touch" cappuccinos and hot water for making tea. The Cuisinart range of products has entered production and is sold in the USA. In 2015, the X2.2 machine was launched, a Ho.Re.Ca lperespresso machine with enhanced vapor (professional-type machine) and more reliable thermo-block technology.

■ SUSTAINABILITY OF THE COFFEE MACHINES

When designing coffee machines, careful attention is always paid to reducing energy consumption:

- Total respect of European legislation (illycaffè respects even the strictest measures).
- Improve energy efficiency.
- In complete compliance with regulations for waste disposal (WEEE) due to all materials being recyclable.



THE INNOVATIONS INTRODUCED IN RECENT YEARS

2004



IPERESPRESSO CAPSULES

The Iperespresso system combines a coffee machine to innovative capsules. The innovative extraction system is based on a special extraction chamber, for which the relevant invention is protected by 5 international patents.

2007



X2

The first professional Ho.Re.Ca. with boiler, using Iperespresso capsules.

2009



X1

second model of home machine coffee maker, made of top level performance steel.

ILLYCREMA

frozen soft ice-cream produced with espresso illy 100% Arabica coffee and ice micro-crystals, without hydrogenated fats, colorants or preservatives.

2011



X2.1

evolution of the X2 model, equipped with, with thermo-block technology and in compliance with the norms relevant to the emission of heavy metals.

Y1 TOUCH

Y1 touch, an evolution of the Y1 with soft-touch control panel and electronic management

2013



Y5

New Iperespresso home coffee machine with automatic drain, an extension of the "Y" series

X7.1

Limited edition in fluorescent colors, designed for the Christmas seasonal campaign of 2013

2015

MOKA PULCINA

Pulcina is a revolutionary moka coffeepot combining the technology developed by illycaffè with the design experience of Alessi. Thanks to the internal shape of its special boiler, Pulcina automatically stops dispensing the coffee with precision timing, thus avoiding the minor eruptions in that final stage of extraction that can leave a burnt, bitter aftertaste, and ensuring that the coffee emerges at its best, with the full rounded aroma intact.

YP1

the new professional YP1 machine, fine-tuned by illy and Cimbali for a perfect grind, espresso after espresso, thanks to Bluetooth technology which verifies the time it takes to supply the coffee and if necessary, communicates the proper correction to the Conik coffee grinder and dispenser. The technology uses 25% less electricity than the previous model.

2008



X7

the first home machine coffee maker with boiler, using Iperespresso capsules.

IDILLYUM

The first type of mono-variety coffee with a low level of natural caffeine, possessing an unique sensorial and refined scent.

ILLY ISSIMO

A ready-to drink product for the consume out of home. Without additive colorants and preservatives, illy Issimo is the result of the cooperation between illy and The Coca Cola Company and offers the possibility to enjoy the best quality coffee in the form of a chilled beverage ready to drink.

2010



X7.1

X7.1 is the evolution of the X7 model, using boiler technology in compliance with the norms relevant to the emissions of heavy metals.

Y1

home machine coffee maker using Iperespresso capsules, made of aluminum and glass, equipped with an automatic system for the expulsion of capsules. Working upon thermic control and electromechanical commands.

2012

X7.1 AND Y1.1 TOUCH

Evolution of the machines according to the ErP regulations on energy consumption

DOUBLE ADAPTER

kit for using IPSO Ho.Re.Ca capsules for professional ground coffee machines

2014



Y5 MILK, X9 E KISS

new models of the Francis Francis for illy coffee machines

REFILLY

a refill designed for lower environmental impact

SINGLE-SERVE ESE POD

for reduced primary, secondary and tertiary packaging

IPERESPRESSO CUBE

Created to replace the can and reduce the packaging's environmental impact

■ 4.3

The supply chain

illycaffè manages **the entire supply chain within the overall framework of sustainability**. This approach is certified by an independent, third party evaluator through the Responsible Supply Process, which certifies that illycaffè:

- adopts a direct approach for its purchases and traceability all the way to the producer, unless institutional barriers exist, as in the ECX market in Ethiopia, or the difficulties of an internal market like India;
- transfers knowledge to the green coffee supply chain in order to constantly improve the quality of the product;
- Guarantees a price higher than the average market price to reward producers.
- The investment for monitoring activities and specific support to the green coffee supply chain amounted to 456,950 Euros in 2015, for a total of 4.75 million Euros since 2011.

To obtain top-quality coffee, illycaffè works closely with farmers in the countries where the prized Arabica is grown. In fact, the quality doesn't only derive from a final selection, but from the awareness of every actor in the supply chain.

Over the past two decades, illycaffè has implemented a system of direct relations with its suppliers, based on three pillars:

- select and work with the best producers, in the sense of those who are willing to constantly improve;
- update their knowledge and support their motivation to create quality;
- economically reward the quality they achieve.

Thanks to this commitment, illycaffè is the first company in the world to have received, in March 2011, the "Responsible Supply Chain Process" certification, which designates a crucial role to the quality achieved and the ability to create value for all stakeholders along the entire green coffee supply chain. The company decided to undertake this commitment to introduce the most suitable management solutions and evaluation systems able to detect and properly communicate the creation of responsible value along the entire supply chain. The strategic orientation at the basis of this certification is based on principles of traceability, reciprocity and quality.

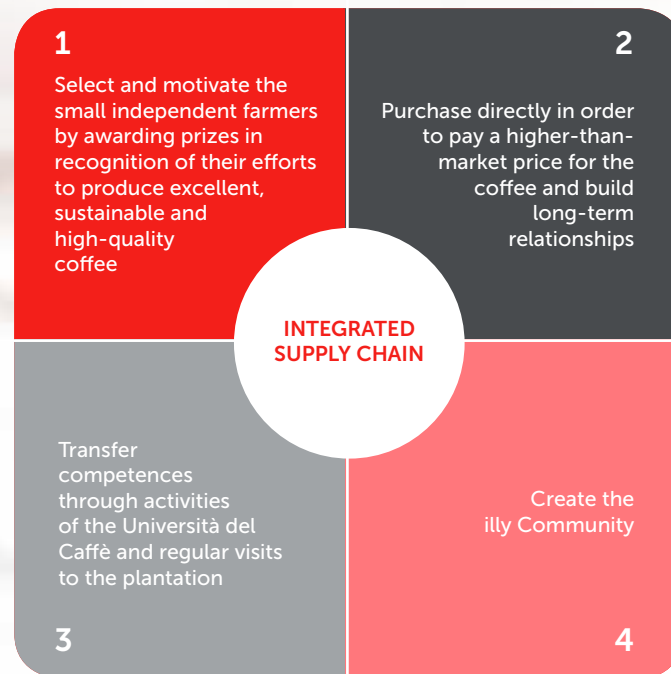
The "Responsible Supply Chain Process" certification does not involve any direct costs for coffee producers: illycaffè bears the overall expenses for certification activities and inspections, and audits at the producers' farms.

■ 4.3.1 The illycaffè model for a Sustainable Supply Chain for coffee

The green coffee supply chain is marked by various stages of complexity, from the separation of the seeds from the fruit, to the cleaning process and the selection and export of the products. illycaffè's objective is to guarantee the traceability and quality of the raw material along the entire supply chain, even in countries where primarily small producers are involved. The people involved in the supply chain are:

- **growers:** who work on small plots of land (1-2 hectares) and can conduct some preliminary processing of the harvest;
- **producers:** companies (groups, cooperatives or small and medium-sized growers) which conduct the processing of the harvested coffee, such as sorting, washing, drying.
- **exporters:** they purchase green coffee from the cooperatives, sort the coffee directly at the producers' farms and create commercial lots on the basis of their clients, dealers or roasters. They know the areas of production and the local producers and this is a guarantee of traceability and quality of the raw materials. To illycaffè, they are involved in the checks and supply chain activities, in keeping with an integrated supply chain approach.

An important role is played by **Government Agencies** (such as the Coffee Board in African countries or in India), Institutions (such as the ICO), research bodies (such as CATIE), companies supplying agricultural input which, according to the country of origin and the individual supply chains, can intervene in different phases of the supply chain, even only by influencing changes.



