



SEED:S

Social
Environmental
Economic
Development:
Sustainability

Sustainable value report 2017

TABLE OF CONTENTS

Chairman's Letter	3	Chapter 3: Environmental Value	58
Chapter 1: Identity	5	3.1 Back to the Future Starting from the Present	59
1.1 illycaffè Profile	6	3.2 Environmental Commitment	62
1.1.1 The illy Group	7	3.3 Air Emissions	65
1.2 History, Mission, Vision and Values	8	3.4 Raw Materials	68
1.2.1 Mission, Vision and Values	8	3.5 Energy Management	69
1.2.2 The History of illycaffè and the Milestones of Sustainability	9	3.6 Water Management	71
1.2.3 The Ernesto Illy Foundation	12	3.7 Waste Management	72
1.3 Sustainability Strategy and Management	13	3.8 Product Disposal and Recyclable Packs	73
1.4 Sustainability Policy 2030	14	3.9 Green Transportation and Logistics	75
1.5 Corporate Governance	15	3.10 Sustainable Agriculture and Biodiversity	77
1.6 Management and Certification Systems	17	Chapter 4: Economic Value	79
1.7 University of Coffee	19	4.1 illycaffè's Approach to Innovation and Research	80
1.8 illycaffè Stakeholders	22	4.2 The Supply Chain	85
1.8.1 Map of the Stakeholders and Communication Tools	22	4.2.1 The illycaffè Model for a Sustainable Supply Chain	85
1.8.2 Engagement and materiality	23	4.2.2 Selection of the Best Producers: <i>Responsible Supply Chain Process</i>	88
Chapter 2: Social Value	27	4.2.3 Transfer of Knowledge: The Role of the Company for the Development of the Supply Chain	92
2.1 Quality and Safety of illy products	28	4.2.4 Continuous Improvement: Rewards and Incentives for Producers	96
2.2 illy Customers	30	4.3 Economic Value Added	97
2.2.1 Value Creation and Sustainability for Customers	32	Chapter 5: Standard	100
2.2.2 Listening to Customers and Customer Satisfaction	33	5.1 Methodological Note	101
2.2.3 Communication and Responsible Information	36	5.2 GRI Table	104
2.3 illycaffè's people	37	5.3 Assurance	107
2.3.1 Human Resource Policies	37		
2.3.2 Employment	38		
2.3.3 Employee Training and Development	41		
2.3.4 Health and Safety	43		
2.3.5 Internal Communication and Employee Benefits	45		
2.4 Suppliers of Goods and Services	47		
2.5 illycaffè and the Community	52		
2.5.1 Art, Esthetics and Culture	54		
2.6 Human Rights	57		



Our culture, sustainability

The Sustainable Value Report is for illycaffè and its stakeholders a key reference to understand the company's strategies, commitments, results and future objectives on central economic, social and environmental sustainability themes. It is a management tool that allows us to check our progress and to identify areas of improvement; it is also proof that sustainable development is ingrained in the company's strategy, business model and conduct. Our approach to these themes is recognized and appreciated worldwide, and in fact 2017 marked the sixth consecutive year where illycaffè was again the only Italian firm included in the list of the Most Ethical Companies prepared by the Ethisphere institute.

The year just ended was also the period where we revised our sustainability governance, in view of the new challenges that we are facing. We have created a Sustainability Committee, which is made up of members of the Board of Directors, with expertise in this area, who will analyze the most significant issues, and the relevant impacts, and will advise the Board in its choices. This step testifies to the total involvement of the company's directors in the full integration between the financial and business aspects, on one side, and social and environmental aspects, on the other, in keeping with illycaffè's commitment with its stakeholders to pursue responsible and sustainable growth. In keeping with this approach, in the year under review we strengthened the Sourcing Risk Management project, whereby we mapped, based on pre-established criteria, actual and potential environmental, health and safety risks, as well as ethical and social aspects, along our supply chain.

We continued our partnerships and activities with international institutions to raise the living standards of coffee communities. I am referring, in particular, to the projects under way with Unido in Ethiopia and SENA in Colombia, as well as to the project to reintegrate former FARC guerrillas into society and to support the victims of the civil war, which attracted considerable attention from the international media.

Also this year we achieved concrete results for the activities performed, which translated into actual value creation. We owe all this to the passion and commitment of our people in every area of our company, to whom I give my heartfelt thanks, because sustainability is our culture. In fact, if it were not we would not be where we are, eager to pursue constant improvement.

Andrea Illy
Chairman illycaffè



SEED:S

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identity



1.1

il.lycaffè Profile

Key numbers of il.lycaffè

140

countries in which
il.lycaffè operates

ca. 100,000

retailers serving il.ly espresso

29

new mono-brand
stores opened in 2017

1,290

the number of
worldwide employees

467

million Euros:
total sales in
2017

il.lycaffè is based in Trieste and is led by the third and fourth generation of the Illy family. It produces and sells worldwide a unique blend of premium quality coffee, consisting of 100% Arabica coffee from 9 different origins, selected every seasons from over 20 growing areas. The perfect balance obtained by combining these beans – coming from South America, Central America, Asia and Africa – brings consistently to the fore the distinctive illy flavor and aroma in every single espresso, all over the world, perfect for any occasion. illy espresso is sold through the Premium Hospitality channel (hotels, restaurants and high-end coffee shops), the company's own stores and mono-brand coffee shops and is available for home and office consumption (thanks to portioned systems and vending machines) as well as on airplanes, cruise ships, trains and online, through direct and indirect distribution. il.lycaffè is available in 3-kg. and 1.5-kg. cans for coffee bars, in small 250-gram cans for home consumption, in capsules and E.S.E. pods. Today il.lycaffè is sold in more than 140 countries, on all five continents, and is served in about 100,000 coffee bars and shops. Great attention is paid to the culture of coffee, and this is why the company founded Università del Caffè (University of Coffee) in 1999, which has now 26 branches worldwide. Study programs and courses have been formulated to address different levels of specialized profiles and are dedicated to training coffee growers, baristas and consumers.



■ 1.1.1 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 company of specialist tea dealers) and **Mastrojanni** (a winery located in Montalcino, Tuscany). The Group has also an equity interest in **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 premium food

and beverage hub, in which each company is a recognized high-quality purveyor. Each company is led by its respective founder or by the relevant successor, in order to guarantee managerial independence and to maintain the spirit of research and innovation of the individual brands. **Riccardo Illy** is the Chairman of the Group.

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





■ 1.2

History, Mission, Vision and Values

■ 1.2.1 Mission, vision and 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-oriented company with the intention of improving quality of life through ethics and excellence.

Excellence, understood as a passion for quality, beauty and continuous improvement.

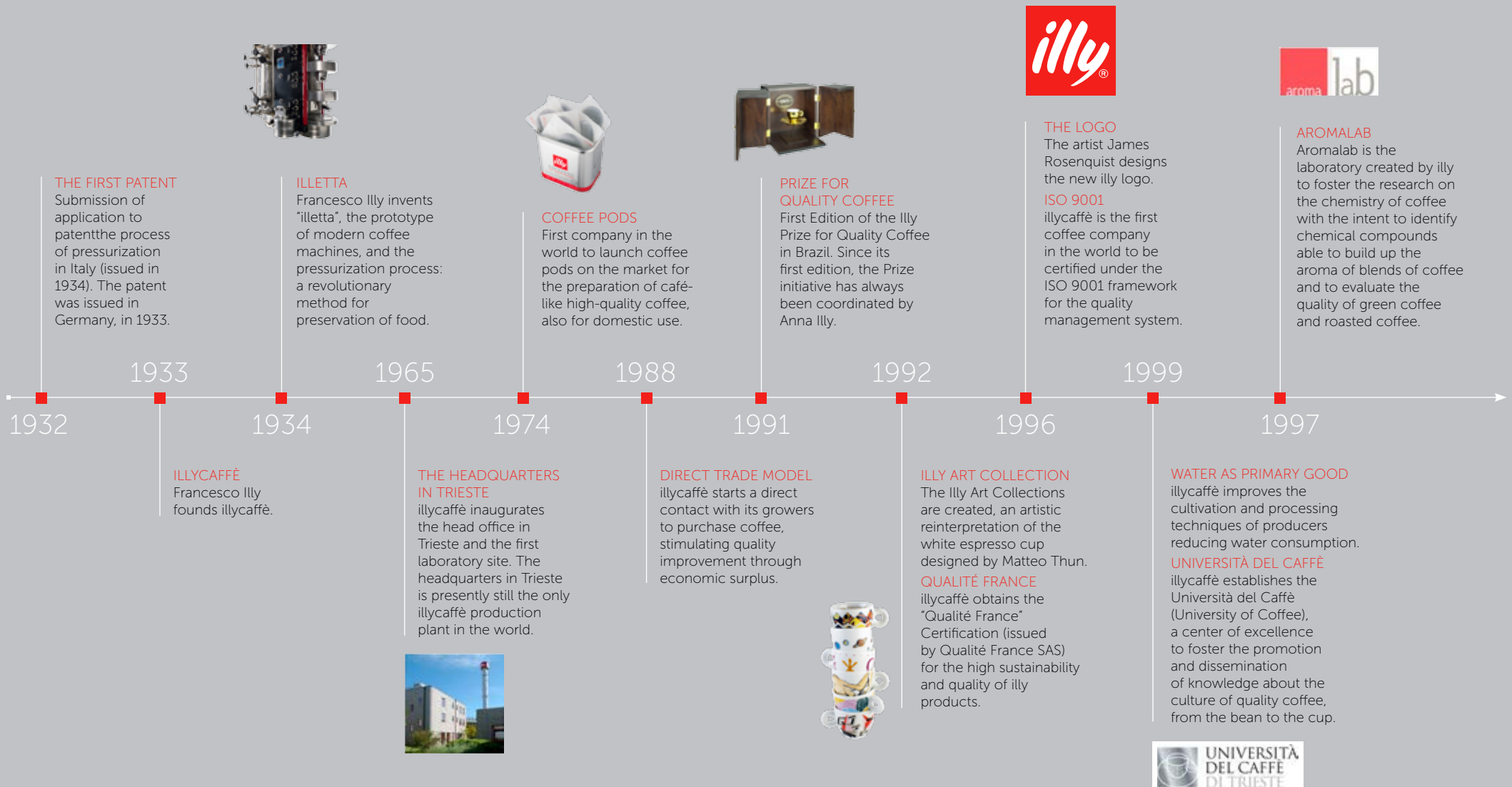
Ethics, understood as the creation of long-term value through transparency, sustainability and personal development.

**DOWNLOAD**

Material available
to download

- [Code of ethics and organizational model 231](#)
- [Sustainability Policy](#)

1.2.2 The History of illycaffè and the Milestones of Sustainability





PROJECTS IN GUATEMALA
Illycaffè launches a new programme in Guatemala to foster micro-entrepreneurship and training of coffee growers.

SENSORYLAB, TECHLAB AND BIOLAB
Illycaffè creates three new laboratories to carry out research into all the possible issues relating to coffee.

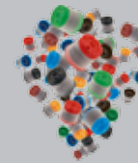


EMAS ENVIRONMENTAL CERTIFICATION
Illycaffè continues its efforts to improve environmental impact in cooperation with EMAS in order to foster increase in the environmental efficiency of industrial activities.

ERNESTO ILLY SCIENCE PRIZE
For Trieste's candidacy for Expo 2008, Illy enters into a partnership with TWAS - The Academy of Sciences for the Developing World, launching a Science Prize dedicated to researchers from developing countries.



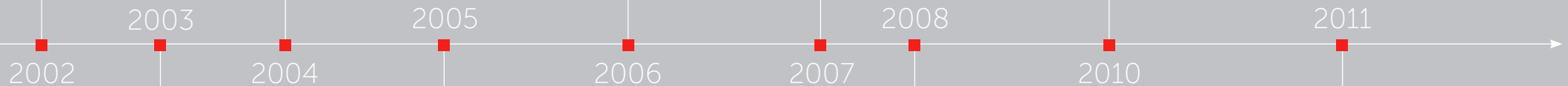
IPERESPRESSO
Illycaffè launches the new system of coffee capsules called "Iperespresso" on the market.



IFS CERTIFICATION
Illycaffè obtains the IFS (International Food Standard) certification, confirming the commitment of the company to ensure high quality of standards for food safety.



ISO 17025
AromaLab and SensoryLab of Illycaffè are recognized and accredited by Accredia - Italian Accreditation System.



ESPRESSAMENTE ILLY IS CREATED
Illy opens a chain of franchised cafés, to let people experience and appreciate the genuine taste of Italian-style coffee worldwide.

ISO 14001 ENVIRONMENTAL CERTIFICATION
Illycaffè obtains new certification for the high efficiency of its environmental management system and for the control of the environmental impact of the industrial process.

LOW EMISSION ROASTING FACILITY
Illycaffè introduces a new roasting facility in Trieste, based on a novel system with ultra-low emission of fumes during the coffee roasting process.

EMAS AWARD
Illycaffè's commitment to the improvement of the environmental impact of industrial processes is recognized at international level.

INITIATIVES IN ETHIOPIA
Through the support and endorsement of the International Coffee Organization, Illycaffè launches a project in Ethiopia in cooperation with the United Nations aiming to demonstrate that, upon treatment after harvesting, the quality of Ethiopian coffee can be comparable and competitive with the best coffee blends in the world.

BRC - BRITISH RETAIL CONSORTIUM
Illycaffè obtains BRC (British Retail Consortium) certification and increases its commitments in the certification of safe food and products.

FOOD SCIENCE LAB
Illycaffè founds the Food Science Lab, a laboratory dedicated to the study of food and of coffee-based consumable products.



ILLY ISSIMO
Illy Issimo is launched on the market: a new ready-to-drink line of espresso-style coffee beverages, the result of a joint venture with The Coca Cola Company.

FONDAZIONE ERNESTO ILLY
The Foundation is established in honor of Ernesto Illy in order to give continuity to the teachings and knowledge of Ernesto Illy, to whom the Foundation is dedicated.

OXFORD UNIVERSITY
In cooperation with the Environmental Change Institute of Oxford University, Illycaffè supports a research project on the sustainability of coffee cultivation and production.

ATLANTIC RAINFOREST IN BRAZIL
Illycaffè starts a partnership with Istituto Terra (Earth Institute) for a reforestation project in a large area of the Atlantic forest region of Brazil.

AWARD IN BRAZIL
Illycaffè launches the "Sustainable Conduct Award" initiative in Brazil a prize dedicated to coffee growers reaching high sustainability standards.



ILLYSHOP AND ILLYTECA
Illyshop: single-brand boutique shops offering the entire catalogue of Illy products commercially available. ILLYTECA is a retail point in which all the products, technologies and accessories relating to all five proprietary brands of the Illy Group are available.





1st SUSTAINABLE VALUE REPORT

illycaffè launches a sustainability communication initiative addressed to all its stakeholders managing and communicating its commitment to sustainability to them.

GLOBAL COMPACT

illycaffè becomes part of the United Nations Global Compact initiative

CARBON FOOTPRINT

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

2013

2012

WORLD'S MOST ETHICAL COMPANIES

illycaffè is the only Italian company selected to be included in the list of the most ethical businesses in the world for the year 2013, drawn up by the Ethisphere Institute.

WORLD'S MOST
ETHICAL
COMPANIES

ICRT - INTERNATIONAL CONSUMER RESEARCH & TASTING

illycaffè achieves the highest score among all coffee roasters analyzed in the independent enquiry led by the international consortium, for commitment to social and environmental responsibility towards coffee farmers

2014-2015

2014

WORLD'S MOST ETHICAL COMPANIES

illycaffè is included in the World's Most Ethical Companies list for the second consecutive year.

WORLD'S MOST
ETHICAL
COMPANIES



EXPO 2015

illy was selected by the Expo Steering Committee as Official Coffee Partner: illy was exclusively in charge of the Coffee Cluster at the Exhibition, with the responsibility of formulating and managing the content and event of the cluster, hosting and valorizing the participation of the ten countries representing coffee producers. The selection of illy to cover this prestigious role was recognition for the company's excellence, passion, innovation and commitment to sustainable development.

2015

2016

ERNESTO ILLY INTERNATIONAL COFFEE AWARD

An award is created for the best coffee selected from the ones grown in the regions that make up the unique illy blend and it involves all farmers the company works with. It is also a tribute to Ernesto Illy, a visionary leader, always interested in scientific research.



WORLD'S MOST
ETHICAL
COMPANIES

WORLD MOST ETHICAL COMPANY
illycaffè recognized as the World's Most Ethical Company, for the sixth consecutive year.

NEW GOVERNANCE AND SUSTAINABILITY POLICY

illycaffè's commitment in the area of sustainability takes shape through a new Governance and Sustainability Policy consistent with the SDGs set out by the United Nations.

2016-2017

■ 1.2.3 The Ernesto Illy Foundation

illycaffè created the Foundation, administered by the Illy family, with the aim of providing continuation to the moral and cultural legacy of Ernesto Illy. The Foundation is a non-profit organization and was created with the goal of developing and increasing ethics and sustainability through the promotion of research and the organization and dissemination of activities open to all stakeholders.

The Foundation's Mission

To cultivate and develop knowledge, ethics and sustainability as absolute values in managing a business as well as research as a method for the truth and improvement of humankind, in keeping with Ernesto Illy's teachings. To pursue values and method both to enable communities to achieve economic, social and cultural growth, and as a competitive advantage tool for the company.

The Foundation's Vision

Values and profits feed each other. Ethical companies, leaders of the modern economy, aim to turn values into profit and pursue the quality of profit as something that builds long-term value.

The Foundation deals with scientific and cultural projects that it manages directly and in partnership with Universities, Institutes and Bodies of Excellence, with the aim of looking more in depth at issues such as ethics, sustainability, scientific research and coffee culture.

Additional information on the activities of the Ernesto Illy Foundation is available on the dedicated web site, which can be accessed by [clicking here](#).

The Foundation has supported the **World Happiness Report 2017** by the **Sustainable Development Solutions Network (SDSN)** with a three-year donation started in 2016.

■ THE ERNESTO ILLY FOUNDATION LOGO

Designed in '60s, the Ernesto Illy Foundation logo depicts a pair of cups on two joined saucers, indicating the connection and the precious, close relationship that grows between two people through dialogue and friendship. "They are two espresso cups seen from above. They symbolize the message that drinking coffee is a social act that encourages friendship and conversation and should never be done alone. Coffee should always be enjoyed in company." Ernesto Illy



FONDAZIONE ERNESTO ILLY

■ 1.3

Sustainability Strategy and Management

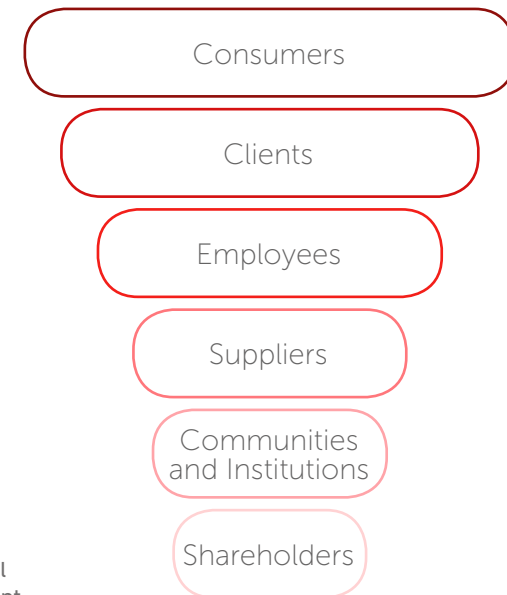
illycaffè has always designed its strategies around a sustainable business model that combines financial performance with social and environmental objectives. The guiding principle of illy's business is the **creation of value for all the players involved in the supply chain** through a continuous improvement process. The company has had for years a **Corporate Social Responsibility** program in place that includes **environmental management systems, optimal energy use, research and innovation, shared responsibility, traceability of coffee beans, support to local communities**, all on the basis of a long-term view.

illycaffè's supply chain rests on **four pillars**: selecting and working directly with the world's best Arabica growers; transferring knowledge to them through illy agronomists and the University of Coffee, sharing best agronomic practices for quality production in an environment-friendly manner; rewarding quality production with above-market prices, to encourage continuous improvement and to make production sustainable; building an illy Community involving growers and creating a culture of excellence, through direct interaction based on knowledge, interaction and growth.



The guiding principle of illycaffè's business is the creation of value for all the players involved in the supply chain. The hierarchy of the company's stakeholders can be seen as an **inverted pyramid**, where consumers are placed at the top, followed by customers, which are the company's partners in serving consumers; talents, who work with passion and professionalism, rank third while suppliers, which provide an excellent product, are on the next level below; the communities with which illycaffè develops relationships and the shareholders, who serve the company, sit at the bottom levels.

For each stakeholder illycaffè achieves sustainability in economic terms, through the creation of shared value; in social terms, through the development of people; and in environmental terms, through respect for our Planet.



■ 1.4

Sustainability Policy 2030

In 2017 illycaffè **renewed its Sustainability Policy**, to provide a more up-to-date and accurate view of the company's sustainability objectives, commitments and management. **The Policy is applied**, together with the applicable laws and regulations, in all **the territories and countries in which illycaffè operates**, informing the company culture on the basis of the behaviors outlined in the Code of Ethics and the other company policies and strategies.

To prepare the Sustainability Policy 2030, illycaffè developed the following activities:

- **Relevance analysis of the 17 Sustainable Development Goals (SDGs)** in relation to the coffee value chain;
- Identification of the **9 macro-level objectives and consequent commitments**, set in the form of targets for 2030 and outlined in the Sustainability Policy 2030;
- Preparation of a **2017-2021 Sustainability Plan**, consistent with the company's long-term Strategic Plan, which sets forth the medium-term objectives and lays out action lines measurable and monitored internally through specific indicators.

¹ Reference is made to the Code of Ethics, which can be downloaded from the web site www.illy.com

COMMITMENT	OBJECTIVE
RESPONSIBLE VALUE CHAIN & SUSTAINABLE AGRICULTURE	<ul style="list-style-type: none"> • To improve constantly the knowledge and analysis of impacts along the value chain, ensuring the highest possible level of traceability • To contribute to the development and sustainability of the coffee value chain through research, knowledge transfer, field projects • To support integrated farming to preserve and improve the quality of coffee in the world
HAPPINESS AND QUALITY OF LIFE	<ul style="list-style-type: none"> • To promote and disseminate the principles and culture of sustainability, and its intrinsic connection with human happiness • To contribute actively to the international debate on happiness, well-being and improvement of the quality of life • To encourage global partnerships to foster sustainability
CIRCULAR ECONOMY AND INNOVATION	<ul style="list-style-type: none"> • To design products and systems in accordance with criteria consistent with the principles of sustainability and circular economy • To improve energy efficiency and the consumption of resources, by applying best practices and innovative solutions at all times • To promote environmental friendliness as a fundamental principle for the sector's innovation and sustainability along the entire value chain

■ 1.5

Corporate Governance

The company has its own specific governance and control systems to ensure a sustainable development of the business, in accordance with the law and in view of a socially and environmentally responsible approach, on one side, and positive financial results, on the other.

Internal Control and Risk Committee

This Committee oversees the functioning and effectiveness of the internal control and risk management systems. It consists of 3 non-executive Directors, including 2 independent Directors.

Nomination and Compensation Committee

This Committee consists of 3 independent directors. It 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 management within the company. In determining compensation for top management, illycaffè avails itself of the support and advice of external independent consultants.

Chief Risk Manager

The Chief Risk Manager is responsible for evaluating all the supply chain, product, safety, environment, intellectual property, market, information technology, legal, financial and reputational risks associated with company operations for the short and medium term. This manager designs and formulates a Risk Assessment Program, reporting on regular basis to the Chairman, the Board of Statutory Auditors and the Supervisory Body.

Internal Audit

This function performs audits to analyze and check the adequacy, regularity, reliability and functioning of processes and the effectiveness of the control systems.

Sustainability Committee

Appointed by the Board of Directors and composed of members of the Board of Directors, including 2 non-executive, independent directors, this Committee provides guidance on, and exercises control over, sustainability.

Given the importance attributed to sustainability, in 2017 the company **established the Sustainability Committee**. Composed of 3 Directors, the Sustainability Committee oversees all sustainability issues and cooperates with the Board of Directors with its research – giving advice and making recommendations – in relation to considerations and decisions on sustainability. The company set out its **rules of functioning, the activities and the scope of its responsibilities and held a Board induction session** to explore and address with top management key sustainability themes across the board.

