




Annual Report 2023





The Annual Report 2023 celebrates the illy Art Collection signed by Judy Chicago, a multifaceted American artist and pioneer of the Feminist Art Movement.

For her works, Judy Chicago has used a range of vivid and vibrant colours to illustrate the transition from the social constraints historically imposed on women to a place of cultural and creative freedom.



Annual Report 2023





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Reading guide

The Annual Report 2023 of the illycaffè Group consists of three documents.



MANAGEMENT REPORT

It illustrates the operating performance of the illycaffè Group (hereinafter also “the Group” or “illycaffè”), supplementing economic, financial and sustainability information referring to the year ended at 31 December 2023.

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

The approach adopted in drafting the Management Report also reflects the Group's commitment to broad and transparent communication, also in anticipation of future regulatory obligations of the Corporate Sustainability Reporting Directive (CSRD), the European directive for sustainability reporting which will be applicable to illycaffè starting from 2026 with reference to the 2025 financial year.

The Strategy & Investor Relations Department of the Group has coordinated the drafting of the Management Report, which contains all the information envisaged by Article 40 of Italian Legislative Decree No. 127/1991 and Article 2428 of the Italian Civil Code.



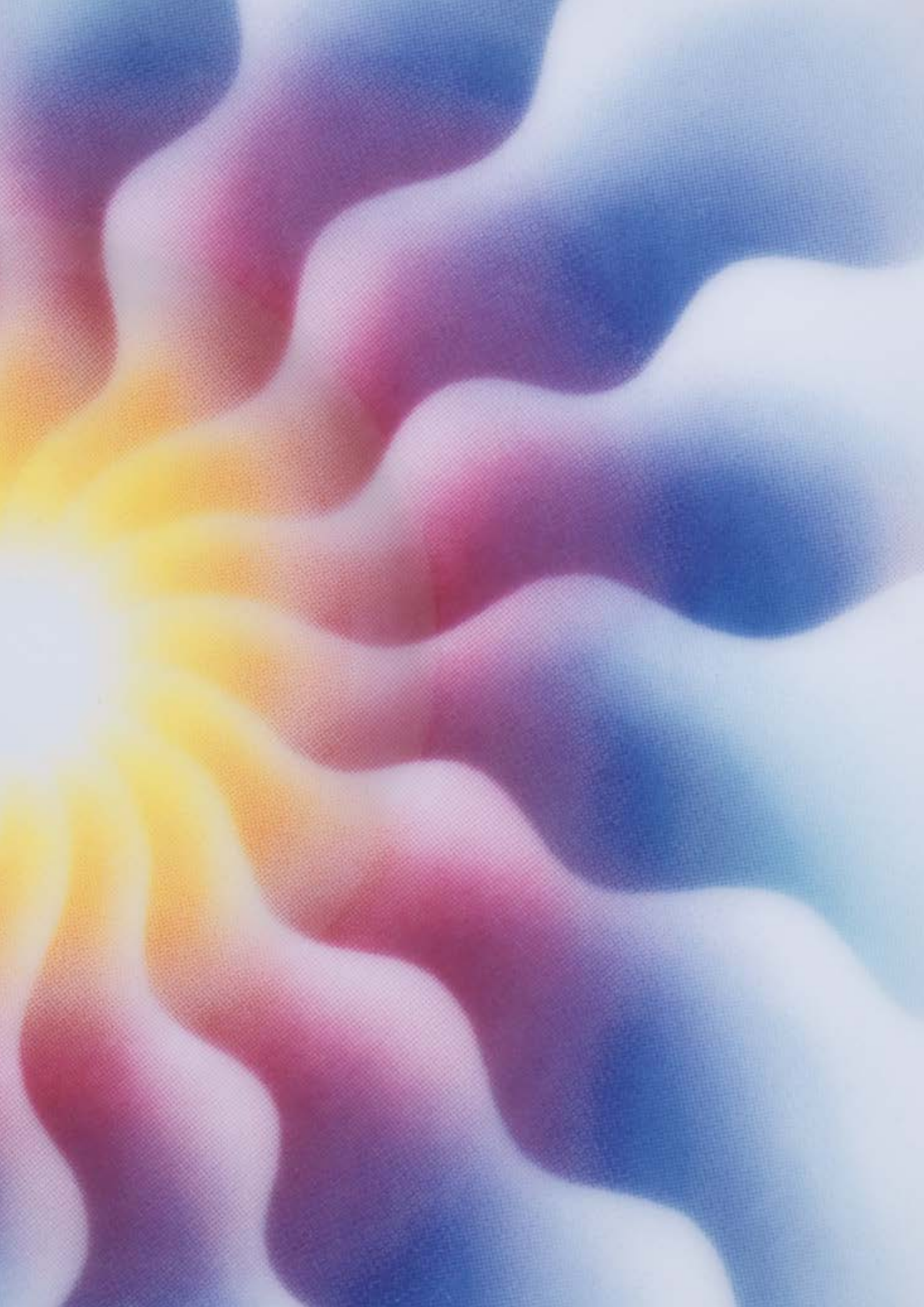
CONSOLIDATED FINANCIAL STATEMENTS

It refers to the financial year ended at 31 December 2023 and is prepared in accordance with IFRS/IAS accounting standards. It includes information on the Group's economic, equity and financial situation.



IMPACT REPORT

It refers to the financial year ended at 31 December 2023 and is prepared in compliance with Italian Law 208/2015 on Benefit Corporations. It describes and indicates the progress of the initiatives undertaken to achieve the common benefit objectives identified in the articles of association.



Annual Report 2023



MANAGEMENT REPORT



Annual Report 2023



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