TRACEABLE AND GUARANTEED SUPPLY CHAIN

illycaffè indicates the traceability of the coffee we buy.

1

illycaffè only purchases from growers who guarantee high quality and sustainability, remunerating them with a premium price.

2

illycaffè passes on our know-how and the best farming practices through courses at the Università del Caffè and field visits by our agronomists and technicians.

3

illycaffè audits producers to check compliance with the required quality and sustainability standards.

4

illycaffè creates loyalty programs for its producers in order to build long-term relationships with them; Clube illy is an example.

5

■ 4.3.2 Responsible supply chain process

Since 2011, illycaffè has certified the supply chain management system adopted by the company for the supply of green coffee, with the adoption of the standard requirements defined by the "Responsible Supply Chain Process" (RSCP) developed by DNV GL, an independent certification agency. DNV GL started from the supply chain model developed by illy and integrated this model with the current and emerging guidelines relevant to sustainability and entrepreneurial responsibility, within the framework of reference standards applied in certification and accreditation procedures.

In recent years, the company has achieved its objective to construct systems, natural and social, in which people are treated with equity, dignity and respect, the environment is preserved and restored, and suppliers are compliant with rules and awarded for the quality and sustainability of their business. The strategy chosen to achieve the objectives is diversified according to the supply chain. For example, in Brazil, 74.6% of the companies have at least one process certification and the trend will clearly lead to the certification of 100% of the Brazilian companies. The RSCP is applicable to every actor in the illycaffè supply chain, not only on the level of farms.

illycaffè's certification system is in line with the main international standards governing child labor, forced labor, fair wages, trade unions, multinational companies, and pollutants.

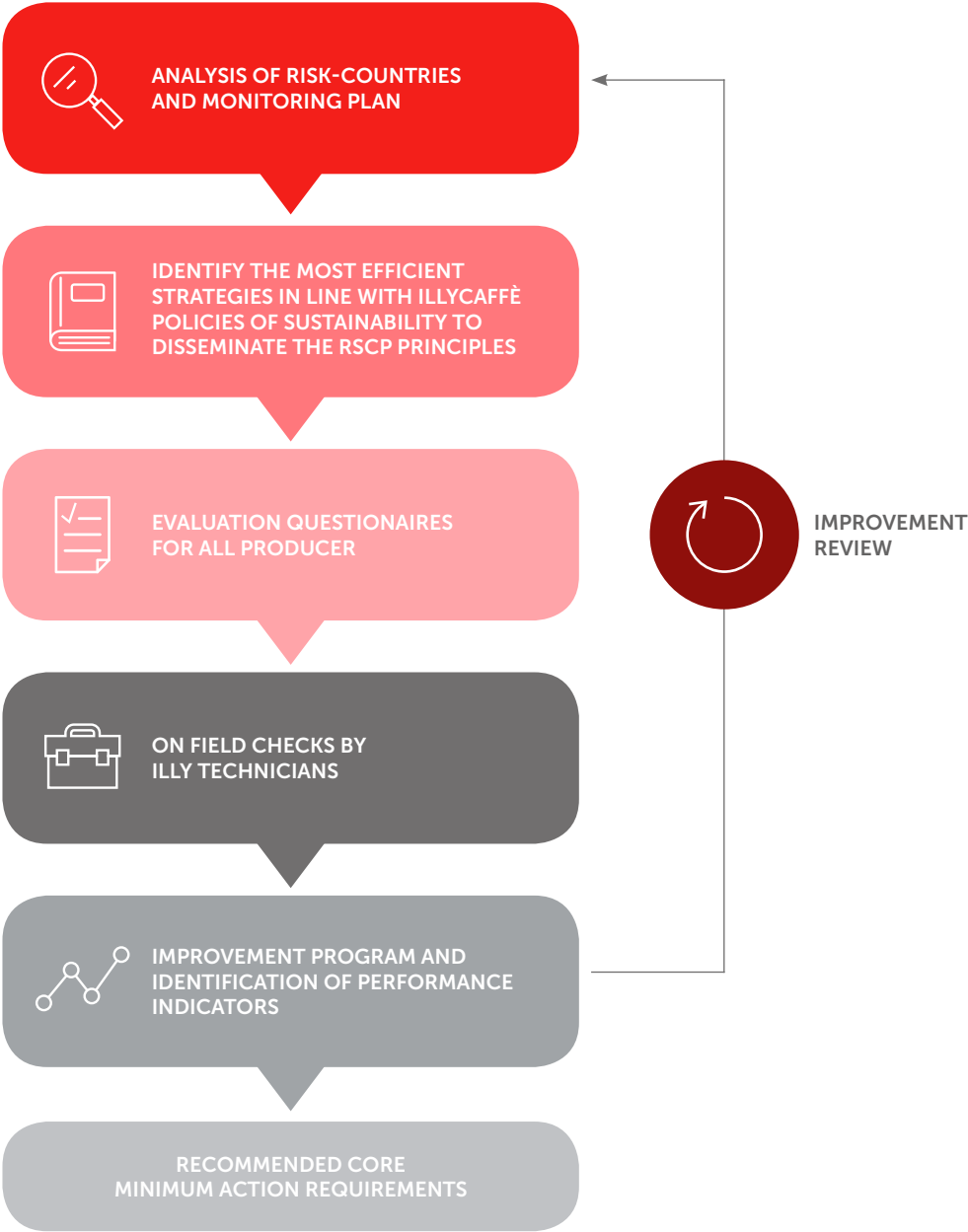
The standard applied to the supply chain of green coffee implies a strict monitoring of all suppliers on behalf of the company, in addition to a continuous control of compliance with the minimum requirements of working conditions (fundamental requirements in order to maintain relations with the company). Standard requirements are based on the monitoring of the following areas:

AREA	REQUIREMENTS
ENVIRONMENT	<ul style="list-style-type: none"> • Use of soil • Water withdrawal • Quality of water • Impacts on local community • Biodiversity
CONDITIONS	<ul style="list-style-type: none"> • Agricultural Technologies applied • Equipment used in the production phase • Working conditions • Risk of accident or injuries • Capacities and competencies of workers
PRODUCTS	<ul style="list-style-type: none"> • Use of pesticides and chemical products • Agricultural Technologies applied • Equipment used in the production phase and working conditions • Hygiene



IT'S ALWAYS
A SUPPLY
CHAIN MATTER.

The procedure followed by illycaffè to monitor the supply chain and identify improvement actions to share with producers is summarized in the following table:



Since the end of 2013, illycaffè has formulated a document dedicated to risk assessment through the analysis of the following risks: environmental risks, business ethics risks, employment risks and product risks, with an evaluation of risks carried out in each country and within the company supply chain. This analysis lets the company improve the effectiveness and efficiency of its monitoring activities, in particular regarding the points on which it must concentrate its future actions.

Improving the analysis system per country and supplier has brought widespread problems to light. The true problem shifts to the actions, which in order to be effective must work on those actors who can truly effectuate change.

Control activities and periodical inspections are part of the process, with the aim to improve the performance parameters of the company's supply chain. These parameters can be summarized as follows:

- Minimum actions requirements: the minimum number of requirements providers must respect, non-compliance results in the temporary exclusion of the provider
- Key Performance Indicator: describe the supply chain of the company and are divided into:
 - Core KPI: requirements which go beyond existing minimum legal requirements, but are of crucial importance to the company;
 - Recommended KPI: requirements which are not mandatory by law but highly enabling.

KPIs are important for illycaffè for the evaluation of its performance in relation to the supply chains. On the basis of the findings, the company creates more specific objectives and identifies the most appropriate actions (training activities, in particular) according to the KPIs/targets identified.

illycaffè periodically reviews and reformulates the KPIs, in line with changes in the reference territories, which are generally gradual and can only be observed in the middle- to long-term.

Evaluation of the supply chain

Monitoring and evaluation of suppliers are crucial activities for illycaffè: on the basis of the requirements included in the Responsible Supply Chain Process, which include among others, environmental issues, and aspects relevant to human, social and labor rights, the company identifies new programs and initiatives to broaden the culture of sustainability and the quality of the supply chains involved.