The Corporate Reputation & Sustainability director reports to the Committee on the global sustainability landscape and on the initiatives, tools and systems developed by illycaffè on socially responsible management. In addition, this executive **manages relations with company stakeholders** and a multi-function working group established with the specific task of proposing to the Committee the Sustainability Strategy and the relevant Operational Plan. This Plan is part of the Long-Term Strategic Plan.

The first Sustainability Plan was submitted to, and approved by, the Sustainability

Committee together with the review of **the analysis of materiality and the assessment of the effectiveness of the policies undertaken**. This made it possible to lay the groundwork for the identification of the key topics around which the activities for 2018 should be implemented, with a focus on risk assessment.

The 2017-2021 Sustainability Plan translates into actual commitments for illycaffè:

- 34 sustainability objectives
- 84 action lines



■ 1.6

Management and Certification Systems

The quality of illycaffè's supply chain is guaranteed by the adoption, on a voluntary basis, of a number of national or international standards. During 2017, the company performed maintenance and re-certification activities in relation to the following standards:

QUALITY MANAGEMENT SYSTEM ISO 9001



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 Agrícola do Brasil Ltda.

HACCP



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

System applied by HACCP illycaffè S.p.A.

BRC FOOD CERTIFICATE



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

Applied by IFS 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.

CERTIFICATE OF COMPLIANCE OF PRODUCTS



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



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

ENVIRONMENTAL MANAGEMENT SYSTEM ISO 14001



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 supply chain.

Applied by illycaffè S.p.A.

ACCREDITED LABORATORIES ISO 17025



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

EMAS CERTIFICATION



(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 report. Certified by APAT (Italian Agency for Environmental Protection and Technical Services), Ecolabel - (Ecoaudit Committee)



■ 1.7

University of Coffee

Highlights

26
operating offices worldwide

243,543
people trained since 2000

25,625 attendees in 2017:
549 producers, 16,945 professionals,
8,702 consumers and 429 online attendees

TOTAL NUMBER OF ATTENDEES	2015	2016	2017
Producers	190	1,134	549
Professionals	15,810	16,178	16,945
Consumers	3,662	4,556	8,702
Online attendees	n.a.	305	429
TOTAL	19,662	22,173	25,625

The University of coffee was founded in Naples in 1999. In 2002, the campus was moved to Trieste, to the illycaffè headquarters. The University of coffee represents a center of excellence created to promote, foster and disseminate the **culture of high-quality coffee** worldwide.

The educational activities of the University of coffee have been created to allow all professionals involved in the supply chain **to grow and improve the quality level of every single phase in the various segments in which they operate**. A virtuous circle of knowledge destined to create value over time through growth, sustainability and transparency.

The prestige of the University of coffee is based on the company's strong commitment to **research and product and process innovation** since 1933.

The teaching team provides training both in the classroom and with clients, as well as consultancy on issues relating to **product transformation and recipes**, and issues relating to **the management of coffee bars and staff**.

In addition to the traditional professional training courses and consumer education, a **large number of one-day courses** have been held in the last few years for the staff of single establishments.

The full teaching team is based on three different skills levels governed by an internal protocol:

- **Instructors**, 33 to date;
- **Associated professors**, 39 to date;
- **Full professors**, 40 to date.

Also in 2017 the University of Coffee continued working to disseminate a coffee knowledge and culture. In particular, activities included the **creation of books, videos** (including the six video clips made for the B2B sector) and **new manuals for guides** that take visitors on tour in the manufacturing plant. In cooperation with professional publisher Hoepli, the University wrote **two chapters of "Professionisti in Sala & Bar" ("Professionals in Dining Rooms & Bars")**, the most adopted school textbook in Italy's hotel management schools.

During the year, the University opened its third venue in Beijing and branches in **Nepal** – in the prestigious Silver Mountain School of Management in Kathmandu – and **Taiwan**, in the offices of illycaffè's distributor in Taipei.



HIGHER TRAINING FOR PRODUCERS

In 2017: 549 coffee producers were trained.

Supporting activities for producers began in 2000, following the collaboration started with PENSA, the Agrobusiness Intelligence Center of the University of Sao Paulo. Since 2010, over 6250 producers, suppliers and coffee sector professionals have participated in training programs carried out to provide an excellent final product. During the course, participants are given the opportunity to explore the most significant sector issues, from responsible growing techniques to trading, to business, management and logistic aspects.

INFORMATIONAL COURSES FOR CONSUMERS

In 2017: 8,702 attended.

The University of Coffee organizes various courses for the general public on different subjects, including courses on coffee culture and tastings, combined with a tour of the company. The tour consists of a course accompanied by an hour-long tasting led by a University of Coffee professor, followed by a tour of the plant with qualified guides. Different types of training is provided that focuses on various macro topics: coffee culture, economy, sustainability, health, usages and customs.

PROFESSIONAL TRAINING COURSES

In 2017: 16,945 professionals trained.

To professionals who work in bars, restaurants and hospitality, the University of Coffee 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 skills.

Initiatives undertaken include, among others, **Maestri dell'Espresso Junior**, the prize competition designed for teachers and students of Italian hotel management schools to train tomorrow's professionals. In 2017, the

competition drew 64 hotel management schools for three different training sessions (Trieste, Bari, Milan) and was devoted mainly to the teachers of these schools. The University of Coffee is also part of the **Committee overseeing the continuing education of the Ho.Re.Ca. Italia sales force**, with the objective of implementing a permanent training plan for Area Managers, Agents, Quality Promoters, in collaboration with illycaffè's Italia Sales, Ho.Re.Ca. Marketing and Human Resources departments.

COLLABORATIONS WITH UNIVERSITIES, ENTITIES AND ASSOCIATIONS IN ITALY AND ABROAD

The authoritativeness of the University of Coffee is increasingly recognized by universities, entities and associations, both in Italy and abroad. The testimonies of the University of Coffee are a part of lectures by universities and specialization courses.

Active collaborations include:

- CUOA Vicenza - International MBA focused on Innovation & Creativity;
- University of Pisa – Masterfood, 1st level University Master's in food quality management and communication;
- MCI Management Center Innsbruck University;
- LIUC Università Carlo Cattaneo – Mafood, Master in *Food Management*;
- Master Ernesto Illy - *Coffee Economics and Science*;
- MIB Trieste School of Management.

More details on the activities of the University of Coffee are available, [here](#).

■ 1.8

illycaffè Stakeholders



■ 1.8.1 Map of the Stakeholders and Communication Tools

illycaffè's sustainable development strategies are guided by its interaction with its stakeholders. In its effort to create shared value, the company is engaged in a constant reconciliation of its own interests with those of its stakeholders.

In 2017, different involvement initiatives were activated to identify and then analyze the indications and expectations of the company's main stakeholders. Through the Sustainable Value Report aims to provide answers to the stakeholders' main questions of interest, describing in the best possible way the company's social, economic and environmental impacts – the so-called material/significant themes – and providing an account on their management.

■ 1.8.2 Engagement and materiality

In 2017 illycaffè **updated its materiality matrix**, to improve the ability to grasp domestic and international trends to be included in the report.

The **methodology utilized** to update the matrix and the definition of potentially significant themes involved:

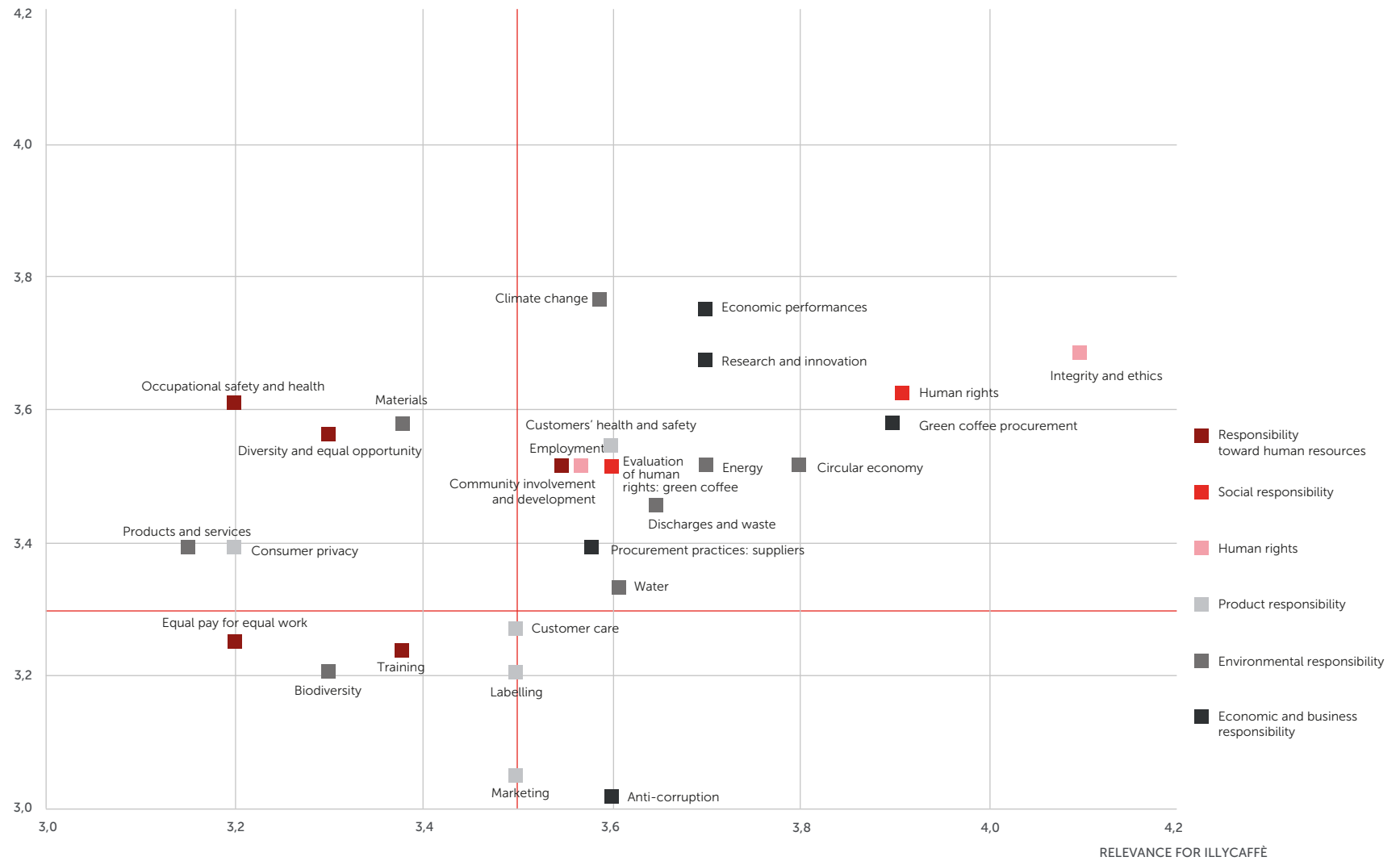
- An internal analysis based on different internal public and non-public sources;
- An external sector benchmark analysis performed on a sample of domestic and international competitors;

- An analysis of the sector and other external sources, to identify other potentially significant themes.

The analyses performed revealed **27 significant themes** for the sector in which illycaffè operates. Such themes have then been arranged in a “theme tree”, where their “Relevance for the company” and “Relevance for the stakeholders”, in qualitative and quantitative terms, was rated on a scale from 1 to 5. The two dimensions make it possible **to identify, for each theme, the degree of relevance of the different themes as perceived by the stakeholders and the degree of the current or future commitment of the company in relation to each such theme.**



RELEVANCE FOR STAKEHOLDERS



To identify in the best possible way the materiality to be considered, **scores 3.5 and 3.3** were set as materiality thresholds for the company perspective and the stakeholder perspective, respectively.

The table below highlights the correlation between material themes for illycaffè and the GRI Aspects and their internal and/or external impact. Moreover, an indication is provided of illycaffè's existing policies to cover the material themes and the Value Report section that describes how they are managed.

SCOPE OF IMPACTS							
MATERIAL THEMES IDENTIFIED BY ILLYCAFFÈ	TOPIC-SPECIFIC GRI STANDARDS OF REFERENCE	IMPACT WITHIN THE COMPANY	IMPACT OUTSIDE THE COMPANY	AREA	MATERIAL THEME	POLICIES	REFERENCE
Employment	General Disclosure (GRI 102-8) Employment (GRI 401)	Entire company	All suppliers	Responsibility to human resources	Employment	- Code of Ethics - Sustainability Policy	1.4
Economic performance	Economic Performance (GRI 201)	Entire company	Investors, financial community	Operational and business responsibility	Economic performance	- Responsible Supply Chain Process - Sustainability Policy - Code of conduct for suppliers - Organization and management model 231	1.4, 2.5, 4.2
Research and innovation		Entire company	Suppliers		Research and innovation		
Green coffee procurement	Indirect economic impacts (GRI 203) Procurement Practices (GRI 204) Local Communities (GRI 413)	Parent company	Green coffee suppliers,		Green coffee procurement		
Customers' health and safety	Customer Health and Safety (GRI 416)	Entire company	Green coffee suppliers, other suppliers, B2B and B2C customers	Product responsibility	Customers' health and safety	- Quality Policy - Lab accreditation (ISO 17025) - Guidelines on Food Safety and Product Compliance: HACCP, BRC, IFS, Qualité France	2.1

SCOPE OF IMPACTS							
MATERIAL THEMES IDENTIFIED BY ILLYCAFFÈ	TOPIC-SPECIFIC GRI STANDARDS OF REFERENCE	IMPACT WITHIN THE COMPANY	IMPACT OUTSIDE THE COMPANY	AREA	MATERIAL THEME	POLICIES	REFERENCE
Circular Economy		Entire company	Suppliers, customers, consumers	Environmental responsibility	Circular Economy	<ul style="list-style-type: none"> - Sustainability Policy - Environmental policy ISO 14001 - Responsible Supply Chain Process - Energy Policy ISO 50001 	1.4, 3.2
Energy	Energy (GRI 302)	Manufacturing companies	Suppliers		Energy		
Climate change	Materials (GRI 301) Emissions (GRI 305)	Manufacturing companies	Suppliers		Climate change		
Discharges and waste	Effluents and waste (GRI 306)	Manufacturing companies			Discharges and waste		
Water	Water (GRI 303)	Manufacturing companies			Water		
Human rights	Non Discrimination (GRI 406) Human Rights Assessment (GRI 412)	Entire company	All suppliers	Human rights	Human rights	<ul style="list-style-type: none"> - Sustainability Policy - Adherence to Global Compact Principles - Code of Ethics - Code of Conduct for suppliers - Responsible Supply Chain Process 	1.4, 2.5
Human Rights Assessment: Green Coffee	Human Rights Assessment (GRI 412)	Parent Company	Green coffee suppliers		Human Rights Assessment: Green Coffee		
Integrity and ethics	Anticorruption (GRI 205)	Entire company	External collaborators, Partners, consultants, agents, attorneys in fact	Social responsibility	Integrity and ethics	<ul style="list-style-type: none"> - Sustainability Policy - Code of Ethics - Responsible Supply Chain Process 	1.4, 4.2
Community Involvement & Development	Local Communities (GRI 413)	Entire company			Community Involvement & Development		

SEED:S

Social
Environmental
Economic
Development:
Sustainability



social value



2.1

Quality and Safety of illy products

Highlights

4,566

green coffee samples analyzed in illycaffè's laboratories in 2017

54,240

roasted coffee samples analyzed in illycaffè's laboratories in 2017

554

average daily tastings to ensure the product's quality

illycaffè intends to offer the world the best coffee, thanks to a roasting process capable of combining leading-edge technologies with eighty years of experience in the industry, family and entrepreneurial passion.

To achieve this objective, it is paramount to be able to provide, in addition to a very-high-quality product, all that contributes to the **preparation, service and drinking experience**. That is the reason why the company operates to improve constantly the quality of production, processes and customer services. This means also that the company is committed to making safe products, in accordance with rules and standards governing the industry, and to developing sophisticated **monitoring systems**. All of the company's production takes place in plants certified in accordance with internationally recognized quality standards for food safety management systems.²



GREEN COFFEE PROCUREMENT:

The company develops direct and, possibly, long-term ties with its producers, to ensure the quality of the final product. Before buying, illycaffè's analysis and quality laboratories analyze coffee samples, to issue phytosanitary certificates and to attest to the lack of heavy metals, phytomedicines, herbicides and insecticides.



STORAGE AND BLENDING:

The green coffee is stored in insulated warehouses and then processed to obtain a 100%-Arabica blend for the unmistakable illy taste, balanced and consistent.



PACKAGING AND PRESSURIZATION

Espresso is a complex beverage, which requires 1,500 substances (of which 800 volatile ones) and 13 physical and chemical variables that affect its proper preparation. illycaffè patented pressurization, a process that involves the replacement in packages of air with pressurized inert gases which capture the aroma of freshly roasted coffee. In this way, the aromas concentrate into the coffee oils, giving roundness, sweetness and intensity to the taste, preserving and even enhancing its fragrance over time.

Quality, Certifications, Food Safety

To guarantee the quality and safety of the product, from the time coffee enters the company until it is shipped out, **370 checks** are performed.

In 2017 the company updated and maintained all its certifications. Internal and external audits performed according to the different monitoring plans included:

- **29** internal audits, including the accreditation (of which: 5 accreditation, 13 SGQAE, 8 SGA, 3 food safety and hygiene).
- **13** third-party audits (of which: 2 QF, 2 accredia, 1 RSCP, 1 BRC, 1 IFS, 1 ISO 9001, 1 ISO 14001, 1 ISO 50001, 3 Kosher)
- **308** audits of suppliers (of which 304 green coffee suppliers).

The British Retail Consortium (**BRC**), International Food Standard (IFC), Hazard Analysis and Critical Control Points (**HACCP**) certifications reflect the guidelines for all of illycaffè activities to guarantee customers' health and safety and are applied to all illycaffè products.

In 2017, **new roasting equipment was installed in Mitaca S.r.l.**, a plant that produces espresso coffee capsule systems, to produce roasted coffee necessary to meet the company's as well as other companies' demand of IES, MPS and UNO capsules. In this case, depending on the destination, the roasted coffee is aged in pressurized silos or in ad hoc big bags, where it is nitrogen-flushed. Mitaca and all the other plants where functional activities (assembly, packaging, labelling etc.) are performed are monitored directly by illycaffè expert auditors.

² In 2017, the company did not receive any fine for breaking laws or regulations on quality, food safety, traceability and the like.

■ SPECIFIC 2017 ACTIVITIES TO INCREASE MONITORING OVER FOOD SAFETY

- **HACCP manual self-control program** for illy Shop, Trieste, Università del Caffè, Trieste, support to illy Caffè in Rome.
- Specific monitoring for **directly-operated retail stores**: illy Store, Milan, bar illy Caffè, Milan, and bar illy Caffè, Porta di Roma.
- Maintaining in quality laboratories the **Protocol of acceptance of the green coffee coming from Brazil**: accurate acceptance at origin of 100% of coffee samples.
- Increase of **control over roasting consistency in production phase** to optimize the quality outcome in the cup.
- Implementation of an internal database to harmonize the wordings of product labels and IT solutions for a better dissemination of mandatory information at the European level (Reg. 1169/2011/EC).
- Continuation of the activities related to the **compliance of food contact materials** both for current products (monitoring) and for new products (scouting for improvement or validation).
- Completion of monitoring of furan and acrylamide for the definition of the activities necessary for compliance with **regulation 2158/2017**.

■ 2.2

illy Customers

Highlights

29
"illy Caffè"
retail stores

4,570,851
visits to the web site and
233,838
online orders

9 baristas out of 10
recommend illy to their
colleagues ³

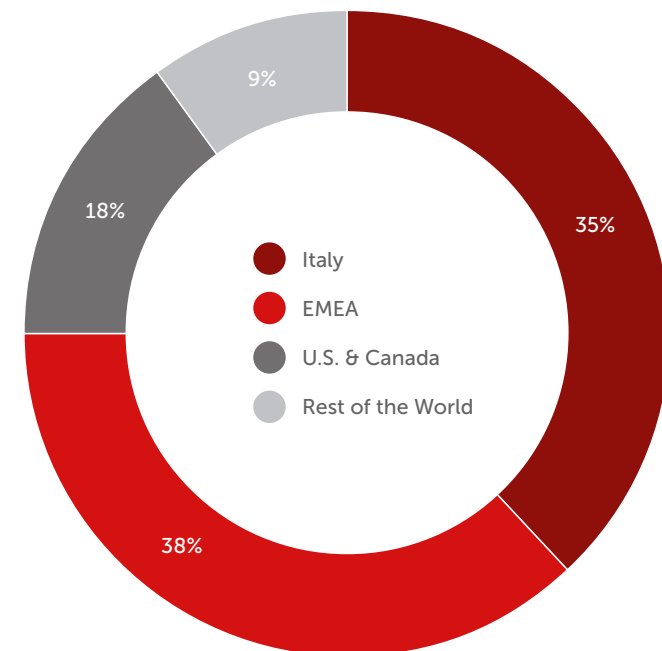
59,576
contacts with the
customer care service

illy customers and consumers are offered a unique 100%-Arabica coffee blend, the result of a series of selection and processing steps that protect and enhance quality. Our coffee comes in three different degrees of roast, each of which with its own color and organoleptic characteristics: Medium roast with a mellower and more aromatic flavor; dark with a more intense flavor; extra-dark with a flavor as rich as that of dark chocolate and toasted bread.

To enhance the single components of its blend, the company introduced the MonoArabica line, offering connoisseurs the possibility to enjoy the purity of the 9 varieties of Arabica that make up its signature blend: Brazil, Ethiopia, Guatemala, Colombia, Costa Rica, India, El Salvador, Nicaragua and Tanzania.

In 2017 exports accounted for 65% of revenues.

REVENUES BY GEOGRAPHIC AREAS - 2017



³Source: Internal Customer Satisfaction, 2017 data

illycaffè bases its customer relations on satisfaction, to create long-term ties through the provision of quality products and services.

The company's growth plan is based on the pursuit of **three strategic lines**:

- Firming up and increase of market share in the **premium hospitality** segment worldwide, through the development of the product/service mix;
- Extension of consumption occasions, especially at home, through **portioned preparation systems**;
- Focus on a high-quality offering and experience for the consumer, through **single-brand retail outlets and through e-commerce**.

illycaffè's products are distributed mainly through the following business units:

Business to Business (B2B)

- Ho.Re.Ca: Hotels, Restaurants, Cafès
- Traditional retail outlets
- Supermarkets
- Consumer electronics
- Vending (offices and workplaces)

Business to Consumer (B2C)

- illy Shops
- illy Caffè and espressamente illy
- e-commerce



■ 2.2.1 Value Creation and Sustainability for Customers

illycaffè's objective to maximize the creation of sustainable value for its customers is achieved through the initiatives **to lower the environmental impact of its products and packaging** thanks to the development of innovative and highly technological solutions.

In particular, with the launch of **illy box** in 2016, the company aims to improve **efficiency and the quality of customer service** in the Ho-Re.Ca. channel, through an innovative telemetry system incorporated in the professional coffee machine.

2017 Initiatives for the Creation of Value in the B2C Channel

illycaffè continues to pursue the development of its B2C offering through franchised or directly-operated single-brand retail outlets under the "illy Caffè" and "illy Shop" brands, with the twofold objective of exporting the concept of real Italian coffee bar abroad and establishing a direct relationship with consumers. The new format introduced recently is positioned in the market as a symbol of the Italian lifestyle, showing places that embody illycaffè's founding values: beauty, socialization, creativity and enogastronomic culture. In 2017 **29 retail outlets were opened under the "illy Caffè" brand** (26 franchised stores and 3 directly operated stores) while 22 were closed (21 franchised/licensed stores and 1 directly operated store), following expiration of the relevant rental agreements or implementation of the plan to revamp the network, which intends to improve the profitability and management quality of the stores.

Regarding the illy Shop format, in **2017 10 retail outlets were opened and 5 were closed**.

At the end of 2017, the **single-brand retail network** consisted of **247 stores** (170 illy Caffè and 77 illy Shop), of which 222 operated by franchisees and 25 operated directly.