illycaffè was founded in 1933 by Francesco Illy, inspired by a dream: to offer the best coffee to the world.

In the late 1940s, his son Ernesto, a chemistry graduate, took over and gave a marked impetus to illycaffè's scientific and technological research, creating the company's first chemistry lab.

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

To date, illycaffè is a family-controlled and management-led company. Since 1 January 2022, Chief Executive Officer is Cristina Scocchia.

In 2021, the private equity fund Rhône Capital acquired a minority interest in illycaffè's share capital, to work alongside the company on its international growth path.



illy is a global brand in the super-premium coffee segment, recognised for the excellent quality of its blend, enjoyed every day in homes, bars, restaurants, hotels, offices and single-brand cafes in the 138 countries where the Group is present through direct branches and a network of distributors.

illy coffee is characterised by a unique 100% Arabica blend, which comes from the selection of 1% of beans with zero defects.

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

For illycaffè, the virtuous sustainability circle starts in producing countries through a sustainable procurement strategy focused on the transfer of knowledge and on the construction of sound and lasting human relationships, aimed at fostering a culture of excellence.

In 2019, illycaffè strengthened its commitment as a stakeholder company by adopting the status of Benefit Corporation, expressing in its corporate purpose the commitment to operate in a responsible, sustainable, inclusive and transparent manner. This commitment is pursued through specific common benefit objectives, focused on the creation of economic value for stakeholders, on the search for well-being in the areas of coffee cultivation, fuelling a virtuous circle between producers and consumers and, lastly, on the promotion of regenerative agronomic practices, aimed at the conservation of biodiversity and the renewal of ecosystems.

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





Mission

Delighting everyone in the world with the best coffee nature can provide, enhanced by the best technologies and sustainable practices and the beauty of art.