Special attention is paid to the weakest link of the green coffee chain, which with few exceptions is represented by the farmers. In 2015, 126 field checks to producers and 6 to *beneficios secos* have been conducted. That equates to over 14,000 hectares covered. Origins have been monitored in India, Brazil, Costa Rica, Colombia, Honduras and Nicaragua (in decreasing order of number of visits). The farmers are sampled based on illycaffè's risk assessments (at country, supply-chain and organization level), on the volumes purchased, and on the outcomes of previous monitoring cycles. Since the beginning of the program, more than 1,600 producers have been directly visited and controlled. After years of controls, the realities of certain countries like Brazil is well-known and thus, a KPI isn't so much the number of producers controlled, as the study of how to bring value to a supply chain which is already mature.

From 2010 to 2015, through direct actions (training courses) and indirect actions (organization of or participation in conferences) over 6,000 participants have been reached by illycaffè. In view of illycaffè's strong commitment to implement a chain of sustainable suppliers, 100% of the purchases made from first and second level suppliers (exporters, cooperatives and associations) is in compliance with the company's procurement policies. Regarding third-level suppliers, the farmers, it is estimated that 91.6% of them respect the Responsible Supply Chain Process requisites.

Considering the volume of purchases, following the monitoring of the farmers, illycaffè created specific initiatives to prevent risks of sustainability: 8.4% non-compliances were found, concerning violations of environment and labor laws, mostly due to registries not being kept or being filled out incorrectly.

Updating the monitoring system

The monitoring system for the evaluation of suppliers is constantly subject to revision and improvement, in order to properly cope with the increase in purchases in Latin America and Africa, where the production supply chain is more fragmented and where small coffee growers contribute with minimum quotas to create shared commercial lots, which cannot be determined a priori.

In places where the offer of raw materials is highly fragmented, knowledge of the territory comes through controlling 100% of the second-level suppliers (farmers in associations), with an assessment of their work through visits to at least 10% of the individual growers who participated in the creation of an "illy plot of land".

■ 4.3.3 illycaffè's role in developing the supply chain

illycaffè formulates and implements initiatives for the transfer of know-how to the green coffee supply chain and promotes activities of study, research and innovation in order to improve the knowledge of coffee. In addition, the company fosters the improvement of the living and working conditions of the farmers.

Initiatives conducted in 2015 include:

- "Coffee: learning from the past to build the future": webinar organized in March 2015 through the Università del Caffè – Brazil, dedicated to identifying the challenges which coffee production will have to address in the future. 160 people attended the course.
- Videos for farmers about coffee production: in 2015 illycaffè released 3 new videos online in collaboration with Sustainable Agriculture Initiative, (<http://www.accessagriculture.org/category/111/Coffee>)
- "Dia do campo": in-depth courses for Brazilian farmers about the production of quality coffee; 371 producers participated in the courses.
- Various encounters regarding the supply chain, to strengthen the collaboration between illycaffè and members of the Club illy, Involved 47 Platinum Members.
- Intensified training activities through PENSA online courses (viewable at <http://universidadedocafe.com/>); in 2015 new courses were added about:
 - Family succession, an important theme about the guidelines of change in the coffee-growing structure in Brazil
 - Climate change
 - Mechanized agriculture
 - Agrochemical risk assessment
 - The global structure of coffee production in Brazil
 - The different declensions of quality in the integrated supply chain

A number of courses were subtitled in Spanish to broaden the user base to technicians in Costa Rica, Colombia, El Salvador and Nicaragua, as well.

Brazil

Always in Brazil, a free course was organized for 36 expert sorters, who will work alongside producers regarding the quality requisites of illycaffè. The company pays great attention to the theme of the "best coffee nature can

provide," to the point that various publications have been dedicated to good practices to reduce the use of phytosanitary products.

illycaffè continues to pay attention to the environment, viewed as a complex system which must be considered through a holistic approach. A further step in understanding this system was provided by research conducted with Delta CO₂ (<http://deltaco2.com.br>), soon to be published in Coffee Science and entitled: "Quantificação dos estoques de carbono e nitrogênio do solo devido a mudança do uso da terra em áreas de cultivo de café em Minas Gerais."

India

It is considered a risky country, because farms are not taxed (or, therefore, monitored) and because immigrants (Assamese labourers) in some areas might be employed on farms. These problems are aggravated by complex social policies and are hard to detect on a monitoring visit to the farm. These problems cannot be easily noted by a monitoring visit to the farm and are aggravated by complex social policies. In 2015, two students preparing their theses for their Master's degree in coffee economics and science—both Indian—produced two studies analyzing the barriers and opportunities according to the top down and bottom-up schema of a supply chain in order to hypothesize applicable solutions. In 2015, two coffee economics and science students from India produced two studies for their Master's theses analysing the barriers and opportunities based on top-down and bottom-up models of a supply chain. The company is now evaluating the results with a view to devising possible solutions.

Central America

Monitoring conducted in 2015 in Costa Rica highlighted that even a country with a high level of legality can have various problems when the raw material comes from small producers, who are more exposed to economic risks and thus are more likely to entrust the harvesting operations on a first-come-first-served basis, in particular if the cost is low. The problem of recognizing the legality and unregulated work is constantly present, as shown by in-field monitoring in Honduras and Colombia. Faced with this scenario, not even Nicaragua, where the companies visited appeared to be virtuous, can consider itself representative of the area and thus the risk of being supplied by companies not compliant with illycaffè requisites is high.

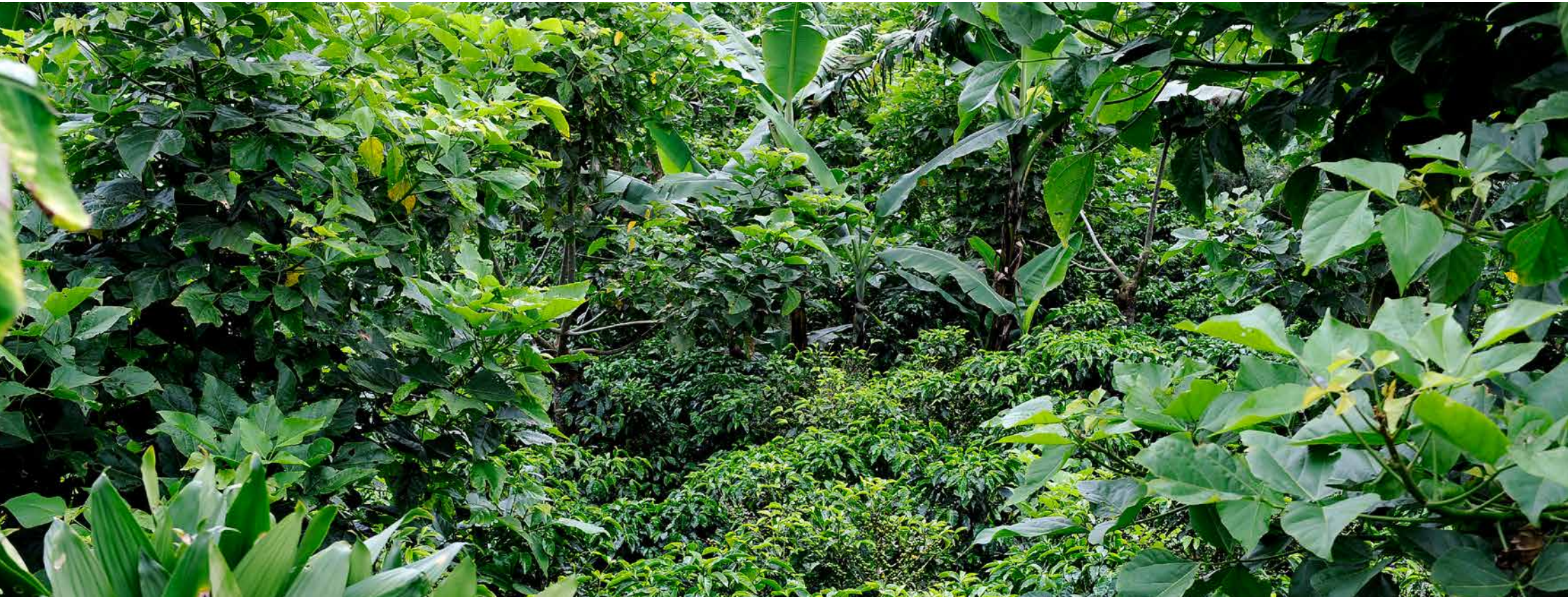
This awareness led illycaffè to search for projects in synergy with first-level suppliers, who were selected in part for already implementing sustainability projects and who were considered virtuous: education is the strategy of preference.