There is also a growing consumer interest in online purchases of illy products. In 2017, the web site had 4,570,851 visitors from all over the world and 233,838 orders were placed online. Still in 2017, illycaffè started a long-term Digital Transformation project, to combine online and offline sales in such a way as

to provide consumers an omni-channel experience. In its pursuit of constant improvement, illy is investing **to strengthen and digitalize customer care**.

2017 Initiatives for the Creation of Value in the B2B Channel

In 2017 **illy was once again the coffee brand with the highest demand in coffee bars in Italy**, with 59% of people in Italy who pick a coffee bar where they can enjoy illycaffè.⁴ Coffee bar owners also show a high satisfaction level with illy.⁵

The year under review saw also the introduction of the new professional 3-kg. can, which uses an innovative technology (seaming) with benefits in terms of production and shipping, improved taste in the cup and new design, all aspects that are strongly appreciated by customers and consumers. The new production line for the 3-kg. product paved the way for the launch of the 1.5-kg. can, which is intended to ensure high-quality standards in the cup also for low-volume coffee bars.

The provision of a full range of services and products allows the company to meet any business requirement, on one side, and to stand out from the competition, on the other. The training activity, based on courses held at the University of Coffee, and tailor-made consulting continue to be expanded and improved. The development of the new **Extra Dark roast** made it possible to meet certain local requirements in terms of perceived coffee quality and drinking habits.

The "Professional" page of illycaffè's web site, for customers and prospects, was renewed in 2017, to extend its contents in a segmented manner to the entire Ho.Re.Ca. world. The page was designed with a consulting and problem-solving approach in mind, with advice dispensed in the form of suggestions developed with support from the University of Coffee. In 2017 the total number of visits rose, as did the number of requests for information of a business nature.

⁴ Source: GfK Sinottica, 2017B, on a sample of 12,000 users

⁵ Source: Internal Customer Satisfaction data, 2017

illy box

illy box is a solution devised for the Ho.Re.Ca. channel. It is a system which **connects professional coffee machines** to the internet, to ensure a sustainable, high-quality service, capable of monitoring the process and, if needed, take immediate and pointed improvement actions. The information gathered on the use of the machines are viewed in real time through a **smartphone, a tablet or a pc** and is personalized. The medium-term objective is to **concentrate into a single digital space all the information pertaining** to every user. Trade customers will be able to view in their own password-protected area both the illy box data and information that can be used to manage their business more effectively.

Expected benefits for Ho.Re.Ca. customers include:

- The guarantee of consistent high quality in the cup served to consumers in all illy coffee bars;
- The **reduction of the customer churn rate**, with the resulting increase in revenues, achieved through the high level of service provided through illycaffè's quality promoters and salesforce;
- The possibility to obtain guidance on how to support the professional **capsule business model**.

■ ILLYCAFFÈ AND LARGE DOMESTIC AND INTERNATIONAL HOSPITALITY AND TRANSPORTATION OPERATORS

The company has had for years partnerships in place **with important domestic and international hospitality, transportation, restaurant, retail and fashion companies**. In the hospitality sector, these partners include the Marriot group, the Accor group, Kempinski Hotels and One & Only Kerzner Group, all serving illy products at their venues.

In the **transportation sector**, partners include United Airlines, where illy is the official coffee on board airplanes and in lounges, and Singapore Airlines, Cathay Pacific, Air France and Emirates, which chose illy for their business and first classes, while cruise lines Silverseas cruises and Cunard Cruises offer illy on board their ships. In Italy there is a collaboration in place with **Trenitalia** and **Costa Crociere**.

■ 2.2.2 Listening to Customers and Customer Satisfaction

The company bases its customer relation strategies on the main factors that determine the quality of the service, such as **accessibility, process transparency, communication management (especially reduction of response time), consistency of treatment in the various channels and provision of high value-added services**.

In 2017 there were 59,576 contacts with customer care:

- Requests for assistance/service rose, mainly in connection with the increase in final customers' demand for illylovers contracts and in commercial requests from potential customers;
- Requests for information from consumers increased;
- Complaints on the quality of the product decreased to 2867.

In addition to customer care, several different channels were used to listen to customers and for customer contacts, including:

- **Social networks**;
- **Customer satisfaction** surveys designed for Artisti del Gusto (Artists of Taste), illy bars, online customers;
- Telephone surveys for Artisti del Gusto, former Ho.Re.Ca. customers, Ho.Re.Ca lperespresso;
- Interaction of Quality Promoters and technical consultants through information **actions and/or activities directly in customers' establishments**.
- Ad hoc company visits.

Quality in the Cup

To provide additional support to the Ho.Re.Ca. customers, the "Quality in the Cup" project was launched. A team of qualified technicians provides **tailor-made assistance and consulting services** to retail establishment managers. In particular, this initiative calls for:

- Monitoring the quality of illycaffè coffee served by Ho.Re.Ca. and Vending customers (upon request) throughout Italy;
- Managing and monitoring the image of the retail establishment;
- Training and managing the know-how on illycaffè's quality standards and on the equipment;
- Managing new product tests;
- Involving managers and operators through the opportunities provided by the University of Coffee.

Moreover, in September 2012 an agreement was entered into with the Ministry of Agriculture, Food and Forestry Policies (Central inspectorate of quality and repression of food product frauds) to preserve the superior quality of the 100%-Arabica illy blend and to protect those virtuous retail establishments that bring every day the illy flavor and excellence to the Italians. The agreement provides for the analysis of coffee samples and tests of a new analysis method to allow for the rapid identification of a blend created with the addition of roasted beans other than illy's. These and other checks already activated by the company along the entire coffee supply chain are further guarantee and protection of the competition among retail establishments and ensure that customers will be able to enjoy an excellent and authentic illycaffè espresso in those places that display the company's name and logo.

Complaint management and improvement actions

Complaints and tips coming from customers and consumers through customer care are analyzed and managed by Quality Assurance, in cooperation with the various company functions concerned.

1. Complaint management activities have been reviewed to improve efficiency and effectiveness by assessing, through internal processes, the quality of the complaints on the basis of the type of product involved, with assignment of the relevant operational responsibilities;
2. Update of the scripts used by customer care and machine service to identify the problem;
3. Clustering of complaint families;
4. Set-up of the system to calculate complaint costs.

■ SURVEY ON THE LEVEL OF SATISFACTION OF THE CLIENTS IN ITALY

In the last four months of 2017, **telephone interviews were conducted, through Customer Care, with almost 1200 baristas throughout Italy.** It is a representative sample as it accounts for approximately 15% of all customers, managed through the direct network.

The interview was designed to **determine the level of satisfaction of B2B customers in Italy**, by monitoring certain key factors in the relationship, such as quality, technical assistance, communication and attention to sustainability.

The findings show **a very high satisfaction with illycaffè (>8.5 on a scale from 1 to 10)**, which is confirmed by the high propensity to remain illy customers and to recommend the brand to other professionals.

Customer satisfaction was very high (>8) also with illycaffè's **ethics and attention to sustainability**, which customers regard as very important factors. Other reasons why customers are satisfied include the **quality of coffee** (77% of customers), salesforce relationship and competence (for 67% of customers) and the benefits for the coffee bar derived from the brand's image (65% of customers).



■ 2.2.3 Communication and Responsible Information

To get consumers involved emotionally and intellectually, by offering them a multi-sensory experience, the company chose to transfer excellence also to the cup, the vessel through which the product is enjoyed. Thus were born the illy Art Collections. Living the espresso experience means sharing an appreciation of beauty and goodness, qualities that combined together attain the ideal referred to by the ancient Greeks as *Kalokagathia*. That is the reason why art and creativity are the language chosen to express the company's values and philosophy, with the development of single-brand stores and international cultural events. illycaffè's communication

with its customers and stakeholders is based on the respect of the right to information. In fact, every communication activity is fully compliant with the laws, rules, professional practices and is carried out in a clear, transparent and timely manner.

- illycaffè abides by the code of marketing communication self-regulation;
- To strengthen its review for consistency and compliance with all the laws of the countries of reference, illycaffè obtains a professional opinion on its labels from a company specializing in the promotion and development of agri-food quality.



■ 2.3

illycaffè's people

Highlights

1,290

1290 group employees
at December 31, 2017 ⁶

15.2

training hours
per employee

■ 2.3.1 Human Resource Policies

People are the heart of a sound and viable company. That's why illycaffè thinks that it is paramount to have qualified talents and, to that end, it has a **human resource management and development policy** in place that is based on the respect for workers' rights and on the **full attainment of their potential**, encouraging their personal and professional growth as well as their career development. illycaffè acknowledges the central role of human resources and the importance of **cooperation based on transparency, loyalty and trust**, by applying the behaviors dictated by its own Code of Ethics⁷ and the co-responsibility pact promoted through the **illycitizen** project.

The company protects and promotes the **improvement of the quality of life** for its employees and their families. In fact, it provides a comfortable and safe workplace and stimulates their abilities, potential and personal interests, by monitoring and developing arrangements and discounts with commercial establishments. To enhance motivation and sense of belonging, illycitizen, the **active citizenship program**, continued also in 2017, with the objective of transferring all the knowledge and information that make each and every employee a **brand ambassador**.

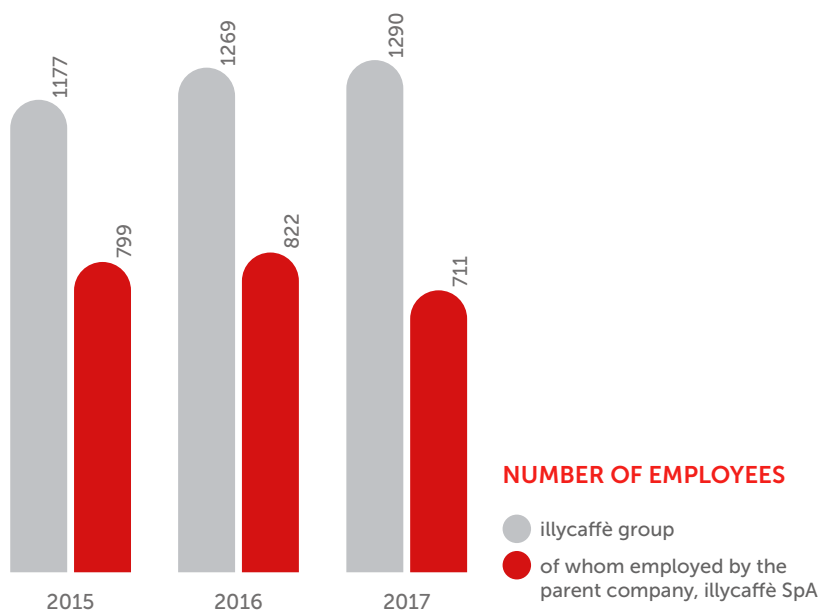
⁶ For more information on the scope of employee data, reference is made to section 5.1

⁷ Please refer to the Code of Ethics downloadable on www.illy.com

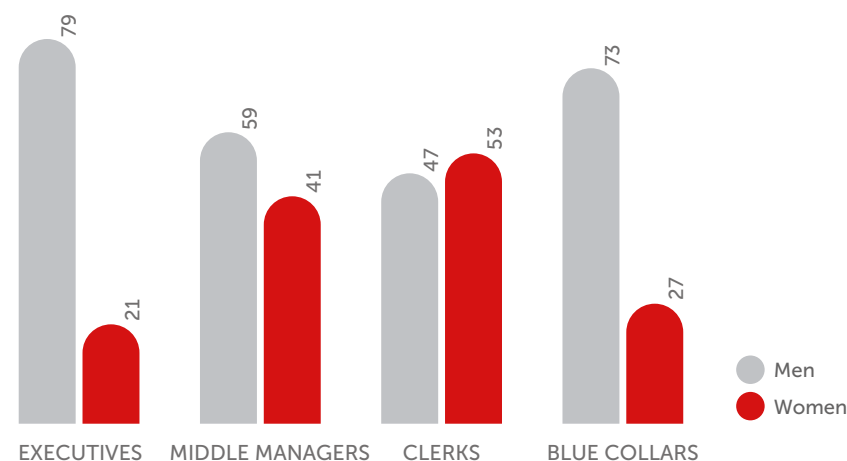


■ 2.3.2 Employment

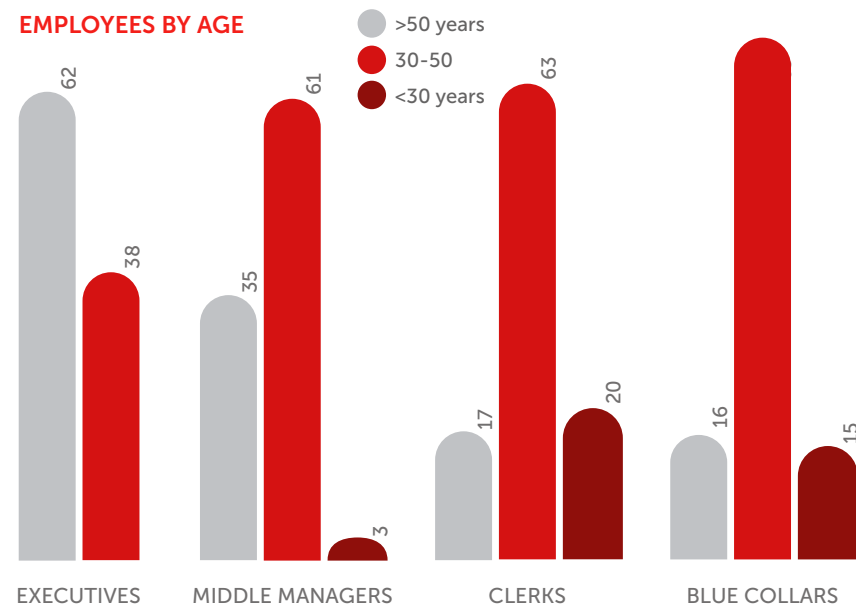
In line with the growth trend of the preceding years, at December 31, 2017 illycaffè had 1,290 employees, of whom 711 in Italy, with an increase 1.7% on the previous year.



With reference to the companies included in the scope of consolidation (which account for approximately 98.8% of total employees), women represent 43.0%. Based on the breakdown by age, employees between 30 and 50 years of age account for 63.0% of total employees.

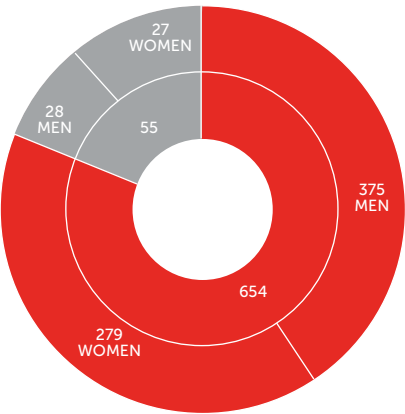


Given a changing market demand, at December 31, 2017 illycaffè had 654 permanent employees, representing 91.9% of the total. Of these, most work full time. On the same date, the company had 50 part-time employees, mostly women (94.0% of the total).⁸ In addition, during the year under review, the company activated two full-time apprenticeship contracts, 40 full-time temporary contracts and 3 full-time internship contracts, to employ students coming from local schools and universities.

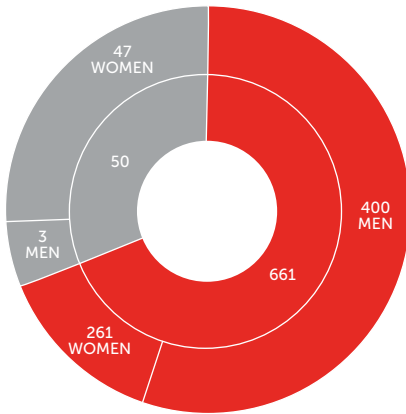


⁸ The information shown refers to illycaffè S.p.A., due to the contract differences in other countries

PERMANENT E TEMPORARY



FULL TIME E PART TIME



It is worthy of note that 42.5% of executives in Italy and 2.68% in the rest of the world come from the communities in which they operate, witnessing the company's effort to develop local talents.

illycaffè rewards merit and respects its employees **avoiding any form of discrimination**, providing **equal opportunity**, ensuring suitable work to vulnerable employees. To date, approximately 2.8% of the workforce in Italy belongs to protected classes.

In addition, in keeping with the Code of Ethics, it makes available to employees work opportunities closely related to their performance and capabilities. Salaries, for their part, are governed by the national agreements and the rules applicable in the countries where the company operates. Moreover, **performance evaluation systems are applied**, periodically, to employees through a clear definition of agreed-upon, measurable (in numerical terms) and individual objectives, whose achievement is rewarded with a bonus. Executives and middle managers undergo a performance review every year while clerks and blue-collar workers are subject to a more streamlined and flexible system.

The ratio of gross annual pay (base salary provided for by the National Labor Agreement plus seniority raises, occupational allowance, cost-of-living adjustments, extra allowance, job-specific pay) received on average by female workers in Italy to the gross annual pay of men is equal to 0.83 in the case of executives, 0.93 for clerks, 0.87 for middle managers and 0.92 for blue-collar workers. This ratio was calculated by dividing women's total gross annual pay by men's total gross annual pay, for every category.

In 2017, the turnover rate, calculated as the ratio of terminated employees for the period and total employees at the end of the period was 5.7%. On the other hand, the rate of new hires to total employees at period-end was 9.4%.

MEMBERS OF THE BOARD OF DIRECTORS BY AGE RANGE AT DECEMBER 31, 2017			
	<30 YEARS	30-50	>50 YEARS
Board of Directors	0	1	12

MEMBERS OF THE BOARD OF DIRECTORS BY SEX AT DECEMBER 31, 2017			
	WOMEN	MEN	TOTAL
Board of Directors	4	9	13

	NO. OF NEW HIRES			NO. OF TERMINATIONS			HIRING RATE*			TERMINATION RATE*		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Men	46	20	42	24	13	25	12.07%	5.18%	10.42%	6.30%	3.37%	6.20%
<30 years	17	5	22	1	4	4						
30-50	27	15	16	16	6	12						
>50 years	2	0	4	7	3	9						
Women	32	21	25	14	5	16	11.30%	7.02%	8.12%	4.95%	1.67%	5.19%
<30 years	15	5	16	1	2	6						
30-50	17	15	9	7	3	10						
>50 years	0	1	0	6		0						
Total	78	41	67	38	18	41	11.75%	5.98%	9.42%	5.72%	2.63%	5.77%

* The calculation is made by dividing the N. recruitment or N. terminations by the total number of employees at the end of 2017

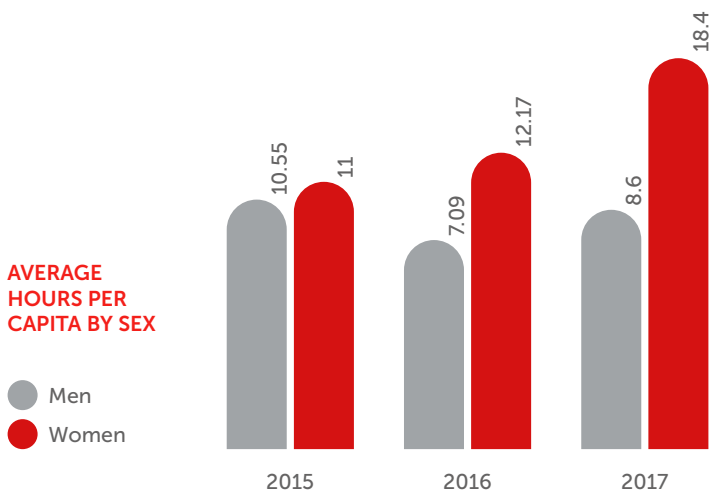
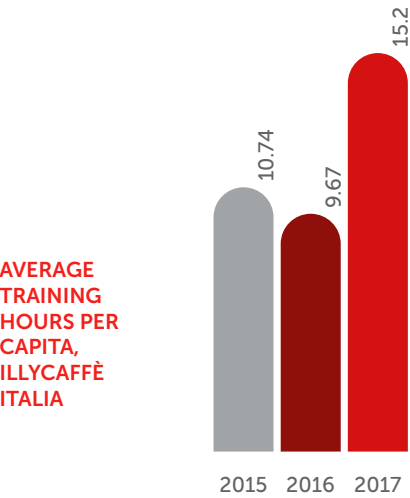


■ 2.3.3 Employee Training and Development

People are the focus of the company’s interests and a key component of its development and growth. The hiring system emphasizes the **internal growth of employees** for new openings within the company. **Employee training** is paramount for professional learning and growth and a significant tool in supporting the growth process contemplated by the company’s strategic plan. Through specific training programs, illycaffè wishes to turn its employees into:

- Business partners that support the company in pursuing its plans and objectives its projects and in the development of skills;
- People partners who help management in developing its staff;
- Company partners who support the in the development of an identity and a culture for the construction of a widespread leadership.

The cyclicality of the training plan involve in different manners the various professional figures who, year after year, are involved in varying degrees, depending on the training objectives and the activities carried out in previous periods. Training paths are built and broken down by technical skills and behavioral skills while teaching methods vary on the basis of the type of course. illycaffè has been cooperating for years with the best business schools, such as SDA Bocconi, Milan, MIB, Trieste, London School of Economics, il Sole 24 Ore Formazione.

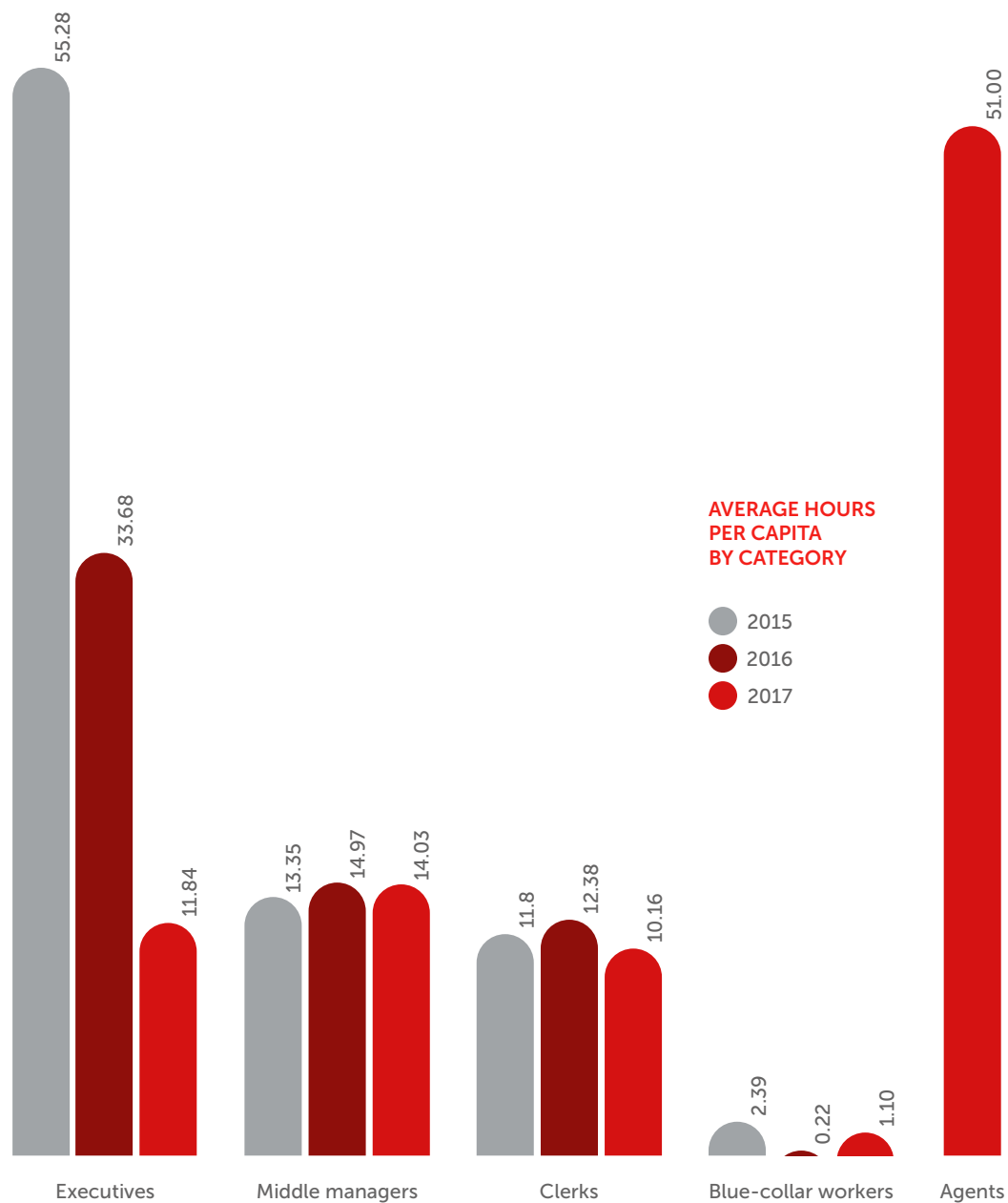


■ **EXPERIENCE MAKERS**

an important one-year training program (2017-2018) was devoted to the Ho.Re.Ca. Italia sales staff, with the following objectives:

- To have the sales process evolve into consultative selling;
- To ensure that the community develops an excellent level of knowledge and competencies in relation to the Ho.Re.Ca. world and coffee in general;
- To revamp the internalization and knowledge of illycaffè’s value, offering and style;
- To support a personal development process in terms of selling, negotiation, communication and planning skills.