Vision

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

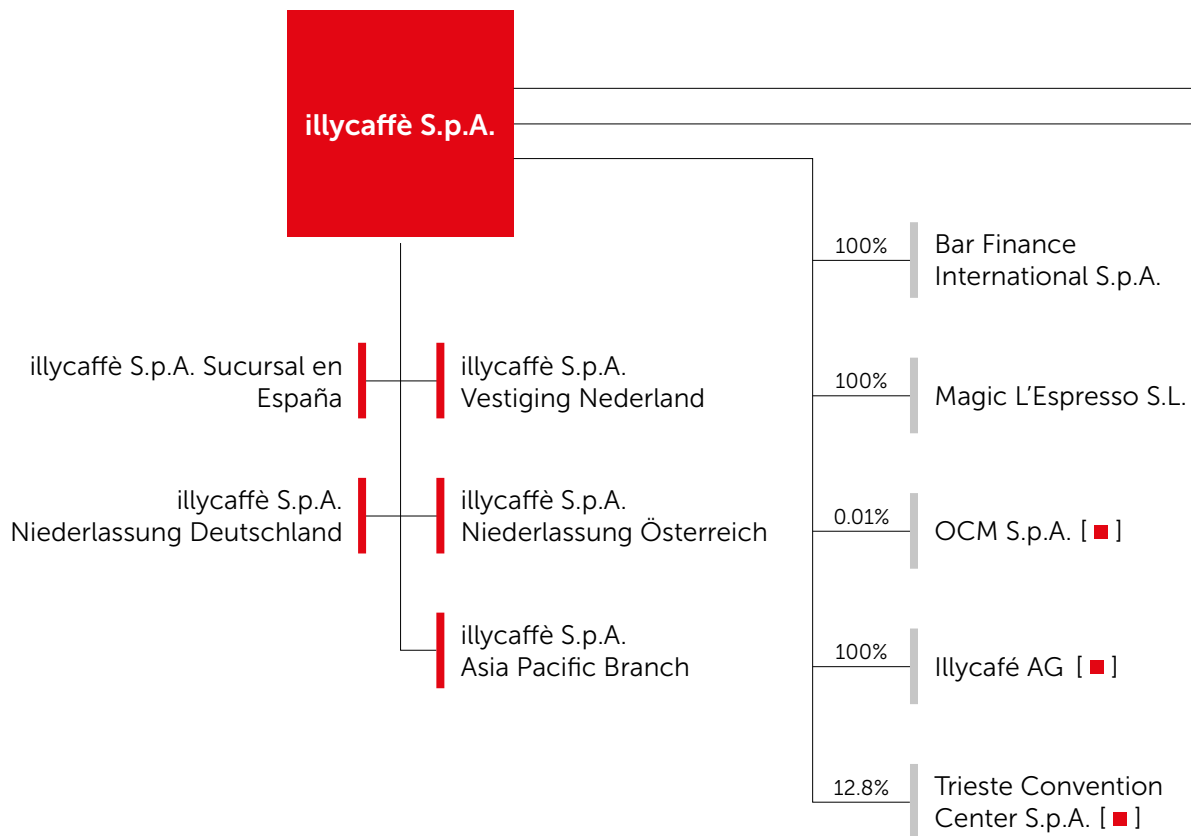


Values

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

Structure and composition of the Group

| GRI 2-1 | GRI 2-2 |



■ Branch

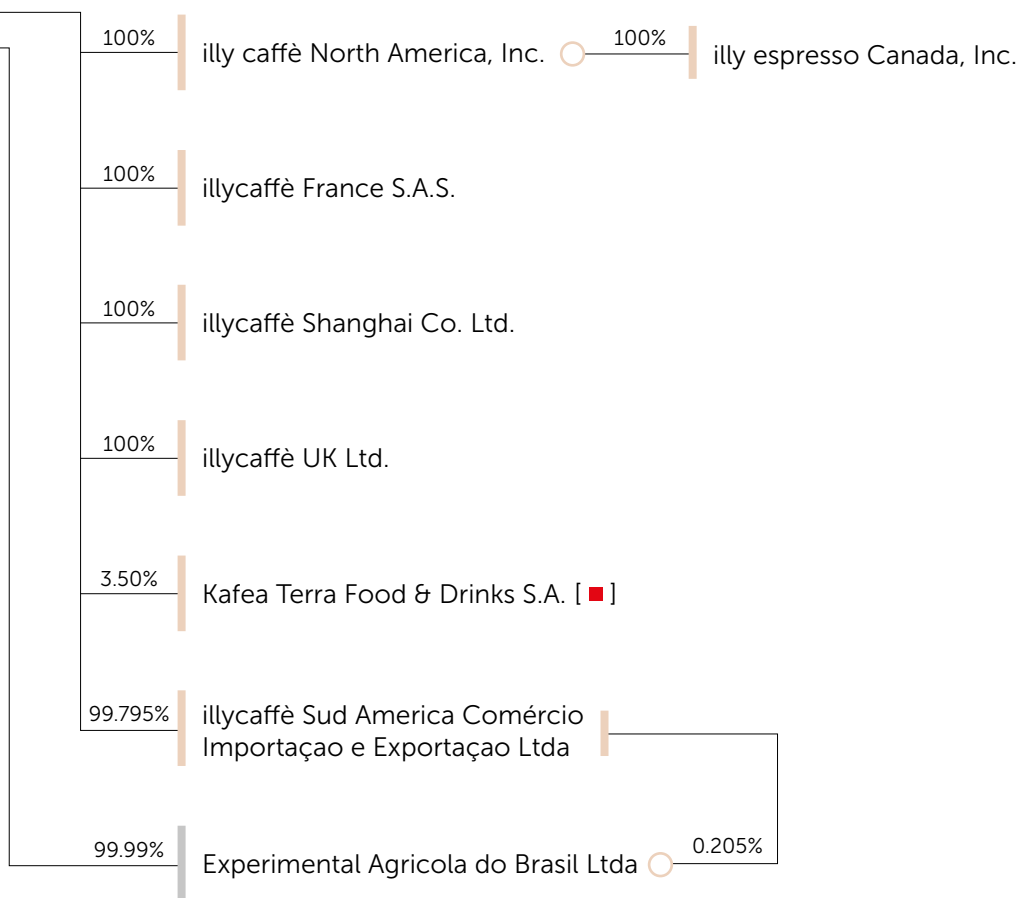
■ Commercial and distribution companies

■ Other companies

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

With respect to the corporate structure at 31 December 2022, the following changes took place in 2023:

- the company Espressamente Retail London Ltd was liquidated on 12 September 2023
- illycaffè Asia Pacific Ltd was deregistered on 26 September 2023
- illycaffè San Francisco LLC was liquidated on 30 November 2023



Shareholding structure

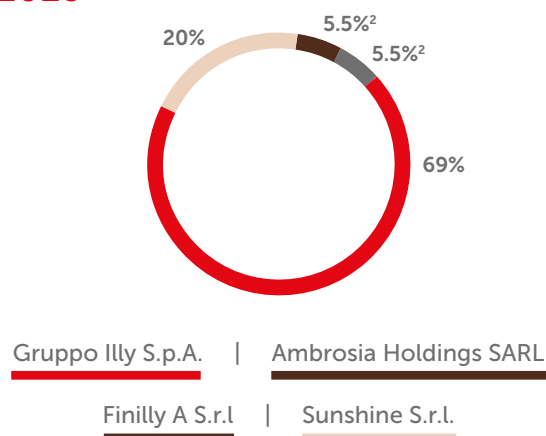
From 5 December 2023, following the corporate reorganisation involving Gruppo Illy S.p.A., the share capital of illycaffè S.p.A. (hereinafter also the "Parent Company") is 69% owned by Gruppo Illy S.p.A., 20% by Rhône Capital through Ambrosia Holdings SARL, 5.5% by Finilly A S.r.l. and 5.5% by Sunshine S.r.l.

The companies Finilly A S.r.l. and Sunshine S.r.l. are wholly owned by Andrea Illy and Anna Illy, respectively.

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

SHAREHOLDERS OF ILLYCAFFÈ S.P.A.¹

2023



Group companies

At 31 December 2023, the Group comprised the companies listed below.

illycaffè S.p.A.

The Parent Company, which owns the "illycaffè" and "illy" brands, is engaged in the production and distribution of products under the illy brand.

Commercial and distribution companies

illy caffè North America, Inc.

A subsidiary of the Parent Company, engaged in product distribution activities in the US, Canada (through its own subsidiary in the case of the latter) and in Mexico. The company is also engaged in the development and management of direct and franchised single-brand stores in the American and Canadian markets.

illy espresso Canada, Inc.

A subsidiary of illy caffè North America, Inc., engaged in product distribution activities in Canada.

illy caffè France S.A.S.

A subsidiary of the Parent Company, engaged in distribution activities in France, Belgium and Luxembourg. The company is also engaged in the development and management of direct and franchised single-brand stores.

illicaffè Shanghai Co. Ltd.

A subsidiary of the Parent Company, engaged in product distribution activities in China.

(1) The subscribed and paid-up share capital is equal to €50,000,000.00 and is divided into 4,500,000 class shares, with no expressed nominal value, broken down as follows: Gruppo Illy S.p.A., with registered office in Rome in via Della Mercedes 11, holder of 3,105,000 class A shares, with no expressed nominal value; Ambrosia Holdings SARL, with registered office in Luxembourg in rue Edward Steichen 14, holder of 900,000 class B shares, with no expressed nominal value; Finilly A S.r.l., with registered office in Milan, in piazza Cavour 3, holder of 247,500 class A shares, with no expressed nominal value; Sunshine S.r.l., with registered office in Trieste, in via di Tor Bandena 3, holder of 247,500 class A shares, with no expressed nominal value.

(2) Anna Rossi Illy holds the usufruct of 49.22% of the shares of Finilly A S.r.l. and Sunshine S.r.l.

illycaffè UK Ltd.

A company engaged in distribution activities in the United Kingdom, previously indirectly controlled through illycaffè UK Holdco Ltd and directly controlled by the Parent Company from December 2021, following the liquidation process of illycaffè UK Holdco Ltd. The company is also engaged in the development and management of direct and franchised single-brand stores.

illycaffè Sud America Comércio Importação e Exportação Ltda

A subsidiary of the Parent Company, engaged in product distribution activities in Brazil.