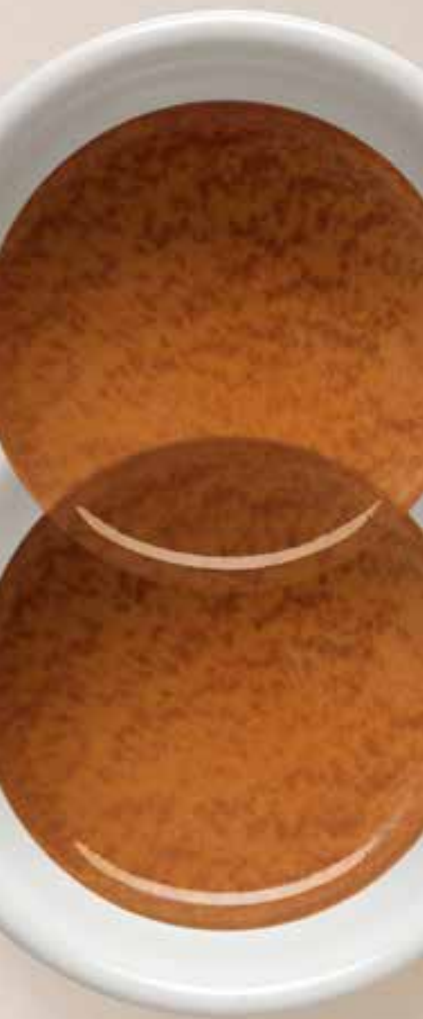
With the collaboration of Positive Planet, a manual on financial management was also proposed to help educate farmers.

In Colombia, the first three-year period of the Reforestation project has come to an end in Tamara, with unexpected results: although the plants are still too small to show results, the educational program connected to the

project has enthused producers, who have also learned to collect trash in the field and separate it, recycle it and cooperate. A follow-up of the project is being studied to foster the intelligent management of water resources.

Regarding Africa, the first phase of the project with UNIDO was completed. Here, too, education, proved to be the strategy to follow.





■ THE SUSTAINABLE SUPPLY CHAIN: THE ACTIVITIES OF THE ERNESTO ILLY FOUNDATION IN SUPPORT OF ILLYCAFFÈ

"Master's Degree in coffee economics and science Ernesto Illy"

A first and second level university Master's degree promoted and organized by a group of partners of excellence in education: Cambridge University, the University of Trieste, the University of Udine, the Ernesto Illy Foundation, the Università del Caffè, SISSA - Scuola Internazionale Superiore di Studi Avanzati di Trieste, the Consortium of molecular biomedicine (Area Science Park – Trieste), the coffee industrial district of the Province of Trieste (Trieste Coffee Cluster). In recent years, interest in the Master's degree has grown, particularly on the part of the future generations of producers and people who want to launch a career in the world of coffee.

Reforestation in areas with water sources

The reforestation project in the Region of Tamara (Colombia), with native trees near water sources, took place in an area suitable for coffee production but with environmental problems. Upon completion of the project, 69.2 hectares were conserved and reforested, and isolated with 15 different species for a total of 12,290 plants/native trees planted. Direct beneficiaries were 80 families of coffee farmers and 320 people were indirectly involved.

Women in the World of Coffee

At the Colombian Pavilion at Expo , illycaffè's Università del Caffè and the Ernesto Illy Foundation organized the seminar **Women in the World of Coffee: Fostering the "Quiet Revolution" – Sustainability in women's hands** in order to bring together and foster debate among women from various producing countries, to communicate the extent to which women can be the architects of a new sustainable vision regarding food and culture.

Climate Change and Coffee

In 2015, the Ernesto Illy Foundation, illycaffè S.p.A., Luigi Lavazza S.p.A. and the Earth Institute – Columbia University began a research project about "Climate and Coffee" and demonstrated that climate change can reduce production in the sector. Various solutions were proposed which could back up the collection of data and the elaboration of strategies to reduce negative impacts. The project has also answered Professor Jeffrey Sachs's appeal at the Global Coffee Forum for the coffee industry to inform consumers about the steps which must be adopted to deal with climate change.

UNIDO & the Ernesto Illy Foundation

The project aims to valorize the value chain of coffee in Ethiopia by introducing agricultural Best Practices to improve the yield of the cultivations. The Ernesto Illy Foundation supports the project, offering economic support to two Ethiopian students to attend the Master's degree in coffee economics and science Ernesto Illy during the 2015-2016 academic year.

■ 4.3.4 Awards and incentives for producers

illycaffè recognizes and rewards the quality of coffee through several initiatives and awards. In this way, not only does it create the conditions to obtain excellent raw materials, it also stimulates the entrepreneurial and cultural growth of producers, transferring and adopting the fundamental principles of sustainability.

Some of the most important initiatives that illycaffè has undertaken to reward the quality of producers include:

Prêmio Ernesto Illy de Qualidade do Café para Espresso

This initiative awards sums of money to foster rural and environmental development of large regions of Brazil. Since 1991, the year illycaffè introduced the award, over 10,000 producers have participated in the initiative, with a total of funding of approximately 4.5 million reais distributed. illycaffè also awards the Best Supplier of the Year in Brazil, on the basis of the performances achieved in terms of quality, punctuality of delivery and sustainability. The award includes a journey to Italy for the winners and their families, with a visit to the company headquarters.

Clube Illy do Café

Created in 1999 to strengthen relations with the best coffee producers in Brazil and to promote best practices for coffee cultivation. 432 producers were admitted to the Clube in 2015 and received fidelity cards, which vary according to the length of the supply relationship and the quality of their products.

In addition, the company gives a prize to the Best Sustainable Producer in Brazil, on the basis of the performances achieved in terms of quality, times of delivery and sustainability: the award includes a journey to Italy, for winners and their families, including a visit to the premises of the company.

Producers acquired knowledge and competencies on new sustainable and responsible agricultural practices: the know-how and the capabilities at their disposal, thanks to illycaffè, can thus be valorized on the market, even independently of their supply relationship with illycaffè. A 2008 study by Durham Business School describes and analyses the evolution of the **decommoditization of coffee quality** in Brazil: small modifications introduced in the Brazilian coffee market have produced significant long-term changes in the overall trends of the sector at the global level. The research evidenced how the creation of an Award can lead to a progressive revaluation of green coffee (decommoditization), and to the development of

a network of producers of excellence. Furthermore, the research pointed out that companies can contribute to the modification of existing equilibriums in a market and trigger virtuous mechanisms, the so-called "butterfly effect," which produce profit in a long-term strategy, able to bring together quality and sustainability.

Fair profit for farmers

illycaffè calculates the minimum fair price for the coffee it purchases through a complex series of variables. This approach has been developed through years of experience and close collaboration with the farmers. These variables include the country of origin, the type of market, the quality of the product, and the production costs.

illycaffè pays its farmers an average of 30% more than the market price.

This margin repays the producers for the extreme care they dedicate to their cultivations and guarantees them a profit, even when the price of green coffee decreases on the international market.

■ 4.4

Economic added value

During 2015, even within an overall context of decreasing consumption, the company was able to increase the level of profits, in terms of profitability and in financial terms. Turnover rose 11.9% on 2014, mainly because of higher sales volumes and the exchange rate. In synthesis, the economic-financial data for 2015 shows increases in the gross operating margin (EBITDA) and the net operating margin (EBIT) compared to 2014 and a higher overall net income, compared to the previous year.

	2013	2014	2015
ROI	11.7%	13.9%	13.7%
ROE	8.1%	11.3%	13.4%
ROS	6.9%	7.6%	7.7%
PFN/EBITDA	2.07	1.57	1.73
PFN/Equity	1.14	0.92	0.96
Number of employees	1,056	1,084	1,177

In order to give proper highlight the economic value generated by the business activities of the company, which has been distributed to important categories of stakeholders, illycaffè uses the **Added Value** parameter.