The year under review saw the involvement of 18 area managers with 88 training hours each, 11 Quality Promoters and 157 agents with 52 hours each, with activities involving also e-learning sessions.



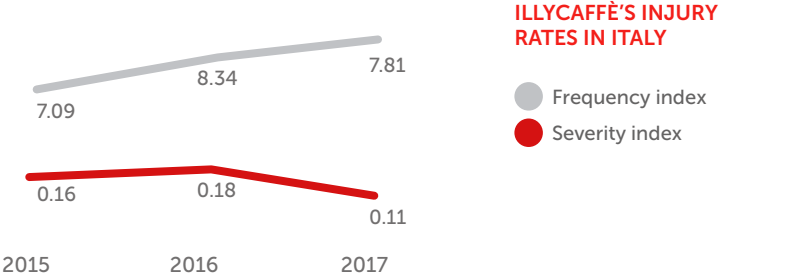
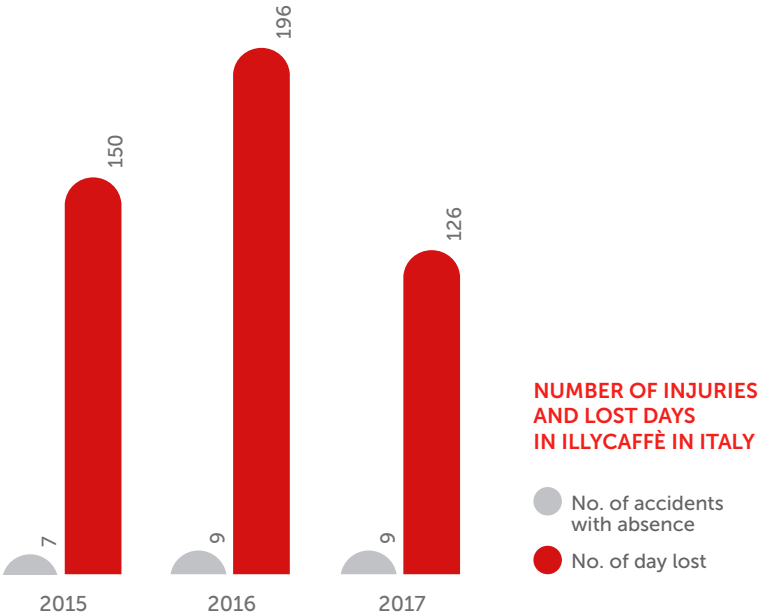
ILLYCITIZEN

A training and engagement program for illy's employees, involving progressively both headquarters and the branches. The program went through different phases, starting from the knowledge about the company (strategy, organization etc.) and, eventually, activities to clarify and define the behaviors that characterize illy citizens (respect, collaboration and consistency). It then focused on the involvement of, and listening to, customers to identify the areas of improvement in relationships and the provision of company services. Starting in 2017, the program emphasized the role of company Ambassador, mainly to make employee increasingly aware and contribute to the success of the brand. Training took place through live sessions, e-learning and gamification.

■ 2.3.4 Health and Safety

illycaffè regards the dissemination of a **safety culture** among its employees as a key strategic component, for the development of greater awareness of occupational risks and the encouragement of responsible behaviors. The protection of workers' health and safety takes place through preventive actions (through laws) and training activities.

The company organizes training activities for the production areas, to instill in workers a stronger awareness of their own safety and to share the risk analysis and assessment process. On the **company's premises a rapid response team is constantly at the ready**, to handle first aid and firefighting emergencies. At year-end 2017 the firefighting team had 33 members while the first aid team had 33. In 2014 the company purchased four semi-automatic defibrillators (AED) and the members of the first aid team obtained certification in AED use, with practice drills every two years.



In 2017, in Italy, there were 9 workplace injuries, involving 7 men and 2 women, for a total of 126 days of absence⁹ and there were no cases of occupational illness. The 2017 absenteeism rate¹⁰ was 4.4%.

In addition, attention is called to the 6 injuries occurred to employees of companies operating within illycaffè's plants, for a total of 268 days of absence.

	FREQUENCY INDEX	SEVERITY INDEX
Trieste plant	4.61	0.08
Retail locations (Rome, Milan and Trieste)	51.47	0.58

⁹ Data related to illycaffè SpA in Italy. The frequency index is the ratio of the number of injuries occurred in a year to the number of hours worked, X 1,000,000. The severity index reflects the ratio of days of absence to the number of hours worked X 1,000.

¹⁰This rate reflects the number of effective days of absence as a percentage of total business days for the workforce in the same period. Absenteeism means the absence from work of a worker for any type of inability, not only related to injury or illness. Not included in the calculation are authorized leaves of absence such as vacations, study, maternity/paternity and time off for family reasons.



Risk Management and Assessment System

illycaffè has a **safety management system** with all the necessary professional and managerial figures in the area of safety in place, i.e. the head of the prevention and protection department, the workers' safety representatives, the occupational physician, the safety delegates, the employer. The company has **three workers' safety representatives for all the workers' categories**. Since noise is the main source of risk for workers, certain plant workers are required to wear soundproof earmuffs.

In 2013 a procedure was activated to report any significant safety-related event. In fact, every month a report is prepared on the status of the cases – closed, open and in progress. The report is shared with all the function heads, the CEO, the 231 Supervisory Board, Board of Statutory Auditors and union representatives.

Training and Prevention

To prevent health and safety risks, illycaffè invests heavily in workers' training and information. In fact, in 2017 **2,135 training hours were devoted to health and safety, involving 438 employees, with a yearly average of 5.3 hours for men and 4.4 hours for women**.

Safety for the employees of external firms

Monitoring of workplace safety extends also to workers of external firms, as contractors that operate inside company plants are required to comply with the law and their employees are involved in all information and supervisory activities and the application of the DUVRI (single document on the assessment of interference risks). illycaffè requires that any injuries be reported at once, to determine any responsibility on its part and act accordingly.

■ 2.3.5 Internal Communication and Employee Benefits

To encourage interdepartmental collaboration and sense of belonging and to increase the dissemination of the company's values and culture, illycaffè pays special attention to internal communication. During the entire year "Momenti Exchange" meetings were held for preview presentations of projects and products or to give news involving the company.

The **co-responsibility pact among all of illy citizens**, which has been in place since 2013, is designed to define the mutual obligations of employees, management and the shareholders to protect illy's uniqueness. The pact stipulates that it is important to work with passion, humbleness and a spirit of self-criticism, without losing sight of the company as a whole and expressing one's point of view with candor.

The **"Made in illy" project** continues, with the company's employees who make available their skills and give their time freely to cooperate in the organization of company events.

Internal communication and internal relation activities go hand in hand with the training plan and labor relations.

BENEFIT

illycaffè provides all employees – including part-timers and those with fixed-term contracts – certain financial and social benefits. These are initiatives intended in some cases to improve the employees' personal and family welfare while in other cases they try to meet certain non-work-related needs.

Kindergartens and Textbooks

Since 2007 the company has been supporting parents by paying 30% of the tuition for certain private kindergartens with which it entered into special arrangements. In 2017 there were 3 kindergartens covered by such arrangements, for the benefit of 30 children of employees.

Medical insurance and supplementary pension plans

The company has been paying since 2003 the full amount of the premium necessary to obtain medical insurance for employees and their families. In 2017 refund requests totaled 1,767 (1,621 in 2016). In the same year the company contributed €147,000 into supplementary pension plans, a sum in excess of that required by the labor agreement and in line with 2016. At December 31, 2017 employees with an open individual pension plan totaled 336, down from 344 in 2016 due to terminations.

Cafeteria, Arrangements and Other Time-Saving services

In Trieste's headquarters employees have a cafeteria (operated by an external firm) where the company covers 67% of the cost of a meal. In Trieste, illycaffè provides also additional services, including an ATM. A large number of arrangements are in place with retail establishments, gyms, theaters, stores, medical clinics, territorial agencies, with the objective of making a positive impact on the employees' quality of life and welfare also outside the company.

■ ILLYCAFFÈ ABROAD: EXAMPLES AND GOOD PRACTICES

Foreign affiliates too provide benefits to their employees, including medical insurance, company cars, special arrangements with stores, gifts, time-saving services as well as legal advice and psychological support. In Spain, for every newborn €500 are allocated to the purchase of books or to pay kindergarten tuition and a passbook is opened with an initial €250 deposit.

A photograph of an elderly woman with a joyful expression, looking upwards and to the left. She is wearing a wide-brimmed straw hat with a dark band and a white short-sleeved polo shirt. A pair of red-rimmed glasses is tucked into the collar of her shirt. The background is a lush, green coffee plantation with dense foliage and banana trees under a bright blue sky with scattered clouds. The lighting is natural and bright, suggesting a sunny day.

A COFFEE THAT
CREATE INDEPENDENCE.

■ 2.4

Suppliers of Goods and Services

illy has mutually beneficial relationships with its suppliers, selecting them and guiding them also in view of their alignment with its values. As indicated in its Code of Ethics (article 3.5) *“supplier relations are constantly monitored by illycaffè. These relations include also financial and consulting contracts. A contract entered into with a supplier must be based on extremely clear relations”*.¹¹

Specifically, this approach translates into:

- **Safety of products – services – processes.** The value created by the company in the long run for its stakeholders involves first of all, even before qualitative excellence, the assurance that products, services and processes are safe and compliant with the applicable rules and regulations;
- **Qualitative excellence and welfare.** illycaffè's business sustainability and the value that the company creates are inextricably connected to the qualitative excellence and welfare that it can offer to its stakeholders;
- **Integrity, value and commercial benefit sharing.** Every supply contract contains the clause laying down the supplier's obligation to review and comply with illycaffè's code of ethics.

Also in 2017, thanks to the **Sourcing Risk Management** project, the company was able to map, on the basis of specified criteria, actual and potential risks along its supply chain (including those related to environment, health and safety, social & ethics, compliance, innovation, etc.) and risks related to external factors (country and market). The year under review saw also the continuing **optimization and standardization of procurement** (except for green coffee, which is managed separately), which made the management activities of the Procurement Department more coherent and centralized. Lastly, the Vendor Evaluation process became fully operational. Strategic and/or critical suppliers have been evaluated through a structured methodology based on the attribution of vendor ratings that make it possible to measure performance in purchasing. In particular, the vendor evaluation process was revised and improved in view of an approach designed increasingly to establish partnerships with suppliers and to improve constantly their overall performance. The new approach makes it possible to **monitor and measure systematically** suppliers' performance during the collaboration period, on the basis of objective and subjective parameters. Such parameters refer to different aspects related to procurement, such as technological know-how, quality and logistics.

¹¹ To obtain further details on the support underlying this commitment, included in the General Purchase Terms and Conditions attached to Purchase Orders, reference is made to illycaffè's code of ethics.

Policies

Through a new procurement procedure, the companies introduced standard methodologies to select suppliers and to evaluate the bids for indirect materials, services, investments, raw materials and finished products. Also in 2017 extensive use was made of the **Decision Matrix as a tool to select and evaluate suppliers**. The selection mechanism involves technical and pricing requirements, which account for 60% and 40%, respectively. Three difference decision matrix models were introduced (advanced, medium and standard) which differ in terms of KPIs and their related weights.

Furthermore, the use of the benefit matrix is benefiting from the introduction of the Procurement Portal, which makes it possible to **gather, summarize and compare a substantial amount of data** in few steps.

The portal will include a detailed pre-qualification questionnaire with specific questions on corporate organization, geographical operational reach, financial and operational questions, references, certifications, innovation, ethical and sustainability aspects.

The implementation phase of the Procurement portal saw the gradual activation of different modules covering a number of primary and support-related aspects of the procurement process. Specifically a **"Supplier List"** module has been activated, which made it possible in the first place to populate the platform with 600 current suppliers (representing over 80% of PVO for 2017) and, in the second place, to provide suppliers in general with a structured access platform to send their credentials.

To date, over half the suppliers included in the Procurement portal completed the **pre-qualification process**. Moreover, such suppliers will be able to participate to negotiation events (requests for bids and auctions) or to access to generic information requests via the activation of the Sourcing module.

The Procurement Department has recently published on the Procurement portal illycaffè's Code of Conduct for its suppliers. This document lists and describes the principles that illycaffè asks its suppliers to comply with in their business dealings.

The principles refer to illycaffè's Code of Ethics and reiterate **the intention to operate in a transparent manner, paying utmost attention to economic, social and environmental sustainability**. The most significant aspects concern:

- Business ethics and integrity
- Human and labor rights
- Environment

Starting from November 2017, in view of constant innovation and change, both current and potential suppliers have been undergoing a close preliminary evaluation through the procurement portal.

A more in-depth evaluation of the environmental and/or social aspects is carried out instead in the **qualification process**, where themes addressed include, among others:

- Social impact report, Sustainability report, Combined report or instruments to measure the social and environmental impact
- Sustainability of the Supply Chain
- Written anti-corruption policies, anti-competitive practices, respect of intellectual rights and/or responsible marketing practices
- Written policies or other objective evidence regarding respect for diversity, racial or gender discriminations and exploitation of child labor
- Training of employees exceeding legal requirements
- UN Global Compact or other international initiatives on sustainability
- Employee benefits
- Monitoring and reduction of water and energy consumption
- Waste reduction and/or recovery
- Renewable energies
- Activities designed to reduce environmental impacts

Starting from the date of activation of this module **15 negotiations have been conducted on the platform**, comparing existing suppliers with potential new suppliers. In all these negotiations, the existing suppliers have been considered the best, from a technical and pricing point of view. Modules relating to the qualification process and contract lifecycle management activities are expected to go live in 2018, along with the modules related to the vendor evaluation and sourcing risk management.

In addition to qualifying the supplier, the procurement portal aims to achieve broader objectives, such as:

GOVERNANCE and COMPLIANCE

- Traceability of processes to limit risks
- Complete supplier management
- Performance monitoring and improvement
- Compliance with rules

METHOD

- Implementation of a shared method culture
- Standardization of procedures
- Timeliness of response to internal and external stakeholders
- Constant improvement including by sharing bet practices

TRANSPARENCY

- Guarantee of process ethics
- Accessibility and usability of information

ECONOMIC GAINS

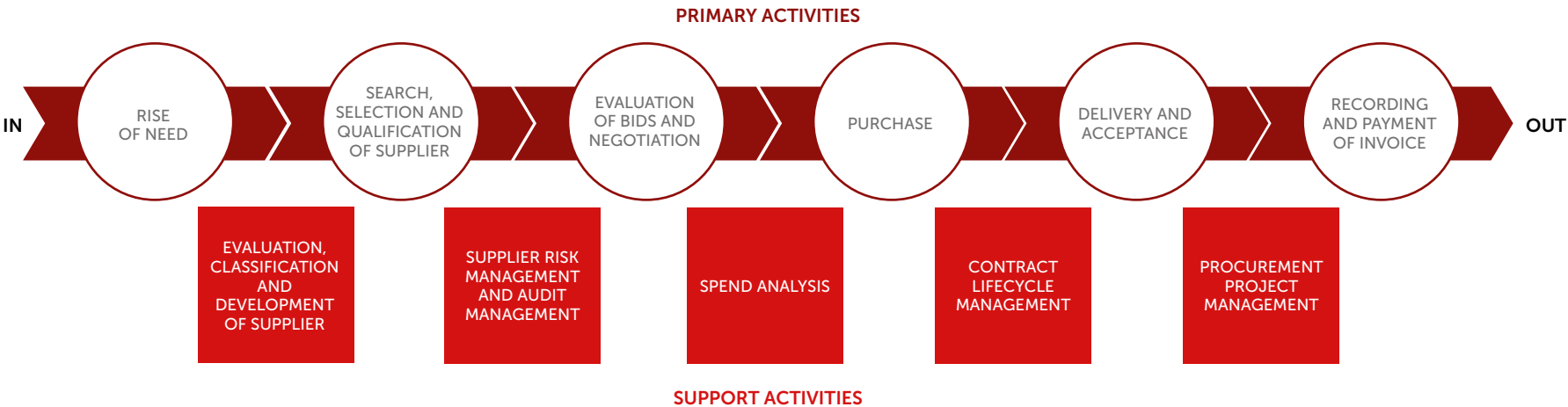
- Economic benefits (thanks to the digitalization of the workflow)
- Reduction of the Total Cost of Ownership in the different procurement categories

Management approach

The current organizational model follows a **vertical specialization rationale**, which allows the provisions of specialists in the following product categories to the requesting functions:

- General Services
- Food
- Marketing & Communication
- Mobility Management
- Packaging
- Co-Packing
- IT
- Coffee Machines & Accessories
- Utilities

The strategies and operations related to these categories are managed within a cluster of five departments. The Procurement department monitors constantly the *PURCHASING CYCLE END 2 END*, focusing on both primary and support activities.



Risks

A recently developed **Supplier Risk Management** process will be implemented on the Procurement portal by 2018 to manage supplier risk and risks related to the supply of the main materials and products.

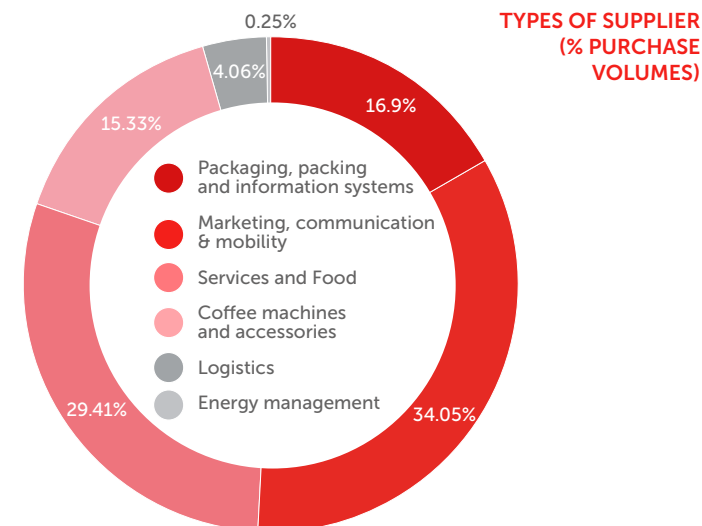
More specifically, virtuous and structured process has been implemented that, starting from the identification of the main risk areas, will map the main suppliers on the basis of a Risk Matrix.

The process along which risk management will unfold is as follows:

- **Identification, mapping and evaluation of risks:**
 - Risks that depend on macro-economic factors (geopolitical, social and economic context) o Technical/qualitative risk
 - Logistic risk
 - Rischio logistico
 - Financial risk
 - Environmental/ethical-social risk
 - Legal risk
 - Supply risk
- Preparation of the **risk management plan** and the strategic choices aimed at lowering the level of risk
- **Implementation of risk management strategies**
- **Monitoring and review, where necessary, of the supplier risk management plan**

The company did not initiate business dealings with any significant suppliers in 2017 and, as such, no new supplier has been evaluated on the basis of environmental criteria, work practices, human rights and impact on society.

Audits/quality checks were performed mostly on products and services (without relevance in terms of ethics and sustainability). The main audits were performed mainly for Chinese suppliers (3 audits) and Italian suppliers (2 audits).

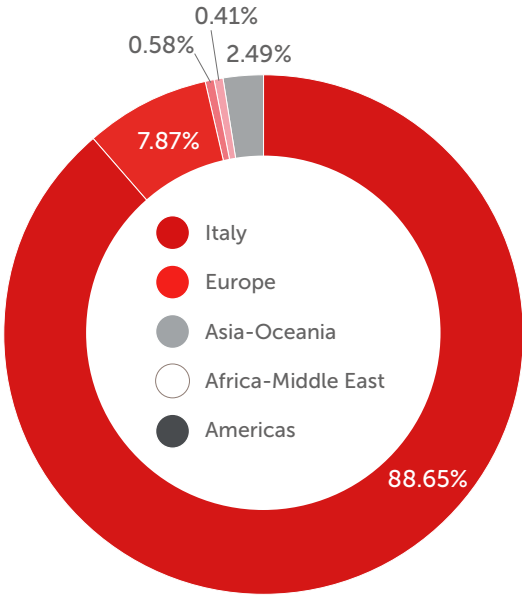


PRODUCT CATEGORY	NUMBER OF SUPPLIERS	% OF TOTAL	PVO IN 000/€	% OF EXPENDITURE
Packaging, Packing and Information Systems	204	16.90%	56,676	37.06%
Marketing, Communication and Mobility	411	34.05%	30,310	19.82%
General Services and Food	355	29.41%	26,817	17.54%
Coffee Machines and Accessories	185	15.33%	26,325	17.22%
Logistics	49	4.06%	12,106	7.92%
Energy management	3	0.25%	676	0.44%
Total	1,207	100.00%	152,910	100.00%

Of these, the company regards as strategic and/or critical those suppliers of goods or services with a particularly large business impact (typically with sales to illycaffè in excess of €500,000), those that operate as partners in a production/distribution process and those who provide illycaffè with raw materials and services considered key for the company business. Considering solely the monetary parameter, suppliers with sales to illycaffè in excess of €500,000 are 53, as against 46 in 2016.

The map by geographical area of the main non-coffee suppliers reveals that **85.09% of purchases is produced in Italy**, attesting to the company's tendency to buy mainly from national operators. Suppliers located in the rest of Europe account for 10.2% of the total while 3.89% of them is located in Asia and Oceania. Lastly, 0.95% of purchases comes from the Americas.

SUPPLIER ORIGIN
(% OF PURCHASED
VOLUMES 2017)



SUPPLIER ORIGIN	NUMBER OF SUPPLIERS	% OF TOTAL	PVO IN 000/€	% EXPENSE
Italy	1070	88.65%	130,111	85.09%
Europe	95	7.87%	15,314	10.02%
Asia - Oceania	7	0.58%	5,943	3.89%
Africa - Middle East	5	0.41%	96	0.06%
Americas	30	2.49%	1,447	0.95%
Total	1,207	100.00%	152,910	100.00%

■ 2.5

illycaffè and the Community

Highlights

Several projects for the promotion and development of initiatives with a strong social impact in the producing countries in which illy operates, consolidating a stable dialogue with government, organizations, institutions and trade associations, research institutions and universities linked to the coffee supply chain.

In 2017 was celebrated the twenty-fifth anniversary of illy Art Collection, on the occasion of the 57th International Art Exhibition of the Venice Biennale.



International Community

The quality of illy's coffee begins with the direct cooperation with coffee producers and stands **on four pillars**:



In this context, a key factor for the company is **understanding the needs of the community**, with the help of local and global institutions.

Mindful of this responsibility, illycaffè has developed different projects to support the local communities in which it operates, establishing firmly over time a constant dialogue with different government organizations, institutions and trade associations, research entities and universities linked to the coffee supply chain at the international level or in producing countries.



COUNTRY	INSTITUTION
Brazil	CECAFÊ - Conselho dos Exportadores de Cafê 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 SENA - Servicio Nacional de Aprendizaje
Guatemala	Anacafé Gobierno del Guatemala
El Salvador	Consejo Salvadoreño del Cafè
Ethiopia	Ethiopian Coffee and Tea Development and Marketing Authority Ethiopian Coffee Exporters Association
India	Coffee Board of India
Tanzania	Coffee Board of Tanzania
China	Institute of Tropical and Subtropical Cash Crops (ITSCC)
Rwanda	National Agricultural Export Development Board
International	ICO - International Coffee Organization Dal 2012 a marzo 2016 Andrea Illy è stato Chairman del Promotion and Market Development Committee UNIDO - Organizzazione delle Nazioni Unite per lo Sviluppo Industriale WB - World Bank (Banca Mondiale) 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

In particular, the **reforestation project in the Támara community**, in Colombia, gained further ground, with its focus on the treatment of coffee wastewater. In addition, the company continued with the project undertaken with UNIDO - **Improving the Sustainability and Inclusiveness of the Ethiopian Coffee Value Chain through Private and Public Partnership** – involving the entire Ethiopian coffee sector.