Added Value is taken as the difference between profit and production costs which do not affect the remuneration of the stakeholders of the company. The concept, within this framework, is completely detached from the mere definition used in usual accounting systems.

The assessment of an Added Value allows the company to evidence its capacity to generate wealth, in the period of reference, to the advantage of the various stakeholders, in respect of the economic management and expectations of the stakeholders themselves. As of December 31, 2015, the Added Value of illycaffè, at a consolidated level, equaled 149.4 million Euros (+9%, compared to 2014).

SUMMARY STATEMENT FOR THE DETERMINATION OF ADDED VALUE Data in thousands of Euros	2013	2014	2015
Value of production	379,901	396,576	448,087
Intermediate costs in production	-250,094	-256,174	-295,865
Net income of accessory operations	-6,785	-1,825	-4,251
Net income of extraordinary operations	316	-1,142	1,909
Total gross Added Value	123,337	137,435	149,878

The following chart (distribution of Added Value) shows the relationships between the company and the related social-economic system with which it interacts, with particular reference to important selected stakeholders:

- **Human Resources:** direct and indirect remunerations of collaborators (employees and non-employees);
- **Public administration:** funds disbursed for payment of taxes and duties;
- **Banks and financial investors:** remuneration of capital credit;
- **Shareholders:** remuneration of risk capital;
- **Corporate system:** remuneration of the company through reserve provisions and provisions allocated for depreciations;
- **Community:** membership fees and donations.

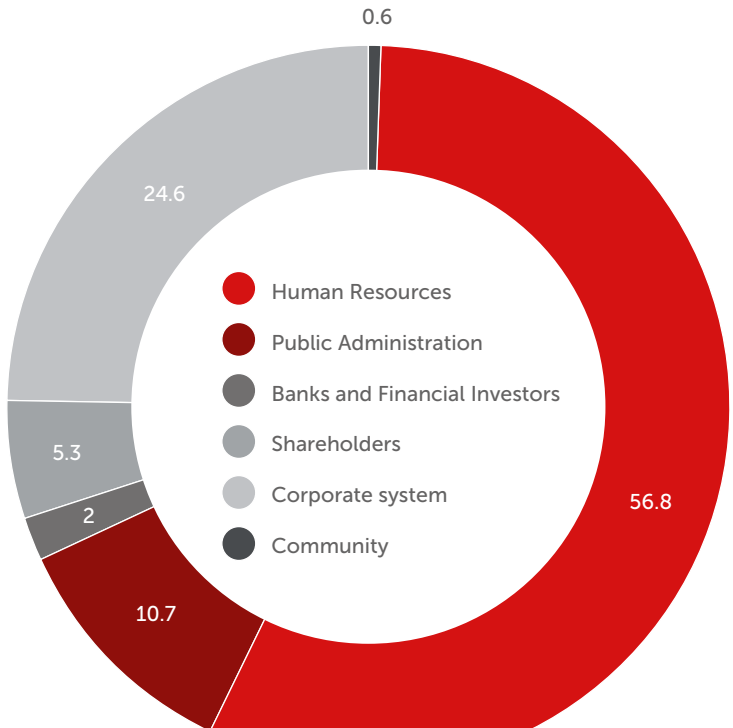
An analysis of the Added Value produced and distributed in 2015 by illycaffè at the consolidate level reveals that:

- The most relevant quota in the distribution of Added Value is dedicated to cover Human Resources expenditures (+6.8% compared to 2014), above all for the employment of new resources, in part for Expo. In this expenditure are included all the items indicated in the specific contractual clauses and a series of expenses incurred by the company, such as the expenditures for training activities and for the management of internal cafeteria facilities.
- 24.6 % of Added Value created in 2015 has been reinvested within the

- company; this amount (+16% compared to 2014) includes profits which are not distributed to shareholders and depreciation of investments made by other companies of the group.
- 10.7% of total Added Value has been dedicated to the Public Administration (state and local bodies) for duties and taxes, in line with the preceding year.
 - Shareholders received dividend incomes, in line with previous years, for an amount of 5.3% of total Added Value.
 - Banks and other financial investors received financial resources due to interests accrued for loans and financial investments (2.0% of total Added Value).
 - 0.6% of total Added Value was donated to the community in the form of charges for social utility (the information is primarily relevant to contributions from illycaffè S.p.A. (Italy) to the Ernesto Illy Foundation) and in form of membership fees.

**DISTRIBUTION OF ADDED VALUE
TO STAKEHOLDERS (2015)**

VALUE ADDED PAYABLE



■ 4.5

Investments in information technology

Many Information Technology projects were carried out in 2015 revolving around the evolution of infrastructures and corporate management applications.

The most important project was the implementation of the entire information management system at the subsidiaries in North America, which began operating in 2016.

Other projects involving the IT structure include:

- The support to illycaffè's presence at Expo regarding technological and processing infrastructures. In particular, support was given to the cash register management systems and the relative dashboard developed to follow the financial and attendance results in a simplified manner from mobile devices.
- Release of the new illyLocator application for mobile devices which constantly updates the user regarding locations where illy products can be purchased, the integration of the e-commerce channel and the communication of geo-localized promotions and events.

The objective of the major projects to enhance the infrastructures regarding processing, communications and telephony were conducted in order to guarantee improvements in the performance of applications and the communicative ability between company branches and toward the internet, also permitting important savings in management and service maintenance costs.



SEED:S

Social
Environmental
Economic
Development
Sustainability

standards



5.1

Methodological note

The Sustainable Value Report of illycaffè was published for the first time in 2012: regularly released on an annual basis, the report is intended to be a tool to account for the responsible management of the company, which aims to increase its ability to generate value within the framework of the respect of all existing equilibriums at the basis of the sustainability concept (economic, social and environmental), giving the proper attention to the expectations of all stakeholders who, either directly or indirectly, are interested in the activities of the company. The Value Report, moreover, responds to the commitment, initiated by the company several years ago, to communicate a path toward responsible growth, based on responsible behavior and practices, and sustainable products.

Guidelines adopted and reporting process

The 2015 Sustainable Value Report was created in compliance with the G4 version of the "Sustainability Reporting Guidelines," issued by the Global Reporting Initiative (GRI), and the sector guidelines (G4 Sector Disclosure – Food Processing Sector) at the "In accordance-Core" level.

In order to finalize the Sustainable Value Report, the company actively involves all the different management departments operating at illycaffè headquarters and the reference key partners of foreign companies of the group.

The reporting process is based on information systems used by the company (management control, accounting systems, quality, environment, internal audit, safety, human resources management, etc.), which are integrated with specific instruments to gather and analyze data (reporting forms). The ultimate objective of the company is to further strengthen the reporting system, and to extend the approach to all the companies of the group and enhance the accuracy and reliability of the information provided.

The present Value Report complies with the requirements indicated by the United Nations Global Compact, adopted by illycaffè.

The 2015 illycaffè Sustainable Value Report has been verified by the external control and audit company DNV GL Business Assurance Italy, S.r.l. A copy of the assurance declaration is attached to the present report, at the following link:

http://valuereport.illy.com/pdf/ASSURANCE_2015_ita.pdf

Reporting perimeters

The present report has taken into consideration the most relevant industrial and commercial companies included in the Financial Statement of the group, through the integrated method in the consolidated balance sheet as of December 31, 2015.

In some cases, information and data relevant to performance have been related to some companies of the group: in this specific case, the report makes clear reference to the variation of the perimeter of reference. As the GRI standard requires the inclusion of all activities having a substantial impact in terms of sustainability (materiality), wherever possible the report includes a deeper analysis of related sectors of the value supply chain (for instance, the activities carried out in coffee plantations).

Contacts

For comments, requests for information, suggestions and ideas for improvement regarding the sustainability activities of illycaffè and issues related to the content of the present Value Report, please contact via e-mail:

e-mail: valuereport@illy.com

■ 5.2

GRI Charts

GENERAL STANDARD DISCLOSURES		PARAGRAPH
STRATEGY AND ANALYSES		
G4-1		Declaration by Pres. A.D.
PROFILE OF THE ORGANIZATION		
G4-3	Name of the organization	1.2 Profile
G4-4	Trademarks, products and services	1.2
G4-5	Main headquarters	1.2
G4-6	Number of countries in which the organization operates	1.2
G4-7	Ownership and legal form	1.2 + 1.5 corporate governance
G4-8	Markets served	1.2 Profile
G4-9	Size of the organization	1.2
G4-10	Characteristics of the workforce	2.4.1 Employment
	Employees covered by collective labor contracts	
G4-11	Note: all employees are covered by the dispositions of the national contracts and regulations in force in the various countries in which the company operates	2.4.1
G4-12	Description of the supply chain	2.5 Suppliers + 4.3 Supply chain
G4-13	Significant changes in the dimensions, structure, ownership or new supply chain during the reporting period	5.2 Tab GRI
	Precautionary approach	
G4-14	Note: illycaffè adopts the precautionary approach to reduce the environmental impact of its production processes and its products, according to principle no. 15 of the 1992 UN Rio Declaration on Environment and Development	14.2 + 3.2. Environmental commitment
G4-15	Adoption of external codes and principles in economic, social and environmental matters	14.1 Strategy and administration of sustainability
G4-16	Participation with associations or organizations	2.6.2
MATERIALITY AND PERIMETERS OF THE REPORT		
G4-17	Bodies included in the balance sheet	5.1
G4-18	Principles defining the contents	5.1
G4-19	Material aspects identified in the definition of the contents	1.8.2
G4-20	Participation with associations or organizations	1.8.2

G4-21	Material aspects outside the organization	1.8.2
G4-22	Explanation of the effects of any modifications to the information in the preceding report and relative motivations <i>Note: no modifications of this kind were made</i>	5.3 Tab GRI
G4-23	Significant changes of objectives or perimeters with respect to the previous balance sheet	5.1

STAKEHOLDER ENGAGEMENT

G4-24	Groups of stakeholders involved by the organization	1.8.1
G4-25	Identification and selection of the stakeholders to involve	1.8.1
G4-26	Approach to the involvement of the stakeholders	1.8.1
G4-27	Key aspects which emerged from the involvement of the stakeholders	1.8.1

PROFILE OF THE REPORT

G4-28	Period of reporting	5.1
G4-29	Date of publication of previous report: 2015.	5.1
G4-30	Periodicity of the report: annual	5.1
G4-31	Contacts and addresses for information about the balance sheet	5.1
G4-32	Index of the GRI contents and indication of the option "In accordance"	5.2
G4-33	External attestation	5.3 Assurance

GOVERNANCE

G4-34	Governing structure	1.5 Corporate governance
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ETHICS AND INTEGRITY

G4-56	Values, principles, standards and conduct rules of the organization	1.3.1
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MATERIAL ASPECTS

PARAGRAPH

CATEGORY: ECONOMIC

ECONOMIC PERFORMANCE

DMA		4.4 added value
EC1	Economic value directly generated and distributed	4.4 added value

PRESENCE ON THE MARKET

Non material

INDIRECT ECONOMIC IMPACTS

DMA		2.6.2 community support 4.3.3 interventions on supply chain
EC7	Development and impact of investments in infrastructures and services for "public utility"	2.6.2 community support 4.3.3 interventions on supply chain

SUPPLY PRACTICES

DMA		2.5 suppliers
EC9	Policies, practices and spending percentages concentrated on local suppliers in relation to the most significant operative branches	2.5 suppliers
FP1	Percentage of the volume of purchases made by suppliers operating in accordance with the company's supply policies	4.3.2 RSCP
FP2	Percentage of the volume of purchases with verified conformity with production standards of responsibility which are credible and recognized internationally, separated per standard	4.3.2 RSCP

CATEGORY: ENVIRONMENT

MATERIALS

DMA		3.4 raw materials
EN1	Material used	3.4 raw materials

ENERGY

DMA		3.5 energy
EN3	Energy consumption within the organization	3.5 energy

WATER

DMA		3.6 water
EN8	Total volume of water withdrawn per supply source	3.6 water

BIODIVERSITY

DMA		3.2 Environmental commitment + 3.10 Sustainable Agr. and biodiversity
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EN12	Description of greater impact of activities, products and services on the biodiversity of protected areas or areas with high external biodiversity outside protected areas	3.10 Sustainable Agr. and biodiversity
EMISSION		
DMA		3.3 emission
EN15	Direct emissions of greenhouse gases (GHG) (Scope 1)	3.3 emission
GARBAGE AND WASTE		
DMA		
EN23	Total weight of waste per type and disposal method	3.7 Garbage
PRODUCTS AND SERVICES		
DMA		3.8 Product disposal
EN27	Mitigation of the impact of products and services on the environment	3.5+3.6+3.8
CONFORMITY		
DMA		3.2 Environmental commitment
EN29	Monetary value of the significant fines and total number of non-monetary penalties for not respecting environmental laws and regulations	3.2
TRANSPORTATION		
DMA		3.9 transportation
EN30	Significant environmental impact of the transportation of products and goods/materials and for personnel travel	3.9 transportation
GENERAL		
DMA		3.2 Environmental commitment
EN31	Total costs and environmental investments per type of product	3.2
ENVIRONMENTAL EVALUATION OF THE SUPPLIERS		
DMA		4.3.2 RSCP
EN32	Percentage of new suppliers evaluated according to environmental criteria <i>Note: all new green coffee suppliers are inserted in the illycaffè evaluation program and are evaluated according to the criteria and timetables established with the protocol B of the RSCP certification</i>	4.3.2 + 2.5
COMPLAINT MECHANISMS DUE TO ENVIRONMENTAL ASPECTS		Non material

CATEGORY: SOCIAL		
EMPLOYMENT		
DMA		2.4.1 Employment
LA1	Number and rate of new hirings and personnel turnover	2.4.1 Employment
INDUSTRIAL RELATIONS		Non material
FP3	Percentage of work hours lost due to industrial disputes, strikes and lockouts, per country	Non material
HEALTH AND WORKPLACE SAFETY		
DMA		2.4.3 salute e sicurezza
LA6	Rate of on-the-job accidents, illness, workdays lost, absenteeism and total number of deceases	2.4.3
INFORMATION AND TRAINING		
DMA		2.4.2 training and development
LA9	Personnel training	2.4.2
DIVERSITY AND EQUAL OPPORTUNITIES		
DMA		Employment
LA12	Ratio between the basic salary of women and that of men	2.4.1 employment
SALARY EQUALITY PER MEN AND WOMEN		
DMA		Employment
LA13	Ratio between the basic salary of women and that of men	2.4.1 employment
EVALUATION OF THE SUPPLIERS ON THE BASIS OF WORK POLICIES AND CONDITIONS		
DMA		4.3.2 RSCP
LA14	Evaluation of suppliers on the basis of criteria tied to work policies and conditions <i>Note: all new green coffee suppliers are inserted in the illycaffè evaluation program and are evaluated according to the criteria and timetables established with the protocol B of the RSCP certification</i>	4.3.2
COMPLAINT MECHANISMS FOR WORK REASONS		-

CATEGORY: HUMAN RIGHTS		
INVESTMENTS		
DMA		2.7+4.3.1
HR1	Percentage and total number of investment agreements and significant contracts which include human rights clauses or which undergo relative screening <i>Note: the company applies the indications contained in its own Ethical Code in all its relationships of collaboration and the requisites of the Responsible Supply Chain Process along the entire productive chain</i>	2.7+4.3.1
NON DISCRIMINATION		
DMA		2.7+4.3.1
HR3	Total number of episodes tied to discriminatory practices and corrective actions undertaken	<u>No episodes detected</u>
FREEDOM OF ASSOCIATION OF COLLECTIVE BARGAINING		
DMA		2.7+4.3.2
HR4	Identification of the activities and main suppliers in which the freedom of association and collective bargaining can be violated or exposed to significant risks and the actions undertaken in defense of these rights. <i>Note: all new green coffee suppliers are inserted in the illycaffè evaluation program and are evaluated according to the criteria and timetables established with the protocol B of the RSCP certification</i>	4.3.2 Not significant for other suppliers
LAVORO MINORILE		
DMA		2.7+4.3.2
HR5	Identification of the operations and main suppliers with a high risk of use of child labor and measures adopted to contribute to its effective abolition <i>Note: all new green coffee suppliers are inserted in the illycaffè evaluation program and are evaluated according to the criteria and timetables established with the protocol B of the RSCP certification</i>	4.3.2 Not significant for other suppliers
FORCED LABOR		
DMA		2.7+4.3.2
HR6	Activities and main suppliers with a high risk of use of forced labor and measures undertaken to help abolish every form of it <i>Note: all new green coffee suppliers are inserted in the illycaffè evaluation program and are evaluated according to the criteria and timetables established with the protocol B of the RSCP certification</i>	4.3.2 Not significant for other suppliers
SAFETY PRACTICES		
		Non material
RIGHTS OF THE LOCAL COMMUNITY		
DMA		2.7+4.3.2