Started in 2015, following an agreement signed by illycaffè, the Ernesto Illy Foundation and the United Nations Industrial Development Organization, under the auspices of the Ethiopian Ministry of Industry, the project is designed to improve coffee quality and production capacity and to allow small producers to increase their income, encouraging local economic development. The partnership is part of the **Ethiopia Programme for Country Partnership**, which intends to contribute to the progress of Ethiopia and turn it into a country with a sustainable income by 2025.

Another example of wide-ranging program took shape in Colombia in 2015, out of the declaration of intents between illycaffè and SENA - *Servicio Nacional de Aprendizaje*, a national government institution that oversees labor training – to start a cooperation project with the objective **to transfer knowledge and good practices on coffee production and preparation**, to the benefit of producers and consumers.

■ 2.5.1 Art, Esthetics and Culture

illycaffè has been for over twenty years a competent and active player in the world of contemporary art, as witnessed by the support and promotion of the activity of several successful and emerging artists, with the objective **of disseminating the culture of beauty and excellence**.

The Venice Biennale and the 25 Years of illy Art Collection

illycaffè created the illy Art Collection artist cups in 1992, in cooperation with great masters and young talents, reinvesting the proceeds from sales in projects and initiatives devoted to young creatives. **In 2017 two new illy Art Collections were launched**, one created in cooperation with artist, architect and designer Ron Arad and the other featuring the decorations of photographer and instant artist Maurizio Galimberti.

The year under review saw also the celebration of the **twenty-fifth anniversary**

of the illy Art Collection. The anniversary was celebrated in Venice with the installation *"THE DISH RAN AWAY WITH THE SPOON everything you can think of is true"*, by artist Robert Wilson, a dreamlike space inspired by the illy Art Collection where everything becomes possible, as shown by the touch of the artists that transformed plain espresso cups into collector items.

illy @ Milano Design Week

illycaffè reaffirmed its passion for art and design by participating in the **2017 edition of Salone del Mobile di Milano** and **Fuori Salone**.

The Fuori Salone hosted the preview presentation of the Ron Arad illy Art Collection, which was exhibited in the Open Gallery of the Central Court of Università Statale and "SPYRE", Ron Arad's installation shown in the Main Courtyard of Università Statale of Milan, in connection with the exhibition "MATERIAL IMMATERIAL" organized by Interni magazine.

"SCENT OF A DREAM. A Journey in the World of Coffee" by Sebastião Salgado @ Paris Photo

The exhibition **"SCENT OF A DREAM. A Journey in the World of Coffee"** by Sebastião Salgado, curated by Lélia Wanick Salgado, went in Paris in 2017, in connection with the tenth anniversary of the Salon de la Photo.

The photo collection included about 80 of the most representative photos of the photographic journey undertaken by **Sebastião Salgado, with the objective of capturing on camera and celebrating coffee women and men and the veritable paradises where the precious drupe is produced.**

Artissima 2017 – Turin

In 2017 illy confirmed, for the seventeenth consecutive year, its support to Artissima, the main fair of contemporary art in Italy.

In the wake of the collaboration started in 2001, the company specifically supports **Present Future**, the Artissima section devoted to emerging talents, where the **illy Present Future Award** is presented to the artist pursuing what is considered the most innovative research path.

Since 2012, the award has been giving the winners the opportunity to exhibit their works in the Castello di Rivoli Museum of Contemporary Art and represents the company's intention to support the artistic community and young talents in their growth.

An international jury gave the illy Present Future 2017 Award to artist Cally Spooner, for her work "Soundtrack for a Troubled time" (2017), exhibited by the galleries **GB Agency**, in Paris, and **Zero...**, in Milan.

On the other hand, **Cécile B. Evans**, winner of the 2016 edition of the illy Present Future Award opened her exhibition **Amos' World: Episode One** at the Castello di Rivoli Museum of Contemporary Art.



IT'S ALWAYS THE SEASON
FOR THE PEOPLE .

■ 2.6

Human Rights

illycaffè's commitment to advance respect for human rights translated into a number of initiatives over the years, including:

- **Adherence to the principles of the ILO - *International Labor Organization*:** the company purchases only from countries that have ratified the ILO standard and that passed legislation setting at 14 years the minimum age for employment.
- Application and explicit reference to the Code of Ethics in all contracts, though a clause on respect for human rights in procurement and along the supply chain. Application of the Code of Ethics and monitoring of any violations are overseen by the Supervisory Board.
- Check of own coffee suppliers to ensure compliance with local labor laws, thanks to the **Responsible Supply Chain Process** certification. The RSCP requires **regular monitoring and the active management** of such aspects as child labor, forced and compulsory labor, trade union rights, overtime, health and safety, diversity management and equal opportunity. The certification requires that the auditor conducting field work access the farming company's

books, visit personally the indoor locations for workers, see firsthand the equipment that they use and **evaluate compliance with local labor laws**. This is a minimum requirement for the provision of coffee to the company. Suppliers found to be non-compliant with the applicable national labor laws are included in a black list and must upgrade before they can start supplying coffee to illy again.

- Preparation of the Sustainability Policy to describe illycaffè's values, objectives, commitments and governance on sustainability.
- Adherence to the **Global Compact** of the United Nations since 2012.

Thanks also to these instruments, the company is committed to promoting a behavior both responsible and respectful of human rights and to monitor any discriminations against employees. No reprehensible practices or violations were reported.

Also in 2017 the **Ethisphere Institute** included illycaffè in the list of the **World's Most Ethical Companies**. This is the **fifth consecutive year** that the company has received this recognition, which is evidence to its effort in advancing ethical standards and practices.



SEED:S

Social
Environmental
Economic
Development
Sustainability



environmental value

■ 3.1

Back to the Future Starting from the Present

Highlights

+18.7%

Increase in environmental
protection expenses over 2016

100%

Electricity coming
from renewable
sources

12,290

Plants and native trees
planted thanks to the
reforestation project
in Támara, Colombia

The environment needs to be protected in the interests of all the communities and future generations. Starting from this postulate, illycaffè is driven by the principles of eco-sustainability and **is committed to minimizing the impacts of its activities** by using the best technologies available in the marketplace. Moreover, the company operates in keeping with the national and regional laws of the countries in which it carries out its business.

illy's environmental policy starts in the hearts of plantations, limiting all possible negative impacts on the surrounding ecosystems, thanks to the adoption and promotion of **responsible behaviors**, and ends with the creation of sustainable quality products, with the lowest possible environmental impact also when they are used and disposed of.





illycaffè manages its own direct impact on the ecosystem and promotes the use of sustainable and responsible practices at all levels of the supply chain. Thanks to a certified environmental management system, the company has improved its performance over the years in terms of energy efficiency and sustainable waste management. To meet the objectives set by the 20-20-20 European Protocol on the reduction of CO₂ emissions, illycaffè has also developed **new packaging models with a lower environmental impact** and introduced eco-friendly innovations in the productive process. With green coffee producers the company promotes economically and environmentally sustainable agronomic practices. Lastly, the minimum use of active principles makes it possible to provide consumers solid guarantees in terms of food safety.

In general, the company's responsibility to the environment and to future generations can be seen in the improvement objectives that it set for itself and that it is committed to pursuing in the future.

ILLYCAFFÈ ABROAD: EXAMPLES AND GOOD PRACTICES

The foreign affiliates pursue the company's objectives in the environmental field. LED lighting systems were introduced in a number of them while all of them sort their waste.

In the United States the company launched the *illy iperespresso Recycle Program* for the collection of exhaust capsules. In 2017 894,440 capsules were collected – up 28.8% on 2016 – for a total of over 8,120 kg. of propylene and 6,005 kg. of coffee to be recycled. Once it is opened and separated from coffee, the plastic is disposed of in the appropriate end-of-life-recycling (material recovery) process while the coffee grounds are sent to composting.

■ WORLD'S MOST ETHICAL COMPANIES

Every year Ethisphere Institute, a global leader in defining and advancing the standards of ethical business, lists the World's Most Ethical Companies®, that is the companies that invest in local communities worldwide, adopt strategies based on diversity and integration and focus on long-term results, using sustainability not only as a result but as an objective. illycaffè was included in this list for the fifth consecutive year in 2017, which is evidence to the company's effort in advancing and implementing ethical standards and practices. This was the eleventh year in which Ethisphere honored the companies that use their influence to advance and drive positive change, that evaluate the impact of their actions on their employees, investors, customers and shareholders and that use their values and culture as a support and guide in their daily decisions.

METHOD AND SCORE

The World's Most Ethical Companies assessment is based upon the Ethisphere Institute's **Ethics Quotient® (EQ)** framework, which offers a quantitative way to assess a company's performance in an objective, consistent and standardized manner. The information collected provides a comprehensive sampling of definitive criteria of core competencies, in addition to all the aspects of corporate governance, risk, sustainability, compliance and ethics.

Scores are generated in five key categories: ethics and compliance program (35 percent), corporate citizenship and responsibility (20 percent), culture of ethics (20 percent), governance (15 percent), and leadership, innovation and reputation (10 percent).

■ 3.2

Environmental Commitment¹²

Thanks to the implementation of the Environmental Management System (E.M.S.), certified according to standard ISO14001, the company manages and monitors constantly its own environmental impact through the **Initial Environmental Analysis**. This is a process designed to investigate the interaction between the site's productive activity and the surrounding environment.

¹² The quantitative environmental data shown in this section refer to illycaffè S.p.A. as the impacts of the other group companies can be considered less significant. In fact, besides the nature of the activities performed by the other companies (mainly administrative):

- The main environmental impacts are related to productive activities, all performed in Trieste, in the parent company's plants;
- Over 65% of the Group employees works for the parent company.

The company features environmental examples and good practices adopted by the other companies so as to report in the best possible way environmental projects and solutions.

■ ENVIRONMENTAL MANAGEMENT TOOLS AND CERTIFICATIONS

- **Environmental Policy and Environmental Declaration:** Tools useful to define the company strategy and all the activities carried out by illycaffè in the field of environmental sustainability, including training programs for the Organization's staff, to ensure that every employee is in a position to understand these issues and to contribute actively to the achievement of the objectives set in this area.
- **Environmental Management System:** Continuous monitoring and storage of data on consumption and waste management at the company's three sites.
- **Life Cycle Assessment:** illycaffè uses the latest versions of SIMAPRO 8.3, software used to calculate the environmental impact of its productive processes. The company uses the LCA as a tool to support all its decisions related to product and process innovation.
- **Single Environmental Authorization (SEA):** Obtained in 2015, the SEA replaces the various authorizations in the environmental area (emissions into the air, waste water discharges, acoustic impact, etc.) that were applied for and obtained separately. It is a legal requirement that acts as an administrative simplification tool intended both to protect the environment and to cut the red tape for operators.
- **ISO 50001 "Energy Management Systems" Certification:** The company obtained the certification in 2015 thanks to a systemic approach to energy efficiency improvement.

Sites and Productive Processes

TRIESTE, VIA FLAVIA: Coffee roasting plant, which generates most direct environmental impacts;

TRIESTE, VIA MALASPINA: Distripark, where storage and shipping activities are conducted.

The two Trieste sites have environmental certification and are not protected or high-biodiversity areas. The energy sources utilized for the production process are methane, electricity and diesel fuel (company cars). With reference to the management of the company's car fleet, in 2017 280,135 liter of fuel (gasoline and diesel) were used, for a total of 3,501,688 km. travelled (considering an average diesel consumption of 8 liters/100 km.). Emissions were estimated to amount to the equivalent of 546 tCO₂. Conversion gas to diesel – diesel power
Source: GHG: 0.156 kgCO₂/Km

In addition, the company adopted specific solutions to reduce energy consumption and make waste management more efficient. There is another site, in via Caboto 19, where certain activities ancillary to production are performed (design and quality control of coffee machines).

Through the Surveillance and Measurement Plan, supported by the scheduled obligations in the environmental area, the company performs preventive control and monitoring of its environmental impacts, so as to minimize the potential risks for the environment and the surrounding communities of its plant. Any deviations from the plans are monitored and managed promptly through the preparation of non-compliance reports and, when appropriate, with corrective actions taken on the causes of the problems identified¹³.

¹³ In 2017 the company was not fined or sanctioned for failing to comply with environmental laws and regulations. In the same vein, no complaints were received regarding environmental impacts.



Environmental protection expenses incurred by the parent company in 2017 amounted to €671.3 thousand (up 18.7% on 2016):

illycaffè expenses	2015	2016	2017
Waste treatment and disposal, including electronic waste	489.4 thousand euros	538.5 thousand euros	496.6 thousand euros
External environmental management services	9 thousand euros	9 thousand euros	10 thousand euros
External certification of environmental management systems	7.3 thousand euros	5.8 thousand euros	1.5 thousand euros
Research and development	30 thousand euros	/	141.4 thousand euros
Other	23.9 thousand euros	11.9 thousand euros	21.8 thousand euros

illycaffè’s affiliates sell products and perform mainly low-environmental-impact marketing and administrative activities. However, the parent company undertakes a large number of initiatives to **manage properly these companies’ energy, waste and material impacts**. Every country manages independently the planning and implementation of these initiatives, so as to find the best solutions at the local level, from a regulatory, EU and market standpoint.



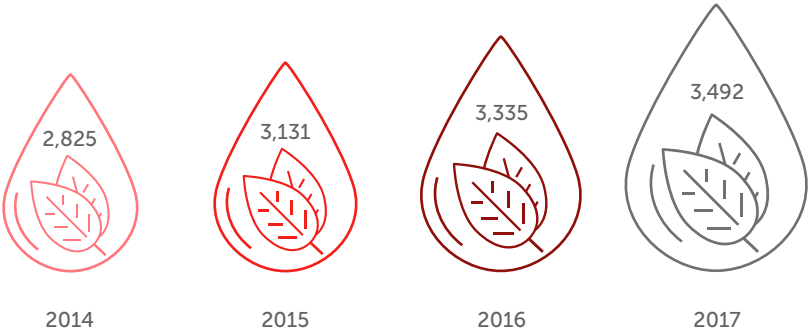
3.3

Air Emissions

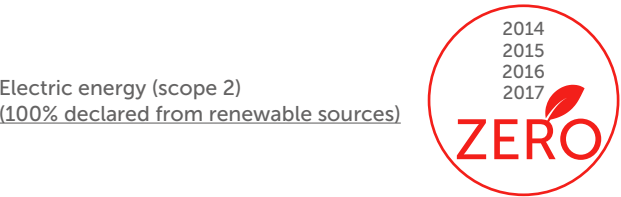
The company is committed to protecting the environment and to limit the use of natural resources thanks to its environmental responsibility policy, **which aims to promote the rational use of energy and the use of renewable energy sources.**

The emissions generated by production processes are mainly related to the storage, selection and roasting of green coffee. Coffee roasting emits into the air dusts, NOx (nitrogen oxides), TOC (total organic carbon) and volatile organic substances. Directive 2010/75/EU on integrated pollution prevention and control introduced new control standards for NOx and TOC emissions from roaster chimneys. Accordingly, illycaffè monitors constantly these types of emission and, on an annual basis, reports its findings to the Province of Trieste, ARPA FVG, ASS n1 Triestina and the Municipality of Trieste. In the Friuli Venezia Giulia region the maximum emission limits authorized by the regional authorities are 350 mg/Nmc for NOx and 50 mg/Nmc for TOC. The table below shows that the 2017 readings for illycaffè's sites were well below these limits set by law.

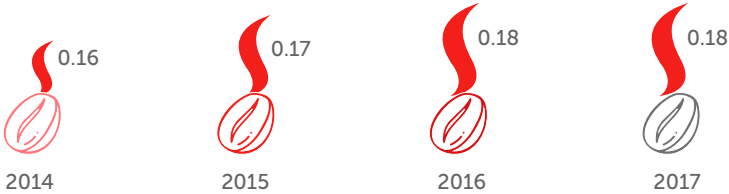
EMISSIONS RELATED TO PRODUCTION SITES IN ITALY PLANTS VIA FLAVIA-MALASPINA-CABOTO, TRIESTE (TON CO₂eq)*



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



Electric energy (scope 2)
(100% declared from renewable sources)



CO₂ intensity index (=TON CO₂eq/tons coffee roasted for the year)

*CO₂ emission inventory coefficient. Source ISPRA (good until December 2016) tCO₂ /Un = 1.955 – oxidation coefficient = 1.

**NOX AND TOC CONCENTRATIONS IN ROASTER CHIMNEYS
AND COOLING CHIMNEYS IN MG/NM3 –
YEAR2017, NORMAL ROASTING LEVEL**

CHIMNEY		WEIGHTED AVERAGE READING MG/NMC	LIMIT MG/ NMC
Roaster E21	NOx	274.73	350
	COT	37.87	50
Cooling E21	NOx	1.38	350
	COT	7.17	50
Roaster E22	NOx	158.38	350
	COT	37.73	50
Cooling E22	NOx	0.56	350
	COT	9.67	50
Roaster E23	NOx	51.47	350
	COT	48.1	50
Cooling E23	NOx	0.01	350
	COT	4.01	50
Roaster E24	NOx	224.47	350
	COT	20.2	50
Cooling E24	NOx	0.01	350
	COT	3.63	50

To make the management of the roasting process sustainable, a **roaster heat recovery system has been active since 2012 to warm up the entire production area and the offices** (cooling in the summer is obtained thanks to “absorption” machines, capable of generating a cooling cycle by using the hygroscopic processes of certain salts). In addition, thanks to the use of a catalyst, pollutants are eliminated by the high temperature and the oxidant action, thereby reducing the emissions of coffee dusts into the air.

Any dust derived from the transportation of coffee is managed effectively thanks to the technologies applied to the vehicles that carry coffee, which are all equipped with exhaust systems and filters for the sedimentation of dusts. The warehouse and loading silos are equipped with the same technology.

Of our energy sources, 65% is renewable (electric energy) while the remaining 35% is fossil.

Energy source	T.O.E. 2017	Origin	%
Electric energy	2,684	Renewable source	65%
Methane	1,440	Fossil source	35%
Total TOE	4,124		100%

A close-up photograph of several stacked burlap sacks. The sacks are made of a coarse, natural fiber material and are filled, giving them a rounded shape. The top sack is slightly out of focus, while the middle one is sharp. The bottom sack is also in focus but has some text partially obscured. The lighting is warm and directional, coming from the upper left, which creates strong highlights on the top edges of the sacks and deep shadows in the creases and between the stacks. The overall tone is earthy and rustic.

PRODUCT OF EL SALVADOR

OUR GREEN RESPECTS
THE ENVIRONMENT.

3.4

Raw Materials

illycaffè's main raw material is green coffee. Every years the company purchases hundreds of thousands of Arabica coffee bags from producers in Latin America, Africa and South-East Asia. The company acknowledges that the production of this raw material accounts for a considerable portion of its indirect environmental impact and monitors every phase of the procurement process, from the heart of the plantations to shipping to the roasting plant.

In addition to green coffee, the company regards as significant **the impact generated by all the plastic and metal materials used in its packaging and that determined by the use of nitrogen**. illycaffè's use of all the other raw materials has a lower environmental impact. In particular, these materials include: oils, solvents, inks, chemical products, wood, jute bags, carbon dioxide, paper and carboard (other than packing material). The paper, cardboard, jute bags and wood used in packing are mainly recycled materials. The materials used that come into direct contact with coffee are necessarily virgin materials. Compared to 2016, the item "Miscellaneous" fell in percentage terms due to the diminished purchases of such consumables as solvents and chemical products.

Type	As a % of total	Coming from renewable source* (YES / NO)	% change 2017-16
Packing paper/ carboard	7.8	YES	+2.6
Metals	14	NO	-5.4
Green coffee	63.5	NO	+0.63
Plastics	6.7	NO	+3.08
Nitrogen	6.9	NO	+25.5
Miscellaneous	1.1	NO	-35.3

* Non-renewable materials = Resources that do not renew in short time periods, such as minerals, metals, oil, gas, or coal
** Recycled input materials = Materials that replace virgin materials that are purchased or obtained from internal or external sources, and that are not by-products and non-product outputs (NPO) produced by the organization.

■ 3.5

Energy Management

illycaffè manages energy resources responsibly, with a view to constant improvement. The company introduced voluntarily in Italy the **Energy Manager**, a professional figure tasked with coordinating and monitoring the energy system as well as managing effectively the types of energy available, checking consumption levels and taking actions leading to an increasingly efficient energy performance. In production use is made mainly of **electric energy and methane** while for company vehicles use is made of **gasoline and diesel**.

Regarding electric energy, given the same level of output - i.e. roasted coffee, which was up 5.4% on the previous year -, electricity consumption dropped 3.03%. In 2017, Trieste's three sites saw total electricity consumption of 42,303,600 MJ, with the energy coming from a guaranteed (hydroelectric) renewable source.

The roasting process accounts for 89% of the total natural gas (methane) used while heating and the production of hot water, on one side, and meal preparation in the company cafeteria, on the other, represent 10% and 1%, respectively. In 2017 **total energy requirements amounted to 69,687,932 MJ** and were associated with the sites of via Flavia and via Caboto while the logistic site in via Malaspina did not use any methane. The reduced consumption of methane for heating and running water production purposes is due to the days on which coffee roasting is halted, on weekends and holidays, as the equipment to recover the heat released from the chimneys of the roasting plant is enough to meet the requirements of the sites for

all the withdrawal points located in Trieste. Methane is directly related to the roasting process and the 4.7% increase in use in 2017 was lower than the increase in the production of roasted coffee. **The objective to reduce consumption by 20% by 2020 is still a priority.**

The year under review saw the **continuation of the initiatives designed to improve the efficiency and use of the available types of energy** (building automation, optimization of heat recovery systems, heat driven absorption chiller, building enclosures, high-albedo coatings, etc.).

With reference to the management of the car fleet, in 2017 280,135 liters of fuels (gasoline and diesel) were consumed, for a total of 3,501,688 km. travelled (considering an average mileage per diesel car of 8 liters/100 km.). The estimated CO2 emissions totaled 546 tons. (Conversion factor 0,156 KgCO2/km. Source GHG).

ENERGY CONSUMPTION WITHIN THE ORGANIZATION - MAIN ENERGY FACTORS	2015	2016	2017
Methane consumption (non-renewable)	63,511,440	66,549,031	69,687,932
Electricity consumption MJ (100% proven from renewable sources)	42,109,200	43,628,760	42,303,600
Total energy consumption (MJ)	105,620,640	110,177,791	111,991,532
Energy consumption indicator per ton of roasted coffee	5.69	5.82	5.61

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

¹⁴ The company does not sell self-produced energy to third parties.



Energy Efficiency and Renewable Energy Initiatives

The company is committed to researching and implementing efficient energy solutions. In the wake of the new rules issued by the Italian Electric Energy and Gas Authority, the fall of 2016 saw the start of the installation of LED lighting systems. **At December 31, 2017, installation was completed for building M (where the offices are) in its entirety and for most of the plant.** In addition, consumption savings were achieved due to cooling and conditioning following the efficiency improvement of the enclosures for productive/manufacturing and service uses.

Regarding the production of renewable energy, attention is called to the efficiency of the 1 MW photovoltaic plant which extends over 11,000 square meters on the roof of the Distripark logistic site in via Malaspina, Trieste. illycaffè does not own the plant but leased out parts of the area covered to a third party to contribute to the development of renewable energies. The plant, which was connected to the grid on July 1, 2011, produced a total of 851,153 kWh in 2017.¹⁵

¹⁵ Reading sent to Energy Service Manager.

3.6

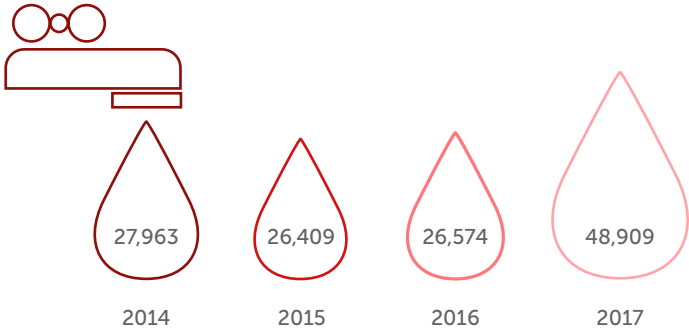
Water management

Starting in 2013, illycaffè has improved its water management consumption related to every process group, by activating meters for every single site, so that each might manage directly its water requirements.