HR8	Number of violations of the rights of the local community and actions undertaken <i>Note: no episode detected</i>	4.3.2 RSCP Not significant for other suppliers
EVALUATION		
DMA		2.7+4.3.2
HR9	Percentage and total number of activities submitted to impact controls and/or evaluations with regard to human rights	
EVALUATION OF THE SUPPLIERS ON THE BASIS OF HUMAN RIGHTS		
DMA		4.3.2
HR10	Percentage of new suppliers submitted to screening regarding human rights	4.3.2
COMPLAINT MECHANISMS REGARDING HUMAN RIGHTS		
		Non material
CATEGORY: SOCIETY		
LOCAL COMMUNITIES		
DMA		2.6 communities
SO1	Percentage of operations involving the local community, evaluation of the impacts and development programs	2.6 communities + 4.3.3 illycaffè's role in the supply chain
ANTI-CORRUPTION		
DMA	<i>Note: the company has adopted a Model of Organization, management and control (by legislative decree, 231/2001) which aims to prevent or contrast the perpetration of crimes including corruption.</i>	1.5 Corporate Governance
SO4	Communication and training on anti-corruption policies and procedures	
PUBLIC POLICY		
DMA		1.5 Corporate Governance
SO6	Total political contributions and relative institutions per country and beneficiary. <i>Note: no political contributions have been paid to parties and relative institutions. illycaffè belongs to sector and representative associations and supports the payment of the relative dues.</i>	2.6.2 + 4.4
UNFAIR COMPETITION		
		Non material

COMPLIANCE		
DMA		1.5 Corporate Governance
SO8	Monetary value of the significant fines and total number of non-monetary fines for non-conformity to laws or regulations	<u>No fines of this nature</u>
EVALUATION OF THE SUPPLIERS ON THE BASIS OF THEIR IMPACT ON SOCIETY		
DMA		4.3.2 RSCP
SO09	Percentage of new suppliers evaluated according to criteria of their impact on society <i>Note: all new green coffee suppliers are inserted in the illycaffè evaluation program and are evaluated according to the criteria and timetables established with the protocol B of the RSCP certification</i>	4.3.2
COMPLAINT MECHANISMS REGARDING IMPACT ON SOCIETY		Non material
HEALTHY FOOD AT AFFORDABLE PRICES		Non material
DMA		Non material
WELLBEING OF ANIMALS		Non applicable
CATEGORY: PRODUCT RESPONSIBILITY		
HEALTH AND SAFETY OF CONSUMERS		
DMA		2.2 health and safety of consumers
PR1	Categories of products and services submitted to evaluations in order to improve health and safety	2.2
FP5	Percentage of the volume of production manufactured in plants certified by an independent outside body according to standards of health safety management systems recognized on an international level	2.2
FP6	Percentage of volume of total sales of consumer products, divided by category, which contain ingredients enriched with nutritional substances, such as fiber, vitamins, minerals, phytochemicals or functional food additives	2.2
FP7	Percentage of volume of total sales of consumer products, divided by category, which contain ingredients enriched with nutritional substances, such as fiber, vitamins, minerals, phytochemicals or functional food additives	2.2
LABELING OF PRODUCTS AND SERVICES		
DMA		
PR5	Results of client satisfaction surveys	2.3.3 listening and satisfaction

MARKETING ACTIVITIES		
DMA		
PR6	Sale of products which are banned or the object of dispute	<u>No products of this type are sold</u>
PRIVACY DEL CONSUMATORE		
DMA		
PR8	Number of documented complaints regarding violations of privacy and loss of consumer data	<u>No complaints of this nature</u>
COMPLIANCE		
DMA		
PR9	Monetary value of the main fines for non-conformity to laws or regulations regarding the supply and use of products or services	<u>No fines of this nature</u>

■ 5.3

Assurance

Introduzione

DNV GL Business Assurance Italia S.r.l. ('DNV GL') è stata incaricata dal Management di illycaffè S.p.a. ('illycaffè') di condurre una verifica sul suo Sustainable Value Report 2015 ('il Report') rispetto alle Sustainability Reporting Guidelines, versione 4 ('G4'), della Global Reporting Initiative ('GRI').

La nostra verifica ha riguardato il Report 2015, nella versione resa disponibile da illycaffè agli stakeholder nel proprio sito web.

Per i dettagli sulla composizione di illycaffè e sul perimetro di rendiconto, si rimanda a quanto dichiarato nell'apposito paragrafo del Report.

illycaffè è responsabile della raccolta, analisi, aggregazione e presentazione delle informazioni contenute nel Report. La verifica è fondata sull'assunzione che i dati e le informazioni forniteci in buona fede dall'Organizzazione siano complete, sufficienti e autentiche.

La nostra responsabilità nello svolgimento del lavoro commissionatoci, in accordo con le condizioni concordate con l'Organizzazione, è unicamente verso il management di illycaffè.

Questa Dichiarazione di Assurance Indipendente è destinata esclusivamente agli stakeholder di illycaffè e non è destinata ad essere e non deve essere utilizzata da persone diverse da questi.

Scopo dell'Assurance

Lo scopo del lavoro concordato con illycaffè ha incluso i seguenti aspetti:

- Analisi, secondo un Moderate level di Assurance, delle attività e dei dati legati alla sostenibilità, riconducibili al periodo compreso tra gennaio e dicembre 2015, così come contenuti nel Report 2015.
- Valutazione dei principi di reporting richiamati dalle linee guida GRI G4, secondo l'opzione 'Core'.

La nostra verifica è stata condotta nel mese di maggio 2016 presso la sede centrale di Trieste.

Le informazioni e i dati economici sono stati acquisiti dal Bilancio d'esercizio 2015 certificato di illycaffè S.p.A. e non sono compresi nello scopo della nostra verifica.

Metodologia di verifica

La nostra verifica è stata pianificata e condotta nel rispetto del protocollo di verifica 'VeriSustain' di DNV GL, basato sulla nostra esperienza professionale e sulle best practice internazionali in materia di assurance (tra le quali l'International Standard on Assurance Engagements - ISAE 3000). Questi documenti prevedono, tra l'altro, che il gruppo di verifica possieda conoscenze, capacità e competenze professionali necessarie per una verifica delle informazioni di sostenibilità e che il team sia conforme ai requisiti etici atti a garantirne l'indipendenza.

In accordo con il Protocollo, disponibile su richiesta sul nostro sito internet*, il Report è stato valutato rispetto ai seguenti criteri:

- aderenza ai principi delle Linee Guida GRI G4;
- GRI G4, rispetto ai requisiti richiesti per l'opzione Core;
- ISAE 3000, per la verifica delle informazioni non finanziarie.

Parte integrante della verifica è stata l'analisi delle dichiarazioni e degli assunti legati alla sostenibilità riportati nel Report e la valutazione della robustezza del sistema di gestione dei dati, dei flussi informativi e dei relativi controlli. Abbiamo esaminato e sottoposto a review i dati e le altre informazioni resi disponibili da parte di illycaffè.

Abbiamo recepito le informazioni e i dati tecnici dai sistemi di gestione certificati.