Total water withdrawn from the grid by the sites in via Flavia, via Malaspina and via Caboto amounted to 48,909 cubic meters (up 35.8% on 2016, due to a breakage) while the quantity of **wastewater discharged in the sewer in 2017**, as estimated on the basis of the quantity withdrawn, **was equal to 32,215 cubic meters**. The water used in the roasting plant was taken entirely from the aqueduct of the city of Trieste and is used in part for coffee organoleptic tests and in part to test the 3kg, 250g and serving cans.

The remaining part is used for irrigation, fire-fighting, drinking and washing purposes.

WATER WITHDRAWAL - VIA FLAVIA, VIA CABOTO, VIA MALASPINA



Water volume withdrawn from the grid (cubic meters).
Data source: reading of water consumption meters.



■ 3.7

Waste Management

The company is committed to **responsible and sustainable management of waste along its entire lifecycle**, to reduce to a minimum its impact on people’s health and on the environment. To that end, waste management at the roasting plant and the logistic site in Trieste is overseen in all its administrative, production and post-production phases, including those related to transportation and disposal.

illycaffè implemented various **procedures to improve waste management**, such as the identification of different types of waste, the use of specific sorted-waste collection containers in plants and offices and personnel training on the subject.

In 2017, the company recovered 99.5% of the waste produced. Such waste amounted to 2,004,368 kg., reflecting a decrease from the previous year as, despite the increase of roasted coffee, there was a decline in the quantity of tinfoil (unit disassembled) and the quantity of iron/steel to be demolished (in 2016 machineries were scrapped and warehouses were emptied).

Of the waste generated by illycaffè, 91% is considered special, that is coming from production activities and merchandise returns, and 0.18% of the total is considered hazardous. The latter is disposed of in accordance with the law within the country.

WASTE PRODUCED BY TRIESTE-IT PLANT (KG) 2017	HAZARDOUS	NON-HAZARDOUS
To be disposed of	1,460	8,930
To be recovered (recycling, composting, recovery of energy, etc.)	2,030	1,991,948
TOTAL	3,490	2,000,878

Based on the information provided by the waste disposal service

*A typing error is reported in the 2016 Value Report: the correct value of the waste considered dangerous was 0.20%.

In 2017 urban waste accounted for 9% of total waste produced and 9.9% of special waste. illycaffè was able to benefit from efficient sorting, as it sold such waste as paper/paperboard, plastic, metal scraps, copper and tinfoil waste for a total of €115,241.00.¹⁶

Waste from Production

The prototype lab created a system to separate capsules that are part of waste from production from coffee and to recover them after percolation. This activity not only **reduced the number of capsules to be disposed of** but also to reroute the various components in a manner consistent with their end-of-life treatment, with plastic sent to the production of propylene honeycomb slabs, layer pads and other industrial packaging products while coffee is used for compost.

illycaffè has been able to reduce waste from production thanks to the improvements made in the last two years to plant and equipment and to production processes.

¹⁶ The company neither imports nor exports hazardous waste and did not make any significant discharge in 2017.

■ 3.8

Product Disposal and Recyclable Packs¹⁷

illycaffè is increasingly sensitive to circular economy – which has become a key theme for the company and its stakeholders – as it is planning and implementing innovative solutions to make the disposal and disassembly of products as efficient as possible in environmental and social terms, through an approach typical of such concept:

- **REDUCE:** In the design phase consideration is given to packaging and packing materials that are lighter, low consumption, possibly recycled or recyclable and environment-friendly throughout their lifecycle.
- **REUSE:** For secondary packaging material, the company tends to purchase recycled materials that, on average, represent 80% of the paper and paperboard used and 100% of pallets used.
- **RECYCLE:** Preference is given to recyclable packing materials, which are designed on the basis of, and made with, non-composite materials (metals or plastics).

In 2016 illycaffè performed a **life-cycle assessment (LCA) of its entire product portfolio**, from the production of raw materials, to the production process, to the use and disposal of all the product components. This assessment **enhanced the company's awareness of the main impacts of its activities** and led to the implementation of improvement plans. Specifically, the company emphasized the focus on product durability and design, in light of a design-for-disassembly strategy.

In Trieste the company continued to **test its project to collect exhaust capsules**. Reverse vending machines have been placed in retail establishments, where customers can throw the exhaust capsules to be collected and disposed of. Moreover, in Italy illycaffè has made available to consumers an Eco Easy Capsules Opener, a home appliance to dispose of correctly of the l'perspresso capsules, once they are used. ECO allows the capsule to be opened in a few steps and emptied of coffee, so as to dispose of the plastic and coffee separately.

Collaboration is still under way with the **Zero Waste Research Center of the City of Capannori**, in the area of innovation, coffee capsules, recycling, recovery and reuse, as well as with Universities, research centers, trade associations and forums with other coffee companies to identify viable alternatives, such as the use of biodegradable or environment-friendly products.

¹⁷ For a more in-depth discussion on innovation, reference is made to section 4.2 (Innovation & Research).

A high-angle photograph of a tropical landscape. In the foreground, a hillside is covered with a grid-like pattern of small, young green plants, likely a coffee plantation, growing in cleared brown soil. To the left, a dense, lush green forest rises up a steep slope. In the background, a vast, dark green forest covers a large valley. The text 'TRACKING THE ROAD WITHOUT SIGN THE EARTH.' is overlaid in white on the right side of the image, with a short horizontal line underneath it.

TRACKING THE
ROAD WITHOUT
SIGN THE EARTH.

■ 3.9

Green Transportation and Logistics

Logistics and transportation management reflects illycaffè's commitment and intent to implement innovative solutions to reduce emissions and to make distribution efficient.

The transportation and logistics related to incoming green coffee and other raw materials and the distribution of finished products to customers are monitored closely, including through the LCA methodology, to assess the relevant impacts and to study improvement strategies. Transportation related to product distribution is still closely related to fossil fuels and the company is committed to identifying innovative and sustainable processes and solutions.

On the distribution front, from time to time, illycaffè sends its qualified suppliers questionnaires on specific environmental issues, such as resource consumption, emissions, waste production, liquid effluents, soil contamination and noise pollution.

The operator responsible for shipping most of illycaffè's products in Italy obtained ISO 14001 certification in relation to the environment, for the effort shown in monitoring and reducing environmental impacts.

INBOUND SHIPMENTS

Origin: Italy

In Italy transportation activities take place nearly entirely by truck. Incoming goods are purchased on a DAP (delivery at place) basis, which means that illycaffè has no control over the couriers used. The only exception are capsule components, which are purchased EXW (ex works). To optimize

inventory management activities, the company started the Milk Run project, whereby it coordinates the shipping of all the capsule components from all its suppliers to gain storage volume. To date the company has increased its warehouse space available by 250 cubic meters.

Origin: Abroad

Green coffee accounts for the bulk of inbound shipments. All incoming materials are transported by ship, the means of transportation with the lowest impact. The selection of the shipping companies, on the basis of their qualitative service, has made it possible to identify substantial service providers and large shippers with sustainability policies in place intended to lower the environmental impact. illycaffè is considering the potential of the big-bag packing system, to improve efficiency in the successive handling stages.

OUTBOUND SHIPMENTS

Destination: Italy

illycaffè is responsible for shipping its products to its customers. Shipments take place by truck, which is a cheaper and better means of transportation than trains. About 60% of shipments is managed by an important logistic operator that has adopted an Integrated Policy for Quality, Environment and Safety and a Policy for Ethical and Social Responsibility. In Italy there are intermediate warehouses, which make it possible to optimize distribution to retail establishments.

Destination: Abroad

All shipments to the other European countries take place by truck, with certain exceptions (see below), while all shipments to the rest of the world take place by sea, through 3 important international shipping companies. Of these, the two companies that account for 90% of shipments have clear and comprehensive sustainability policies. illycaffè has adopted certain intermodal transportation solutions for its shipments to Norway and Greece, with a combination of means of transportation, i.e. truck/rail/truck, with the potential to reduce the environmental impact. To encourage full contained shipments, it exports on a

CIF (cost, insurance, freight) basis only if the buyer takes a full container load (FCL) or on a free carrier (FCA) basis if the buyer takes a full truck load (FTL). This applies to illycaffè's affiliates (France, Germany, Netherlands, Spain, Austria, USA and Canada, Asia Pacific, Brazil) and distributors (Sweden, United Kingdom, Switzerland, Slovenia, Norway, Romania, Czech Republic, Denmark).



■ 3.10

Sustainable Agriculture and Biodiversity

illycaffè integrates environmental responsibility principles into its modus operandi and into the management of its raw materials, especially green coffee.

The company invests in the local areas and the communities that are part of it. In the production areas it provides training and advances best agronomic practices, to reduce the most significant impacts of farming and acting with full respect for biodiversity and the ecosystems. In addition, it has specific incentive and recognition **programs in place for producers that promote quality and environmental sustainability**, such as the Ernesto Illy International Coffee Award, the *Premio Ernesto Illy de Qualidade do café para Espresso and the Clube illy do Café*.

Water in the Plantations

The company provides producers guidance on the use of water, avoiding waste (e.g. by publishing and distributing specific water and coffee manuals), and on equipment that uses less than half liter of water for every liter of processed coffee (generally 5 to 10 liters are used).

Special attention is paid also to coffee wastewater. In fact, the water used to wash coffee needs to be treated before it is released into natural systems. illycaffè continues to recommend the online course on the treatment of coffee wastewater to increase the awareness of the communities concerned.

Integrated Farming: Nitrogen Fertilization and Use of Chemical Products

illycaffè advances integrated farming principles, limiting the use of active principles and fostering good agronomic practices, such as the use of vegetation cover for land, the reduction of soil erosion through contour farming, the reduction of land use to maintain soil fertility unaltered and the application of nutrients, including through organic and mineral fertilizers, accepted in organic farming. To this end, at the Brazilian venue of the University of Coffee training and awareness activities were carried out, including:

- Specific online courses
- Workshop on "Risk of Coffee Contamination from Residues of Phytosanitary Products. Proper Management of Such Products"
- Integrated Management of Pathogens and Harmful Insects in Coffee Plantations

In El Salvador training sessions were held for all the players active on the supply chain on risk prevention in the use of phytosanitary products, with the distribution of the manual on *"Guidelines for a proper use and distribution of plant protection products"*.

Biodiversity

Biodiversity is a central theme of the constant advancement of integrated farming techniques by illycaffè's technicians during field visits. In addition to such consulting activities, the company undertakes broader actions to improve the information and knowledge of the theme as well as the natural ecosystems.

The **Ernesto Illy Foundation** continues to develop **the reforestation project in Támara**, Colombia, with native trees near freshwater springs. The objective of the project is to increase the volumetric flow rate of certain resurgences as a possible solution to the depletion of ground waters that, due to the deforestation determined by cattle ranching, caused a progressive reduction of the water flows. Reforestation involved also 60 small producers, in addition to the 80 that joined the project initially, with trees supplied by the *Gobernación de Casanare*. The initiative is intended also to improve water

management practices in the coffee production process for 200 families as well as to train these families on environmental care, thanks also to two schools in the area where the project is taking place.

Lastly, among the online courses organized in Brazil, one in particular addressed biodiversity, with the analysis of the changes introduced by the new Brazilian code on the conservation of the native forest and of the techniques to restore native plants, to explain how to adapt these concepts to coffee growing.

■ COLLABORATION WITH CIRAD (MONTPELLIER, FRANCE) FOR CENTRAL AMERICA

The collaboration project with CIRAD (Centre de coopération internationale en recherche agronomique pour le développement), an international research institute, aims to develop a preventive alert system for coffee rust (*Hemileia vastatrix*) in Central America, within the scope of PROCAGICA (*Programa Centroamericano de Gestión Integral de la Roya del Café*). The development plan is funded by the European Union and intends to address climate change and its environmental effects through the adoption and application of adaptation, mitigation and risk reduction solutions.



SEED:S

Social
Environmental
Economic
Development:
Sustainability



economic value

■ 4.1

illycaffè's Approach to Innovation and Research

Highlights

304

field visits to 304 producers and 20 exportable green coffee processing/selection facilities. In terms of surface, direct audit activities were performed on plantations of over 35,715 hectares

1,100

Coffee growers involved with courses and conferences in 2017

+1.7%

Increase of Consolidated Economic Value distributed, compared to 2016



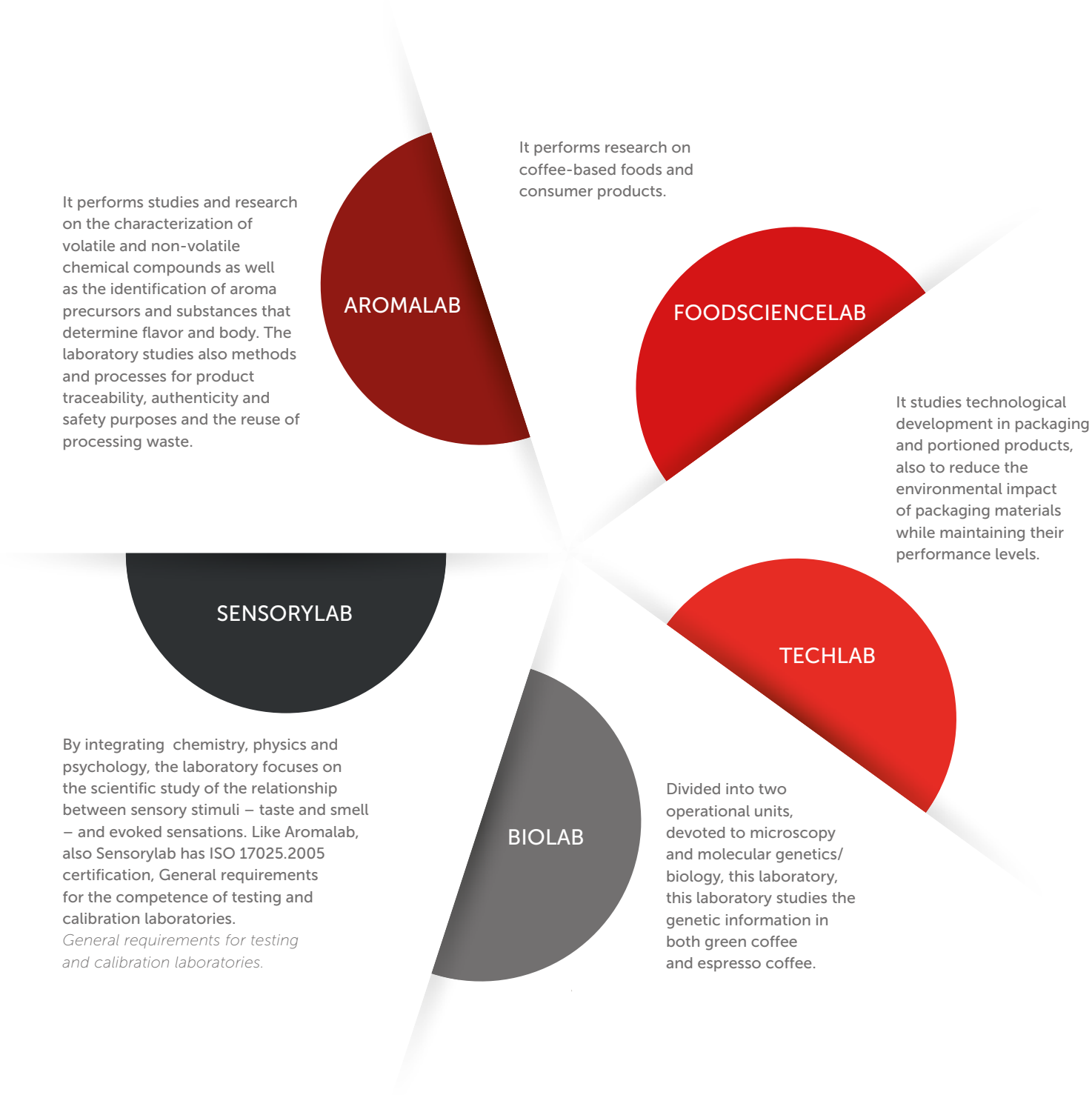
The scientific and technological approach is a founding value of illycaffè and, as such, it marks the company's history, contributing to its growth and success. Of the eight radical innovations that in the last century revolutionized the world of coffee, three are illycaffè's:

- in 1933: **Pressurization** (preservation system whereby air is replaced with high-pressure inert gas in the can) to maintain the freshness of coffee and to enhance its aromas;
- in 1935: **illetta**, the ancestor of current professional coffee machines with **the high-pressure espresso formula**, fostering the dissemination of espresso machines in coffee bars;
- in 1974: **E.S.E. pod**, the first portioned system, created to export espresso in countries with a shortage of highly skilled baristas.

Moreover, in 1988 illycaffè patented the system for the digital sorting of coffee beans – the **bichromate sorter** – which allows the company to pick only perfectly ripe beans. In fact, it takes only one defective bean, out of the fifty necessary to make a cup of espresso coffee, to compromise its quality. Lastly, illycaffè's most recent innovation is **iperspresso**, a capsule system that extracts coffee in two phases – hyperinfusion and emulsion – giving rise to a unique qualitative result and an extraordinary rich and velvety crema.

The company is constantly at the forefront in the research and development of innovative technological solutions thanks to its **R&D Department** – whose work is described below – which is recognized as an international excellence center.





The main areas of innovation for illycaffè are related to the circular economy, with its focus on environmental sustainability, effective use of materials and maximization of waste recovery. This means acting on the **function, look and design, materials and practicality of the products**, without compromising their pleasantness and quality.

Product planning and design allow the disassembly for recovery and reuse of the different components. The research is increasingly devoted to **compostable and green-based materials** while the development of **new technologies** is intended to reduce the wear and tear and durability of machines.

Following the **life-cycle assessment** conducted last year, the company has reached a higher level of awareness regarding the impact of its products and processes, which prompted it to implement improvement plans for the reduction of processing waste, without undermining the high-quality standard.

In 2017, in collaboration with AromaLab, SensoryLab and FoodScienceLab, illy's experts completed a research intended to identify and enhance the most distinctive aromatic notes of Arabica coffee. In 2018 the company launched the new high-quality Arabica Selection products, a prestigious selection of Arabica coffees **from Ethiopia, Colombia, Brazil and Guatemala** which emphasize the peculiar aromatic notes and the distinctive flavors of those coffee-growing lands (flowery from Ethiopia, fruity from Colombia, caramel from Brazil and chocolate from Guatemala).

MACHINES

- **High-performance heaters** are being completed which, by using increasingly efficient exchange heater, make it possible to reduce energy consumption for the water heating process;
- **Design for disassembly** has been adopted, whereby machines are designed so that they can be disassembled and most of their components reused and recycled;
- Coffee machines **are built to last** increasingly longer and the company provides maintenance services to help prevent their premature scrapping.

PROCESS & COFFEE

- In view of a **no-package** future, illycaffè is constantly researching compostable barrier materials for capsules, to minimize the environmental impact without compromising the quality of illy's coffee and price competitiveness.
- In 2016 the company launched the new 3-kg. cans, which entail lower energy consumption in the sealing phase, with seaming replacing the welding method, with a reduction of the materials used and a 10% drop in weight.
- In addition, the Easy Capsule Opener is available, which makes it possible to separate the plastic of the l'perspresso capsules from coffee at home, in an environment-friendly manner.
- Best practices for the collection and treatment of exhausted capsules are being reviewed and upgraded, in keeping with the local regulatory differences.

THE INNOVATIONS INTRODUCED IN RECENT YEARS

2004



IPERESPRESSO CAPSULES

The Iperespresso system combines a coffee machine with innovative capsules. The extraction system is based on a special extraction chamber protected by 5 international patents.

2007



X2

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

2008



X7

The first home machine with boiler, using Iperespresso capsules.

IDILLYUM

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

ILLY ISSIMO /READY TO DRINK

A ready-to drink product for consumption away from home. Without additives, colorants and preservatives, illy Issimo is the result of the cooperation between illy and The Coca Cola Company and allows you to enjoy the best quality coffee in the form of a chilled ready to drink beverage.

2009



X1

X1 second model of home machine coffee maker, made of top level performance steel.

ILLYCREMA

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

2010



X7.1

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

Y1

Y1 home machine coffee maker using Iperespresso capsules, made of aluminum and glass, equipped with an automatic system for the expulsion of capsules. With thermal control and electromechanical commands.

2011



X2.1

X2.1 evolution of the X2 model, equipped 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.

Y2

The new capsule machine for the Ho.Re.Ca. channel.

2012

X7.1 E Y1.1 TOUCH

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

DOUBLE ADAPTER

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

2013



Y5

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

X7.1

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

2014



Y5 MILK, X9 AND KISS

new models of the Francis Francis for illy coffee machines

REFILLY / SOFT CAN

a refill designed to reduce 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

2015

MOKA PULCINA

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 developed by illy and Cimbali grinds perfectly, espresso after espresso, thanks to Bluetooth technology: it checks the time it takes to dispense the coffee, and if necessary, sends a reminder to the Conik grinder to correct it. The technology uses 25% less electricity than the previous model.

2016

COLD BREW SYSTEM

ground coffee to be infused in water

PILLOW PACK

Pods in filter paper for drip-coffee preparation

■ 4.2

The Supply Chain

The green-coffee supply chain features different processing phases, from the separation of the skin and pulp of the berry from the seed to the export of the products. illycaffè's objective is **to monitor and ensure the traceability and quality** of the commodity along the chain and to manage relations between producers and the environment on the basis of the territoriality principle. This means **establishing long-term ties directly with the community and with all the players along the green-coffee supply chain**, through a greater involvement of producers and investments designed to train and transfer knowledge, on the basis of needs and requirements manifested at the local level.

The actors involved in the supply chain include:

- **Small farmers** who can perform certain preliminary works on the crop;
- **Producers**, or companies (i.e. consortia, cooperatives and medium and large growers) that perform such activities as separation, washing and drying;
- **Exporters**, or operators that purchase green coffee from the cooperatives, select the coffee directly with the producers and prepare commercial lots on the basis of their customers, traders or roasters. Exporters know the production areas and local producers and this is a guarantee of traceability and quality of the commodity. They are also involved in **inspections and concerted actions typical of integrated supply chains**.

In this context, a central role is played by **collaboration with local institutions, Government Agencies** (e.g. the Coffee Boards of Africa and India), **international institution** (e.g. ICO), **research entities** (e.g. University of São Paulo) etc., thanks to which illycaffè can monitor its own operational

activities and work to disseminate the principles of sustainability within the communities involved.

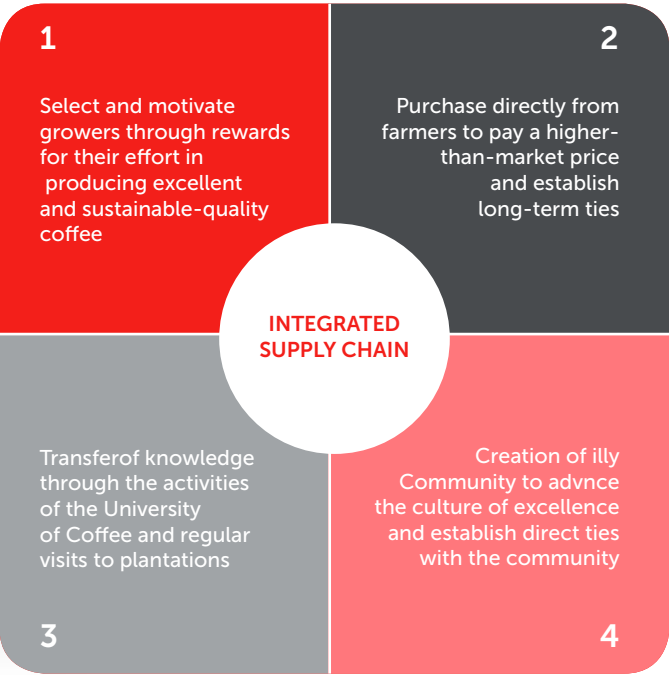
■ 4.2.1 The illycaffè Model for a Sustainable Supply Chain

To obtain a very-high-quality coffee, illycaffè **works in close contact with growers in countries where the best Arabica is produced**. In fact, the required quality cannot come only from a final selection but also from the knowing all the key players along the supply chain.

In the past 25 years illycaffè has implemented a system of direct relationships with its suppliers based on four pillars, as illustrated below:

- I. Select and work with the best producers, that is those engaged in the constant development of a sustainable quality production;
- II. Transfer them knowledge and encourage them to produce quality;
- III. Reward them financially for the quality obtained and encourage constant improvement;
- IV. Build an illy Community for the creation of a culture of excellence, through which direct relationships can be established based on knowledge, exchange and growth.

The table below illustrates the "Integrated supply chain":



Total investment to **monitor and support the green-coffee supply chain** in 2017 amounted to €530,300, for a total of €5.53 million since 2011.

TRACEABLE AND GUARANTEED SUPPLY CHAIN





■ ILLYCAFFÈ FOR THE PREVENTION AND MITIGATION OF THE CHILD LABOR

Monitoring the supply chain involves paying attention also to child labor – determined by situation of extreme poverty, for both economic and cultural reasons, and the lack of government controls – which illycaffè takes very seriously, as suppliers found to be non-compliant with the relevant standards are included in a black list.

This problem materialized with 3 third-level suppliers in Colombia. In two out of the three cases detected, the minors - who were either the children or relatives of the plantation's owner – worked while their teachers were on strike. Accordingly, it was determined that they do not work regularly on the plantation. In the third case, 2 boys, 12 and 13, were identified who were the children of coffee pickers.

The 3 producers – who received immediate feedback on the applicable laws – undertook not to use child labor, signing a document submitted by an illycaffè technician to confirm that they were aware of the law.

This is the third consecutive year in which our technicians have noted an open and positive attitude by the producers when training sessions are held. Producers admit, nearly always, their lack of knowledge of labor laws and take a proactive approach in addressing their non-compliance.

Mindful of the need to act at the institutional level, illycaffè also deals with the problem virtuously and proactively through different projects in cooperation with supplier cooperatives.

A virtuous project has been under way in Cauca since 2014, involving the teaching of matters regarding coffee in the 4 main subjects mandated by the ministry in 55 rural and public schools of the region. Moreover, a module was added which calls for practical exercises in the plantation owned by the school and in the adjacent "beneficio", the area where coffee is depulped and dried. Every student participating in the project (who are eligible only if their families support them by making available their land) received between 500 and 1500 seeds, so as to have an income-producing activity by the time they graduate from school. These resources allow students to choose whether to pursue higher education or to go directly to work. It has been noted that the project is reducing substantially child labor and school dropout rates.

With a view to constant improvement, actions that illycaffè intends to pursue include:

- Support to the Escuela and Cafè project with training and coffee purchasing;
- Possible expansion of the project into the Nariño department

■ 4.2.2 Selection of the Best Producers: *Responsible Supply Chain Process*

The company certifies its green-coffee supply chain management process in accordance with the “*Responsible Supply Chain Process (RSCP)*”, standard, developed by DNV GL, an international certification body that modeled the standard after illycaffè’s supply chain process, integrating into it the most authoritative emerging **international guidelines in the area of sustainability and corporate responsibility applied to the agri-food sector**.

The RSCP certification attests that illycaffè:

- Adopts a **direct approach in purchases and traceability to the producer** (save for institutional barriers, such as the ECX market in Ethiopia which is undergoing improvement);
- **Transfers to the green coffee supply chain knowledge** for the constant improvement of the product’s quality and sustainability;
- Guarantees **a higher-than-market price** to reward growers for the superior quality produced.

The RSCP applies to **every actor of the coffee supply chain**, thus not only at the level of single company. The standard applied to the green-coffee supply chain requires the company to **monitor its suppliers**, to ensure that minimum legal requirements are met (indispensable to continue to do business with the company), and calls **for thorough reviews in the following areas**:

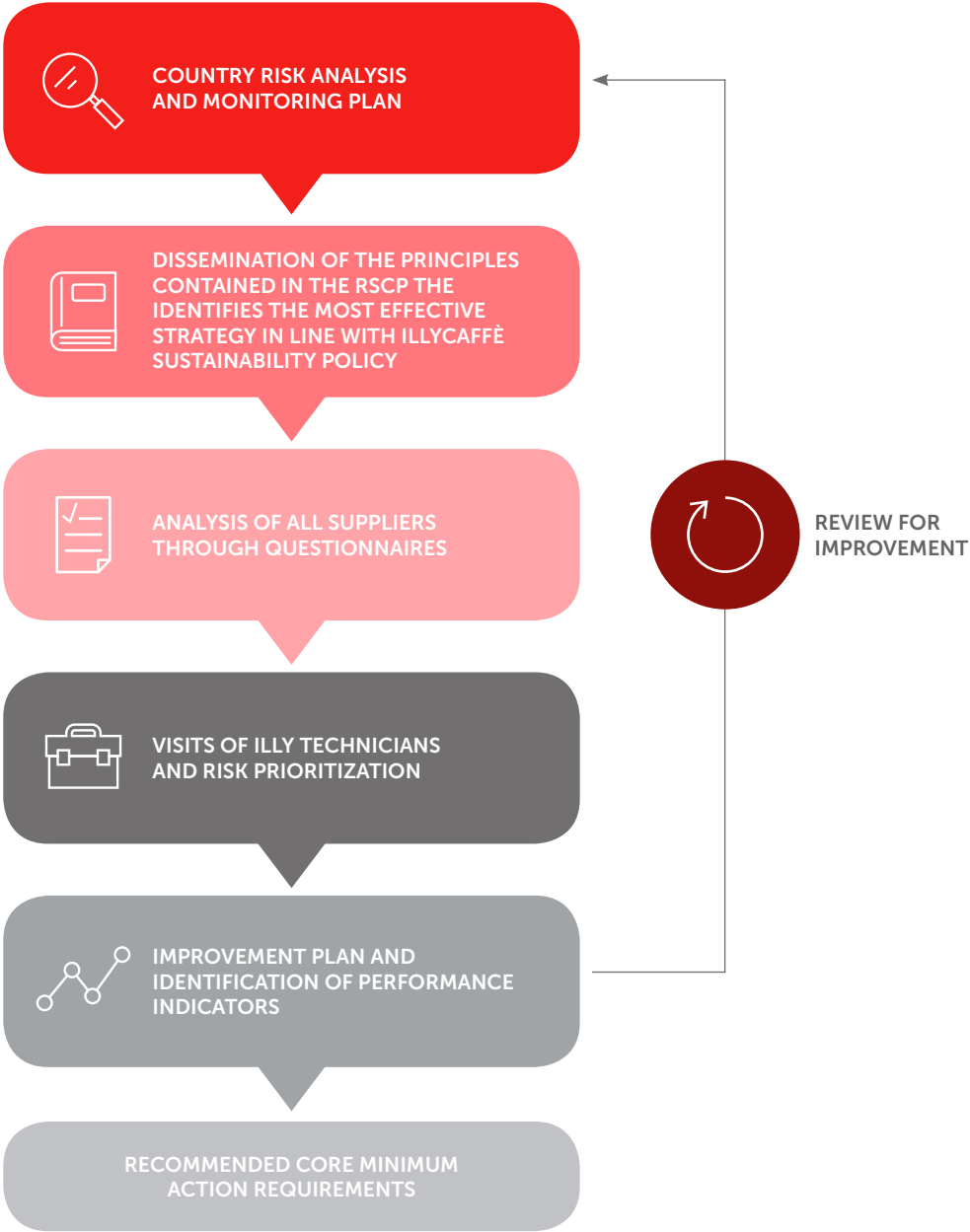
AREA	THEME
ENVIRONMENT	<ul style="list-style-type: none">• Use of soil• Water management• Water quality• Impacts on local community• Biodiversity
EMPLOYMENT	<ul style="list-style-type: none">• Agronomic practices utilized• Equipment used in production• Work conditions• Accident and injury risks• Abilities and skills of workers
PRODUCT	<ul style="list-style-type: none">• Use of active principles in accordance with Integrated Farming• Agronomic and post-harvest practices utilized• Equipment used in production and work conditions• Hygiene



IT IS ALWAYS
A MATTER
OF SUPPLY CHAIN.

In particular, the process followed by illycaffè to monitor the supply chain and to identify improvement actions to be shared with it is summarized in the following chart:

■ The supplier review system undergoes **constant revision and improvement** to address, for example, the extension of purchases in Latina American and African countries, where the production chain is more fragmented, as it takes several growers to put together one commercial lot, and often in unpredictable ways.



Starting from the end of 2013, illycaffè has been preparing and updating every year a **risk assessment document** that analyzes environmental risks, business ethics risks, employment risks and product risks by country, by organization and by supply chain. This tool makes it possible to improve the monitoring process, paying special attention to the areas where future actions should be taken.

During the latest review activity, related to 2017, illycaffè confirmed the trend seen in previous years, that is that **social risks are mainly limited to supply chains made up of small producers** while management problems resulting from the neglect of environmental standards are common in certain countries (and not only in coffee production). Hence the need to **consolidate further the partnership with public and private institutions** in the various areas where coffee originates, scientific entities, communities, international bodies and all the actors that make up illycaffè's supply chain, to disseminate the culture of sustainability.

The process includes also the **audits and inspections necessary** to enforce the performance standards set for illycaffè's supply chain, that is:

- **Minimum action requirements** that suppliers are required to comply with, if they want to continue to do business with the company;
- **Key performance indicators (KPIs)**, that is indicators that describe the company's supply chain which break down into:
 - o **Core KPIs:** requirements that exceed minimum legal requirements which the company regards as fundamental in the relationship with the supplier;
 - o **Recommended KPIs:** non-mandatory requirements which, however, the company regards as highly desirable in the relationship with the supplier.

KPIs allow illycaffè to evaluate its performance vis-à-vis the supply chains. Based on the performance indicators, the company sets specific objectives, identifying the most adequate actions **in keeping with the targets identified**. The company undertakes periodically to revise and recast such requirements, so that they might be consistent with the changes in the landscape, which are generally gradual and observable only in the medium-to-long term.

Monitoring of the supply chain

Monitoring the environmental, work, human- and social-right aspects on the basis of the standards set by the Responsible Supply Chain Process is paramount in the formulation of **plans and initiatives to advance the culture of sustainability and quality in the supply chains involved**.

Special attention is paid to monitoring the origin of the green coffee on site. In 2017, the origins monitored were, in a decreasing order of number of visits: Brazil, Colombia, India, Nicaragua, Honduras, Costa Rica, El Salvador. The producers were sampled on the basis of both illycaffè's risk assessment (by country, supply chain, organization) and the volumes purchased, depending on the findings of previous monitoring cycles.

In 2017, field visits were made to **304 producers and 20 exportable green-coffee processing/selection facilities**. In terms of surface, direct audit activities were performed on plantations of over **35,715 hectares**. The monitoring activities performed focused **specifically on more critical areas**, taking into consideration a number of indicators greater than in the previous years, precisely to understand better the real nature of the issues to be dealt with. Thanks to the company's effort in implementing a sustainable supply chain, 100% of **first- and second-level suppliers** (exporters, cooperatives and associations) were found to be compliant with illy's procurement policies. As **to third-level suppliers**, that is the producers, in 2017 99% was found to be compliant with the Responsible Supply Chain Process protocol.

From the start of the program more than **2,200 producers** were visited. After years of audits, the reality of certain countries – such as Brazil, whose producers were audited over a three-year period – is well known. Accordingly, the objective of responsible management is not so much the number of audited procedures but the study of how to improve an already mature supply chain. In fact, mapping the territory is necessary to **study and implement local projects**, capable of grasping and managing the community's requirements. This is possible thanks to the careful and meticulous choice of suppliers with which the company works in the field, the synergy with their sustainability actions and the relationship with local institutions.

■ 4.2.3 Transfer of Knowledge: The Role of the Company for the Development of the Supply Chain

illycaffè implements programs to transfer know-how along the green-coffee supply chain, **promoting study, research and innovation activities to improve coffee knowledge**. In addition, it is committed to improving **growers' living and production conditions**.

The initiatives carried out in 2017 saw the involvement of over 1,100 participants¹⁸.

Quality was the focus of an extensive training program that involved nearly all the countries where illycaffè buys its green coffee: Colombia, Guatemala, Honduras, Nicaragua, India, Vietnam, Burundi, Cameroon, Ethiopia, Kenya, Rwanda, Tanzania and Uganda. The initiative entailed training programs in the areas of sensory, visual and aroma analysis of green coffee samples, involving **138 lab technicians and producers**. The activities were divided in three sections, roasting to illy specifications, taste and visual/aroma analysis.

On the other hand, specific activities were carried out in different countries:

Brazil

- **"Doing More, Doing better: Agribusiness Coffee Innovations"**: Webinar organized in March 2017 by the University of Coffee in Brazil, with the objective of identifying the challenges for the creation of value through innovation in coffee production in the future. The course had 198 registered participants and 216 viewings in the following months.
- **"Dia do campo"**: Day of study for Brazilian growers on the production of quality coffee which saw the participation of 85 producers.
- **"Dia do campo" for influencers**: Day of study for 7 Brazilian coffee influencers. In the Instagram and Facebook profiles, the influencers involved had 170,000 and 20,000 followers, respectively. They had the opportunity to become familiar with Good Agricultural Practices – shared by illycaffè and hosted by the producer that hosted them – in coffee harvest, post-harvest and processing and with themes regarding the preparation of espresso, and activities of Clube illy and the University of Coffee for producers.

- **"Case Study illycaffè: a case of coordination in Agribusiness"**: A conference on the illycaffè case in the agribusiness devoted to an audience of 45 students of the MBA program in Agribusiness Seescoop-Coopercana-Sertãozinho, São Paulo.

The University of Coffee published several articles in the **"Quadernos da Universidade"**, an important dissemination tool devoted to all the producers involved in the supply chain. Themes discussed included:

- Different possibilities in coffee production and consumer behavior;
- Description of drivers in coffee production;
- Evaluation of coffee contamination risk due to the use of pesticides;
- Contractual strategies for the supply of high-quality coffee.

The training activity carried out via PENSA's online courses (available at <http://universidadedocafe.com/>) gathered steam in 2017. The most significant educational courses held in the year included:

- Integrated management of pathogens and harmful insects in coffee plantations
- Obligation of Brazilian agribusiness firms to comply with the new agroforest laws
- Treatment of processing waste water
- Technology to prepare a quality cup of coffee
- How to record production costs to prevent business losses
- Creating and adding value to green coffee
- Risk of coffee contamination from residues of phytosanitary products and proper management of such residues
- Managing processes in agricultural mechanization
- Management and risks in negotiating with the labor force in the coffee sector
- Climate changes and vegetal physiology of coffee plantations
- Precision agriculture in the coffee sector
- Governance, concepts and applications in family-run coffee farms ("fazendas")
- New trends in the coffee world
- Climate change risk: What shall we do?
- Basic course on agribusiness

¹⁸From 2010 to 2017 between direct actions (training courses) and indirect activities (participation and organization of conferences), illycaffè reached an estimate number of over 8,200 participants.

Certain courses were subtitled in Spanish to encourage the participation of technicians from Colombia, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

India

In line with illycaffè's long-standing policy to raise awareness on the theme "best coffee nature can provide", this origin continues to be the focus of attention on good practices to be adopted for the **reduction of the use of phytosanitary products**.

In 2017, the problem was analyzed extensively and in 2018 various training sessions will be held with all the producers involved in the illy supply chain. Every initiative will be undertaken in collaboration with local suppliers, according to the typical modus operandi of integrated supply chains.

Colombia

Purchasing green coffee entails generally management complexities determined by **legal compliance issues and unregulated labor**. These situations derive from a more sensitive approach in areas that are constantly exposed to economic risks and are more inclined to contract out harvesting operations to the best offerors. Mindful of that, illycaffè is committed to starting projects in synergy with the more virtuous suppliers, which are on the receiving end of the company's investments, disseminating in the coffee community a greater culture and awareness of sustainability issues. During the latest assessment activity for Colombia, it was noted once again that the **criticalities identified in the field are mainly of a cultural nature**. With institutional support from SENA (Servicio Nacional de Aprendizaje), last year **4 training sessions were held to address the optimization of production activities in the mill ("finca")**, based on accurate bookkeeping, through a manual specifically developed by Positive Planet (the NGO founded by Jacques Attali that undertakes project entrepreneurship, financial education



and the organization of value chains) as well as a review of the path from the field to the warehouse, with ample use of visual material. The initiative was carried out taking into consideration the peculiarity of the social and political context of the country, where a peace agreement was signed recently after 53 years of civil war (the 113 participants, in fact, belong to groups of victims of the civil war and ex guerrilla fighters). Moreover, a decision was made to include women producer associations, which are particularly active in coffee production in the Cauca region, and teachers in rural schools with modules devoted entirely to the production of quality coffee. The inclusion of these teachers is particularly important, as the ultimate objective is **to support a local project designed to include the new generations in the coffee sector, to reduce school dropout rates and the resulting child labor**. Thanks to the success achieved, **the Reforestation project in Támara** continues in its second three-year period. The educational programs related to the project were well received by the producers, which started sorting the waste generated in their fields, as they became aware of the importance of recycling, reusing and cooperating every day. The second phase aims at introducing smart water management.

Central America

The neglect of certain environmental parameters was specifically looked into in monitoring the supply chain of Central American origins, to understand better the causes and to take remedial action. In El Salvador, **in-depth training activities** were undertaken involving illycaffè's entire supply chain,

to mitigate a possible risk related to the use of highly toxic phytosanitary products. On the other hand, in Honduras and Nicaragua the company opted to undertake initiatives entailing longer-term activities, with a view **to reducing water consumption and to improve the systems for the treatment of waste water**.

Ethiopia

The company continues to collaborate with local and international institutions to encourage value creation along the supply chain. In Ethiopia, thanks to the **cooperation with UNIDO**, illy is contributing to bring a change **to the sector that would result in a direct contact between producers and final customers**, increasing the value that coffee can add for producers. illycaffè and the Ernesto Illy Foundation mobilized key sector resources (skills, know-how, networks, human and financial capital) to **improve the quality and productive capacity of small Ethiopian coffee growers and to increase their income**, advancing sustainable production, transformation and international marketing. Moreover, both work with the project's partners to improve local capabilities and knowledge of coffee's value chain, acting as facilitators of trade and consultants. **The project is expected to improve the coordination of all the players involved in coffee's value chain as well as to increase the quantity and quality of exported coffee**, expanding the presence of Ethiopian coffee in the international market.





■ SUSTAINABLE SUPPLY CHAIN. THE ACTIVITIES OF THE ERNESTO ILLY FOUNDATION TO SUPPORT ILLYCAFFÈ

“Master’s Degree in Coffee Economics and Science Ernesto Illy”

Master’s degree promoted and organized by a group of partners of excellence in the area of training and education: University of Trieste, University of Udine, Ernesto Illy Foundation, illycaffè. University of Coffee, SISSA (Scuola Internazionale Superiore di Studi Avanzati – International School of Advanced Studies, Trieste), the Molecular Biomedicine Consortium (Area Science Park – Trieste), the Trieste Coffee Cluster. In the past few years, this course has witnessed the growing interest of producers and people who want to have a career in the coffee industry.

Collaboration with El Zamorano University, Honduras

On May 17, 2016 the Ernesto Illy Foundation and El Zamorano University, Honduras, signed an agreement to introduce the coffee theme in the curriculum of the Pan-American University, which offers courses devoted to agricultural and agro-industrial firms. The agreement will last 3 years (academic years 2016, 2017 and 2018), where 3rd and 4th year students of El Zamorano University will be able to enroll in the optional module on coffee, known as Asignatura Adicional de Café (30-hour training program). The course is held three times a year, once a quarter. The Asignatura Adicional de Café consists of 5 courses held by teachers who received a Master’s Degree in Coffee Economics and Science Ernesto Illy.

Reforestation of Water Spring Areas in Támara, Colombia

The reforestation project in the region of Támara (Colombia), with native trees near the water springs, has been extended until 2020, in light of the good results obtained, with 69.2 hectares conserved and reforested with 15 different species, for a total of 12,290 plants/native trees. Benefits accrued directly to 80 coffee grower families and indirectly to 320 people. The objective is to increase the area of interest, involving 200 grower families, which participate also in the improvement of practices for the use of water in the coffee processing phase. Moreover, the project aims to involve two schools in the area in terms of environmental education and recycling.

Computational Science on Coffee in Collaboration with the Julich Research center, Germany

The collaboration between the Julich Research Center and the Ernesto Illy Foundation calls for the creation of a position as assistant professor pursuing research in computational coffee science, to advance the development and application of computational molecular simulation methods to address topical questions of coffee research on a molecular level.

Positive Economy – “Positive Coffee Observatory” in collaboration con Positive Planet

The project, which was conceived and developed in collaboration with Positive Planet (the NGO founded by Jacques Attali) measured the contribution made by the coffee sector in appositive economy, evaluating the sector’s trend in the next few years in terms of “positivity” and providing a positivity index on the coffee value chain in a transparent, transmissible and actionable manner for all the coffee communities. The pilot project, which started in 2016, created a coffee observatory in three producing countries: Ethiopia, India (Karnataka) and Guatemala.

■ 4.2.4 Continuous Improvement: Rewards and Incentives for Producers

illycaffè pays growers with a superior quality output a 30% premium over market price. This reward compensates producers for the extreme care devoted to coffee growing and allows them to make a profit also when green coffee prices fall in international markets. The calculation is based in some cases on the country's internal market and in others on the price of coffee quoted on the New York Board of Trade. The premium is an average that can increase when the quoted price is particularly low and decrease in case it is high. At any rate, illycaffè **guarantees a fair minimum price for the coffee that it purchases**, capable of covering the costs incurred by the growers and a profit margin. Such price is calculated through a complex series of variables, following an approach that is the result of years of experience and close cooperation with producers. The variables take into account the country of origin, the type of market, the quality of the product and the costs of production.

The most significant initiatives carried out to reward growers that produce the best sustainable quality include:

Prêmio Ernesto Illy de Qualidade do Café para Espresso

The initiative contributes cash rewards to the rural and environmental development of entire regions in Brazil. Since illycaffè introduced the reward, in 1991, more than 10,000 producers have participated, with total cash rewards distributed over the years in the amount of approximately BRL 4.5 million. Moreover, the company rewards the best Brazilian Supplier of the Year on the basis of performance in terms of quality, delivery punctuality and sustainability. Winners receive a free trip with their families to Italy, including a visit to illycaffè.

Clube Illy do Café

The Clube was established in 2000 to strengthen relations with Brazil's best coffee producers. Growers admitted to the Club (358 in 2017) receive loyalty

cards which vary according to the length of the business relationship and the quality of the product. Producers have learned also new sustainable and responsible growing techniques. Their know-how and abilities, thanks to illycaffè's action, can be put to use in the market regardless of purchases by the company. Research by the Durham Business School describes and analyzes the process of de-commoditization of coffee quality in Brazil, indicating that small changes introduced in the Brazilian coffee market resulted in major changes in the long-term behavior of the worldwide sector. This research showed that the creation of the Reward led to a progressive increase in the value of green coffee and developed a network of producers of excellence. It also showed that companies can contribute to disrupt existing negative conditions and trigger virtuous mechanisms – i.e. the **butterfly effect** – by creating value through the development of a long-term vision, capable of combining quality and sustainability, which can be seen as two sides of the same coin.

Ernesto Illy International Coffee Award

With this Award, established in 2016 to extend to the rest of the world the initiative started 25 years earlier in Brazil, illycaffè recognizes and celebrates the Producers of the best sustainable-quality Arabica in the world, stressing the importance of working hand in hand with them, to continue to pursue the company's dream of being purveyor of the world's best coffee. illycaffè's quality control in Trieste picks the best 27 coffee lots (first, second and third) from among the harvests of the coffee season just ended in the 9 countries that contributed to the formation of illy's unique blend. In the second edition (2017), the countries in question were Brazil, Colombia, Costa Rica, Ethiopia, Guatemala, Honduras, India, Nicaragua and Rwanda. An international jury selected and presented an award, at the United Nations in New York, to the Best of the Best of the 9 winning lots of every country. The Ernesto Illy International Coffee Award is also an opportunity for the 27 finalists from the producing countries and their teams to meet and to live a unique experience, which includes also an ad hoc workshop devoted to scientific, socio-economic and sustainability issues in the world of coffee, with top-tier international speakers.