Per le informazioni relative alla supply chain del caffè verde, abbiamo recepito le risultanze delle attività di audit condotte nel 2015 in riferimento allo schema "Responsible Supply Chain Process". In particolare abbiamo recepito quanto emerso durante le verifiche effettuate presso la sede centrale di Trieste e presso un campione di produttori in Brasile.

Abbiamo condotto audit a campione su:

- i meccanismi attuati da illycaffè per l'implementazione delle proprie politiche di sostenibilità, come descritto nel Report;
- i processi per la determinazione della materialità dei contenuti da includere nel Report;
- i processi per la generazione, la raccolta e la gestione dei dati quantitativi e qualitativi inclusi nel Report.

Abbiamo intervistato 15 referenti aziendali coinvolti nella gestione operativa degli aspetti riportati nel Report 2015.

Abbiamo inoltre intervistato il referente di un cliente di illycaffè coinvolto in un'attività di formazione presso la sede di Trieste.

Conclusioni

Secondo l'opinione di DNV GL, il Sustainable Value Report 2015 di illycaffè è una rappresentazione accurata e imparziale delle strategie di sostenibilità, dei sistemi di gestione e delle performance dell'Organizzazione.

Materialità

Il Report riflette l'impegno di illycaffè nel fornire informazioni e dati che consentono ai propri stakeholder la valutazione delle performance economiche, sociali e ambientali dell'Organizzazione.

In tal senso si apprezza la realizzazione da parte dell'Organizzazione di un'attività interna di indagine e analisi, finalizzata a determinare gli aspetti ritenuti potenzialmente materiali da una parte dei propri stakeholder. Al fine di dare maggiore consistenza alle risultanze di tale analisi, risulta importante per l'Organizzazione potenziare ulteriormente il processo di review interna del documento, sviluppando canali di dialogo diretti con tutte le categorie di stakeholder; tale confronto, infatti, rappresenta lo strumento più efficace per confermare le proprie percezioni e per orientare in modo più robusto le proprie strategie, rendendo la rendicontazione ancor più rappresentativa degli impatti dell'Organizzazione in materia di sostenibilità.

Inclusività

Il documento evidenzia l'impegno di illycaffè verso la promozione e lo sviluppo di iniziative atte a coinvolgere con regolarità e sistematicità i propri stakeholder.

Si valutano positivamente le iniziative di coinvolgimento sviluppate nel corso dell'anno dall'Organizzazione nei confronti delle diverse categorie di stakeholder. In linea con l'impegno di illycaffè nel conseguimento di un modello di business strategicamente orientato alla sostenibilità, si ritiene importante consolidare ulteriormente i processi di analisi delle risultanze delle attività di dialogo, in modo da riflettere maggiormente la volontà di illycaffè di garantire un allineamento delle strategie aziendali con quanto emerso dai processi di coinvolgimento.

Allo stesso tempo, si sottolinea l'importanza, nello sviluppo dei contenuti del Report, di consentire agli stakeholder di comprendere più facilmente in che modo le tematiche e le istanze emerse come rilevanti siano state integrate nelle strategie e nelle azioni attuate da illycaffè.

Completezza

Il Report consente agli stakeholder di valutare le performance di sostenibilità di illycaffè per ciò che attiene gli ambiti economici, sociali ed ambientali nel corso dell'anno di rendiconto, e la comprensione delle sue strategie e obiettivi di sostenibilità a medio-lungo termine.

Il documento è realizzato attraverso il contributo delle diverse strutture organizzative che concorrono a identificare gli aspetti e i dati rilevanti per l'anno di rendiconto. Si sottolinea l'importanza di proseguire nella sistematizzazione dei flussi interni di reporting, in particolare in riferimento alle fasi di validazione del dato.

A garanzia di un rendiconto ancora più completo degli impatti di sostenibilità di illycaffè si ritiene importante proseguire con l'inserimento di nuove informazioni relative alle società identificate come parte del perimetro e non ancora incluse nel documento.

Rispondenza

Il documento esplicita l'impegno di illycaffè nell'integrare le considerazioni provenienti dai propri stakeholder all'interno del proprio processo decisionale e dei propri piani d'azione strategici.

In coerenza con gli obiettivi di miglioramento continuo in tema di sostenibilità e di reporting, risulta importante proseguire nell'attività di strutturazione delle informazioni contenute nel Report, al fine di dare ulteriore evidenza di come le risultanze provenienti dalle attività di coinvolgimento dei propri stakeholder siano integrate all'interno delle proprie scelte strategiche e correlate agli obiettivi che l'Organizzazione si pone in materia di sostenibilità.

Contesto di sostenibilità

Le informazioni e i dati presentati all'interno del Report riflettono adeguatamente la strategia, gli impegni e le attività svolte da illycaffè in relazione al contesto di sostenibilità all'interno del quale l'Organizzazione opera.

Principi per la qualità del Report

Neutralità

Il Report è una descrizione completa e imparziale degli impatti e delle performance di sostenibilità di illycaffè. Il documento rispecchia la volontà dell'Organizzazione di rappresentare le proprie attività e i risultati relativi all'anno di rendiconto in modo equilibrato e coerente con le proprie strategie aziendali.

Accuratezza

Dalla nostra analisi dei dati e dei processi aziendali che li generano, i dati riportati nel Report sono frutto di attività stabili e ripetibili. Le informazioni contenute nel Report risultano pertanto sufficientemente accurate e dettagliate.

Ulteriori rilievi in relazione alle performance di sostenibilità

Affidabilità

I dati inseriti nel Report oggetto della nostra verifica sono risultati identificabili e rintracciabili; il personale responsabile è stato in grado di dimostrare in modo attendibile l'origine e l'interpretazione dei dati.

Durante la nostra attività, abbiamo rilevato un numero limitato di errori non rilevanti, che sono stati corretti prima della versione finale del Report.

Secondo la nostra opinione, le informazioni e i dati comunicati nel Report di Sostenibilità sono affidabili.

DNV GL ritiene che il Report sia in linea con i requisiti 'Core' richiamati dalle Linee Guida GRI G4.

Ulteriori conclusioni e osservazioni sull'adozione dei principi di rendicontazione e delle informazioni sulle performance specifiche sono riportate di seguito.

Opportunità di miglioramento

Di seguito si riporta una sintesi delle osservazioni e opportunità comunicate al management di illycaffè che, ad ogni modo, non influiscono sulle nostre conclusioni sul Report; esse risultano, infatti, coerenti con gli obiettivi organizzativi già in essere.

- Il commitment degli organi e delle funzioni direzionali dell'Organizzazione rappresenta un aspetto imprescindibile per il continuo miglioramento delle performance di sostenibilità dell'organizzazione; in tal senso, considerato anche il contesto di cambiamento organizzativo, si sottolinea l'importanza di incrementare ulteriormente il livello di rendicontazione relativamente alla Governance di sostenibilità.
- Si ritiene importante proseguire nell'attività di rendiconto delle performance di sostenibilità dei fornitori che operano per conto di illycaffè, incrementando le attività di monitoraggio e di dialogo e sfruttando allo stesso tempo le sinergie interne all'Organizzazione, al fine di migliorarne efficacia ed efficienza.
- Al fine di aumentare il grado di affidabilità delle informazioni ambientali riportate nel Report, si raccomanda di disciplinare meglio le modalità di trasmissione dei dati aggiornati e della successiva fase di validazione.

Competenza e Indipendenza di DNV GL

DNV GL è uno dei principali provider di servizi legati alla sostenibilità, tra cui la verifica dei bilanci di sostenibilità. I nostri specialisti di assurance ambientale e sociale lavorano in più di 100 paesi.

DNV GL non è stata coinvolta nella preparazione di alcuna dichiarazione o dato incluso nel Report, ad eccezione della presente Dichiarazione di Assurance. DNV GL conserva la completa imparzialità verso gli stakeholder intervistati durante il processo di verifica.

DNV GL declina ogni responsabilità o corresponsabilità per ogni decisione che qualsiasi persona o entità possa intraprendere basandosi sulla presente Dichiarazione di Assurance.

Per DNV GL Business Assurance Italia S.r.l.

Antonella Biasco
Lead Verifier

Zeno Beltrami
Reviewer



Vimercate (MB), 30-06-2016