■ 4.3

Economic Value Added

In 2017 illycaffè improved its operating performance and financial conditions. Following the increase in sales volumes and the foreign exchange effect, the Value of Production rose by approximately 2% on 2016.

At fiscal year-end, the company showed a slight increase in EBITDA and EBIT, compared to 2016, and a net profit higher than the comparable year-earlier amount.

As illycaffè applied the new Italian GAAP (OIC standards, as updated pursuant to Legislative Decree 139/2015, which transposed the accounting Directive 34/2013/EU), the figures for the previous period were appropriately restated.

	2016	2017
ROI	12.4%	11.7%
ROE	12.9%	10.2%
ROS	7.1%	6.5%
Net cash (debt)/Ebitda Adjusted	1.86	1.91
Net cash (debt)//Ebitda	1.90	2.00
Net cash (debt)//Equity	0.94	1.02
Number of employees	1,269	1,290

To calculate the economic value that the business generated and distributed to a number of important stakeholder groups, illycaffè uses the consolidated Economic Value Distributed metric which, at December 31, 2017, amounted to €438.6 million, up 1.7% on 2016.

DESCRIPTION	2016	2017	2017 - 2016 CHANGE
ECONOMIC VALUE GENERATED			
a) Revenues	468,586,893	478,431,805	2%
b) Financial income	1,980,899	1,012,789	-49%
(A) Total economic value generated	470,567,792	479,444,594	1.9%
ECONOMIC VALUE DISTRIBUTED			
a) Operating costs	305,461,606	312,715,561	2.4%
b) Personnel expenses	93,836,164	98,135,752	4.6%
c) Debt and equity	17,454,360	13,787,727	-21.0%
d) Taxes	13,672,985	12,832,216	-6.1%
e) Donations and association dues	861,304	1,129,423	31.1%
(B) Total economic value distributed	431,286,418	438,600,680	1.7%
(A-B) ECONOMIC VALUE HELD	-39,281,374	-40,843,914	4.0%

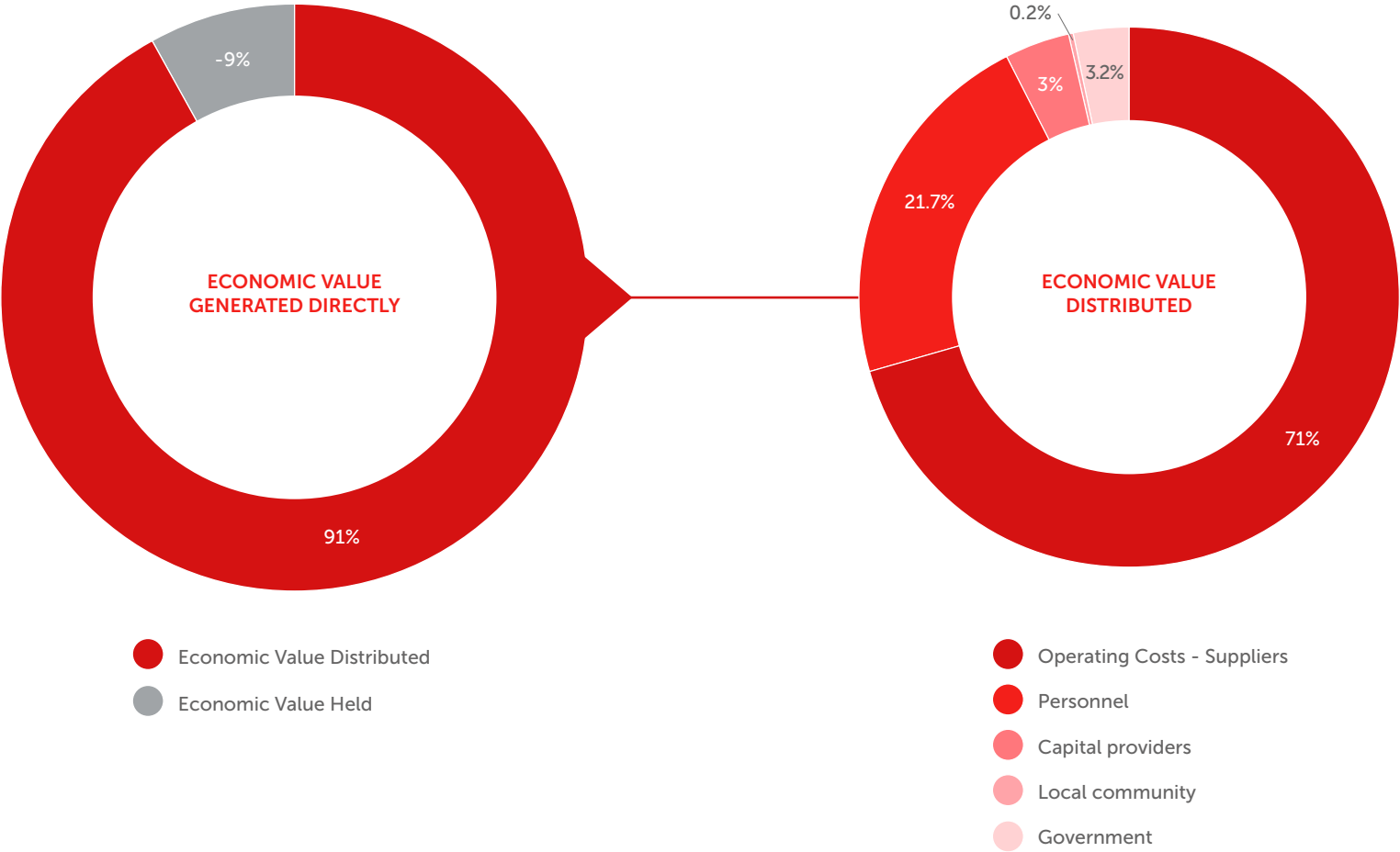
The above table shows the flows between the company and the social and economic system with which it interacts, with special reference to some of the main stakeholders:

- **Suppliers:** Remuneration due to purchases of raw materials and other services;
- **Human Resources:** Direct and indirect compensation of employees and consultants;
- **Government:** Payment of taxes and levies;
- **Capital providers:** Remuneration of debt and equity holders;
- **Community:** Membership fees and donations

The consolidated Economic Value generated and distributed (€438.6 million) by illycaffè shows that:

- The most significant portion, 71.3%, is allocated to the remuneration of suppliers, particularly the purchase of services and raw materials.
- Human Resources receive 22.4% of the total. This item includes all that is provided for by the applicable labor agreements as well as certain costs incurred by the company, such as those for training and cafeteria operations.

- Capital Providers receive 3.1% of economic value, which consists of dividends to the Parent Company's shareholders (€6.5 million), profits to minority interests and financial expenses.
- Government (State and Local Authorities) receives 2.9% of the total in the form of taxes and levies.
- Lastly, the community receives 0.3%, in the form of socially-oriented expenses (mostly the contributions made to the Ernesto Illy Foundation) and membership fees.



PLACE THE SEED,
TO COLLECT
THE BEAN.





SEED:S

Social
Environmental
Economic
Development
Sustainability

standard



5.1

Methodological Note

illego has been publishing its annual Sustainable Value Report since 2012, to describe and convey clearly the idea that economic, social and environmental sustainability is a key factor in the company's decision-making processes, strategies and business model, in keeping with the expectations of all the stakeholders that, directly or indirectly, are affected by its business. Moreover, the Sustainable Value Report is designed to communicate a responsible approach, involving sustainable behaviors, practices and products that the company has adopted over the years.

Guidelines and Reporting Process

The 2017 Sustainable Value Report has been prepared in accordance with the "Sustainability Reporting Standards" issued by the **Global Reporting Initiative** (GRI), at the "In accordance-Core" level.

The Sustainable Value Report was prepared with **the active involvement of all the various departments operating at illego's headquarters and the competent areas of the affiliates**. The reporting process is based on the company's information systems – operations management, accounting, quality, environment, internal audit, safety, personnel management, etc. – and the use of specific instruments to gather and analyze data. The company's objective is to strengthen further its reporting system, to extend it progressively to all the activities and to enhance the accuracy and reliability of the information provided.

Even though it does not fall within the scope of the Barnier Directive 2014/95/EU, on the disclosure of non-financial information and information on diversity, illego chose to prepare its annual non-financial Report on a voluntary basis, given the relevance of the themes addressed therein for its stakeholders.

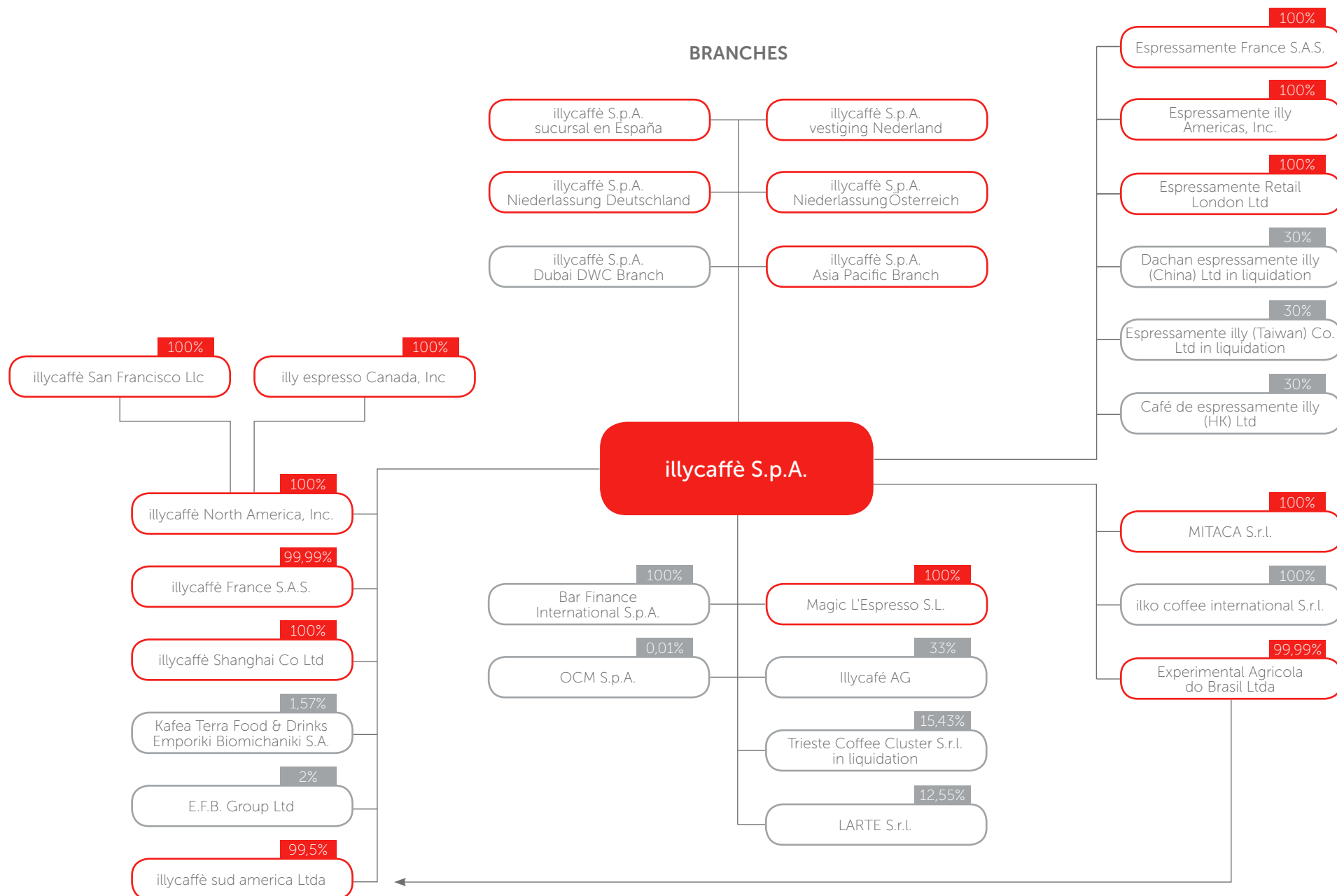
illego's 2017 Sustainable Value Report has been audited by DNV GL Business Assurance Italia S.r.l.

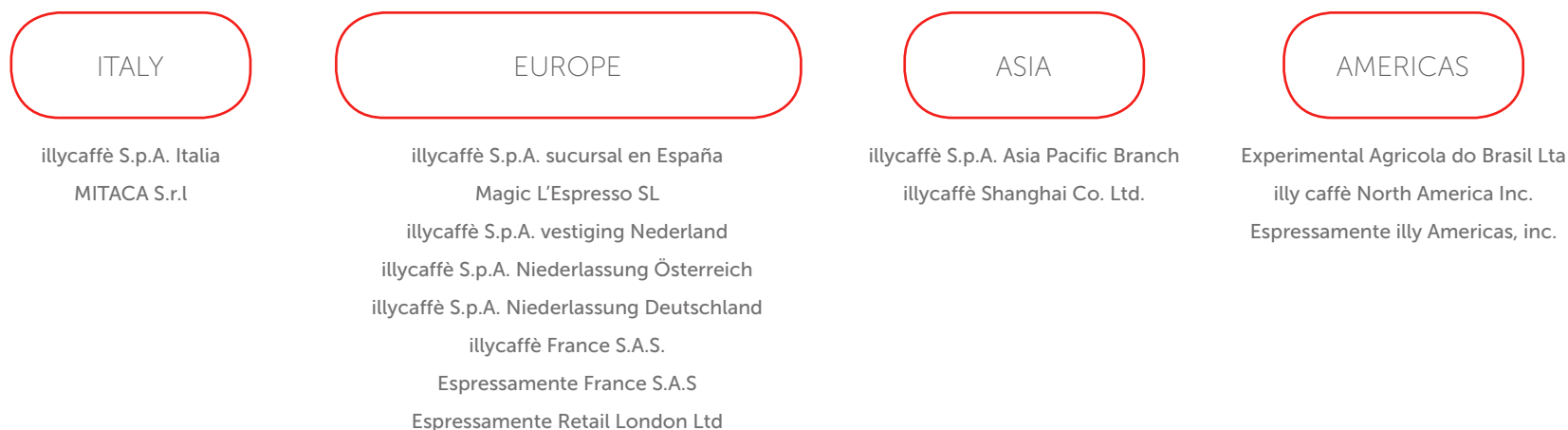
A copy of the assurance statement is available at the following link http://valuereport.illy.com/pdf/ASSURANCE_2017_eng.pdf

Scope of Report

This Report does not include data and information relating to companies with fewer than 3 employees, given the limited impact of these organizations (with respect to illego as a whole) in environmental, social and economic terms (with reference to the five areas of Legislative Decree 254/2016), due to their sales, employees and, especially, the type of activity. In fact, these are representative offices, performing mainly administrative tasks.

At December 31, 2017 the Group consisted of the companies shown in the chart, while the companies included in the scope of the 2017 Sustainable Value Report are indicated separately.





In some cases, performance information and data refer to certain companies: in this case, the report makes clear reference to a change in scope. As the GRI standard requires the inclusion of all activities having a substantial impact in terms of sustainability (materiality), wherever possible the report described in greater depth aspects of the value chain (for instance, the activities carried out in coffee plantations). As explained in section 3.3, the quantitative environmental data reported refer to illycaffè S.p.A., as the impacts of the other group companies can be considered less significant. In fact, besides the fact that the activities performed by the other companies are of an administrative nature:

- The main environmental impacts are related to the productive activities, all located in Trieste, in the parent company's plants;

- More than 65% of the group's employee is on the parent company's payroll.

Contacts:

for comments, requests, opinions and improvement suggestions on illycaffè's sustainability activities and on the information contained in this Sustainable Value Report, please send an e-mail to: valuereport@illy.com

■ 5.2

GRI Table

GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	OMISSIONS	SECTION
102-1	Name of the organization		1.1
102-2	Activities, brands, products and services.		1.1
102-3	Location of headquarters		1.1
102-4	Location of operations		1.1
102-5	Ownership and legal form		1.1; 1.5
102-6	Markets served		1.1
102-7	Scale of the organization		1.1
102-8	Information on employees and other workers		2.4
102-9	Supply chain		2.4; 4.2
102-10	Significant changes to the organization and its supply chain	<i>There were no significant changes</i>	
102-11	Precautionary principle or approach	<i>illycaffè adopts the precautionary approach to reduce the environmental impact of its production processes and products, according to principle no. 15 of the 1992 UN Rio Declaration on Environment and Development</i>	1.3; 3.1; 4.1
102-12	External initiatives		2.5
102-13	Membership of associations		2.5
102-14	Statement from senior decision-maker		Chairman's Letter
102-16	Values, principles, standards and norms of behavior		1.2.1
102-18	Governance structure		1.5
102-40	List of stakeholder groups		1.8.1
102-41	Collective bargaining agreements	<i>All employees fall within the scope of the national bargaining agreements and the rules and regulations in force in the different countries in which the group operates</i>	
102-42	Identifying and selecting stakeholders		1.8.1
102-43	Approach to stakeholder engagement		1.8.1
102-44	Key topics and concerns raised		1.8.1

102-45	Entities included in the consolidated financial statements		5.1
102-46	Defining report content and topic boundaries		5.1
102-47	List of material topics		1.8.2
102-48	Restatement of information		5.1
102-49	Changes in reporting		5.1
102-50	Reporting period		5.1
102-51	Date of most recent report		5.1
102-52	Reporting cycle		5.1
102-53	Contact point for questions regarding the report		5.1
102-54	Claims of reporting in accordance with GRI standards		5.1
102-55	GRI content index		5.2
102-56	External assurance		5.3
103-1	Explanation of the material topic and its boundary		1.8.2
201-1	Direct economic value generated and distributed		4.3
202-2	Proportion of senior management hired from the local community		2.3.2
203-1	Infrastructure investments and services supported		2.5.1; 4.2.3
204-1	Proportion of spending on local suppliers		2.4
205-2	Communication and training about anti-corruption policies and procedures	<i>The company has adopted a Compliance Program (pursuant to Legislative Decree 231/2001) which is intended to prevent or combat the perpetration of various offenses, including corruption</i>	
206-1	Legal actions for anti-competitive behavior, antitrust and monopoly practices	<i>Issue not material</i>	
301-1	Materials used by weight and volume	<i>Confidential information reported in percentage terms</i>	3.4
302-1	Energy consumption within the organization		3.5
303-1	Water withdrawal by source		3.6
304-2	Significant impacts of activities, products and services on biodiversity		3.10
305-1	Direct GHG emissions (scope 1)		3.3

305-2	Energy indirect GHG emissions (scope 2)		3.3
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		3.3
306-2	Waste by type and disposal method		3.7
307-1	Non-compliance with environmental laws and regulations	<i>No occurrence</i>	
308-1	New suppliers that were screened using environmental criteria		2.4
401-1	New employee hires and employee turnover		2.3.2
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		2.3.5
402-1	Minimum notice periods regarding operational changes	<i>None</i>	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<i>Confidential information reported only in part</i>	2.3.4
403-3	Workers with high incidence or high risk of diseases related to their occupation		2.3.4
404-1	Average hours of training per year per employee		2.3.3
405-1	Diversity of governance bodies and employees		2.3.2
405-2	Ratio of basic salary and remuneration of women to men		2.3.2
406-1	Incidents of discrimination and corrective actions taken	<i>No occurrence</i>	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<i>The risk is very low, so no action was taken</i>	
408-1	Operations and suppliers at significant risk for incidents of child labor		4.2.1
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<i>The risk is very low, so no action was taken</i>	
410-1	Percentage of security personnel trained in human rights policies or procedures	<i>None</i>	
411-1	Incidents of violations involving rights of indigenous peoples	<i>No occurrence</i>	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		2.6

413-1	Operations with local community engagement, impact assessments, and development programs		2.5; 4.2.3
414-1	New suppliers that were screened using social criteria		2.4
415-1	Political contributions	<i>No political contribution made to political parties and related institutions. illycaffè is a member of trade associations and pays the relevant membership fees</i>	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<i>No occurrence</i>	
417-3	Incidents of non-compliance concerning marketing communications	<i>No occurrence</i>	
418-1	Substantiated complaints concerning breaches of customer privacy	<i>No occurrence</i>	
419-1	Non-compliance with laws and regulations in the social and economic area	<i>No occurrence</i>	

■ 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 2017 ('il Report') rispetto ai Sustainability Reporting Standards della Global Reporting Initiative ('GRI').

La nostra verifica ha riguardato il Report 2017, 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 2017, così come contenuti nel Report 2017.
- Valutazione dei principi di reporting richiamati dai Sustainability Reporting Standards GRI, secondo l'opzione 'Core'.

La nostra verifica è stata condotta nel mese di luglio 2018 presso la sede centrale di Trieste.

Le informazioni e i dati economici sono stati acquisiti dal Bilancio d'esercizio 2017 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).

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

- aderenza ai principi dei Sustainability Reporting Standards GRI;
- Sustainability Reporting Standards GRI, rispetto ai requisiti richiesti per l'opzione Core;
- ISAE 3000, per la verifica delle informazioni non finanziarie.

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 2017 in riferimento allo schema "Responsible Supply Chain Process".

Abbiamo condotto audit a campione su:

- i meccanismi attuati da illycaffè per l'implementazione delle proprie politiche di sostenibilità descritte 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 17 referenti aziendali coinvolti nella gestione operativa degli aspetti riportati nel Report 2017.

* <https://www.dnvgl.com/assurance/reporting/index.html>

Conclusioni

Secondo l'opinione di DNV GL, il Sustainable value report 2017 di illycaffè è una rappresentazione accurata e imparziale delle strategie di sostenibilità, dei sistemi di gestione e delle performance dell'Organizzazione.

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il Sustainable value report 2017 non sia stato redatto, in tutti gli aspetti significativi, in linea con i requisiti "Core" richiamati dai Sustainability Reporting Standards GRI. Ulteriori conclusioni e osservazioni sull'adozione dei principi di rendicontazione e delle informazioni sulle performance specifiche sono riportate di seguito.

Inclusività

Le attività di coinvolgimento degli stakeholder sono ben strutturate e condivise all'interno dell'Organizzazione, con apprezzabile aderenza tra i programmi implementati e la strategia di sostenibilità.

Contesto di sostenibilità

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

Materialità

Il Report include i principali aspetti materiali riguardanti le prestazioni dell'Organizzazione e le istanze degli stakeholder e aderisce al principio. I contenuti del Report sono il risultato di una mappatura consolidata degli stakeholder e di un processo strutturato per identificare gli argomenti rilevanti.

Completezza

Il Report copre gli impatti materiali in modo soddisfacente per consentire agli stakeholder di valutare le performance di sostenibilità di illycaffè nel 2017. Le informazioni contenute nel report si riferiscono alla struttura definita nel perimetro; nel caso di dati attribuiti a un perimetro più limitato, il documento identifica tale restrizione.

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 accurate e dettagliate.

Bilanciamento

Il Report è una descrizione completa e imparziale dell'impatto della sostenibilità di illycaffè. Il documento riflette la volontà dell'Organizzazione di rappresentare le attività ed i risultati per il 2017 in modo equilibrato e coerente con le strategie aziendali.

Chiarezza

Le informazioni presentate nel Report sono comprensibili, accessibili e utilizzabili dagli stakeholder di illycaffè.

Comparabilità

Le informazioni riportate consentono agli stakeholder di analizzare i cambiamenti nelle prestazioni economiche, ambientali e sociali dell'Organizzazione rispetto alle performance passate.

Affidabilità

illycaffè ha sviluppato una metodologia efficace per la raccolta di informazioni da utilizzare nel Report. I dati presentati 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.

Tempestività

illycaffè rendiconta periodicamente una volta all'anno, rendendo disponibili le informazioni in modo tempestivo, per consentire alle parti interessate di prendere decisioni informate.

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:

- Si ritiene importante proseguire nell'attività di rendiconto delle performance di sostenibilità dei fornitori che operano per conto di illycaffè.

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.

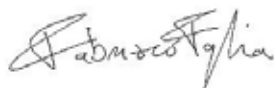
DNV GL non è stata coinvolta nella preparazione di alcuna dichiarazione o dato incluso nel Report, ad eccezione della presente Dichiarazione di Assurance. DNV GL conserva la completa imparzialità verso gli stakeholder intervistati durante il processo di verifica.

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.

Fabrizio Foglia

Lead Verifier



Zeno Beltrami

Reviewer



Vimercate (MB), 27-08-2018