Branches

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

illycaffè S.p.A. Sucursal en España

Branch active in distribution in Spain and Portugal.

illycaffè S.p.A. Niederlassung Deutschland

Branch active in distribution in Germany.

illycaffè S.p.A. Niederlassung Österreich

Branch active in distribution in Austria.

illycaffè S.p.A. Vesting Nederland

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

illycaffè S.p.A. Asia Pacific Branch

Branch which supports the development of the illy brand in the Asian area.

Other companies

Bar Finance International S.p.A.

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

Magic L'Espresso S.L.

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

Experimental Agrícola do Brasil Ltda

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



A 90-year history of quality and sustainability

1933-1996

1933

BIRTH OF ILLYCAFFÈ

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



1934

PRESSURISATION

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

1935

ILLETTA: THE FIRST HIGH-PRESSURE ESPRESSO MACHINE

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



1957

QUALITY AT HOME

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



1974

THE FIRST SINGLE-PORTION SYSTEM ON THE MARKET

illycaffè was the first to industrialise pods: single-serving portions of ground and pressed coffee, which make it possible to obtain a perfect espresso in every location where coffee is consumed. A radical innovation in the history of coffee, which will pave the way for the company's international expansion.



1980**ILLYCAFFÈ
IN THE UNITED STATES**

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

**1982****QUALITY IN EVERY
SINGLE BEAN**

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

**1991****AWARD FOR COFFEE QUALITY**

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

1992**ILLY ART COLLECTION**

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

1995**X1, DESIGN AND TECHNOLOGY
FOR ESPRESSOS**

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

**1996****JAMES ROSENQUIST
AND THE NEW LOGO**

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



A 90-year history of quality and sustainability

1999-2016

1999

UNIVERSITÀ DEL CAFFÈ

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

2003

MONO-BRAND STORES

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



2002

COLLABORATION WITH SEBASTIÃO SALGADO

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



2006

IPERESPRESSO, THE NEXT GENERATION ESPRESSO

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



2008**MITACA**

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

**2011****RESPONSIBLE SUPPLY CHAIN PROCESS**

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

**2013****WORLD'S MOST ETHICAL COMPANIES**

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

**2015****EXPO MILAN**

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

Official Coffee Partner



MILANO 2015

FEEDING THE PLANET
ENERGY FOR LIFE**2016****ERNESTO ILLY INTERNATIONAL COFFEE AWARD**

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

A 90-year history of quality and sustainability

2017-2022

2017

CREATION OF A SUSTAINABILITY COMMITTEE

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

2020

OPENING UP THE CAPITAL

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

2021

B CORP® CERTIFICATION

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



2019

COMPATIBLE ALUMINIUM CAPSULES

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



BENEFIT CORPORATION

illycaffè S.p.A. becomes a Benefit Corporation and amends its articles of association accordingly.

SUSTAINABLE PROCUREMENT PROCESS

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

2022

RESTYLING OF THE MONTE NAPOLEONE FLAGSHIP STORE

Thanks to the collaboration with the Antonio Citterio Patricia Viel studio, excellence in Italian architecture and design, the Via Monte Napoleone store in Milan is renovated to provide an all-round illy universe experience, based on quality, sustainability, art and design.



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The main initiatives of 2023

CONTEMPORARY ART

Also in 2023, illycaffè continued to support the main contemporary art fairs in the world, presenting its illy Art Collections to the public.

The collection designed by Pascale Martine Tayou was presented at Frieze Los Angeles, ARCOmadrid and Taipei Dangdai.

The artist Judy Chicago's coffee cups were showcased in a preview at Frieze New York and, later, at Frieze Seoul.

Lee Ufan's collection was presented at Frieze London, Asia Now and Artissima and hosted at the Hamburger Bahnhof - Nationalgalerie der Gegenwart contemporary art museum in Berlin.

illy Art Collection

Launched in 1992, the illy Art Collection project allowed illycaffè to transform an everyday object (the coffee cup designed by Matteo Thun) into a blank canvas on which contemporary artists were invited to express their creativity. Over the years, this canvas has hosted the works of over 125 internationally renowned artists, including Michelangelo Pistoletto, Marina Abramović, Anish Kapoor, William Kentridge, Robert Wilson and Ai Weiwei.

In 2023, two new collections were launched respectively by Judy Chicago, a multifaceted American artist and pioneer of the Feminist Art Movement, and by Lee Ufan, an artist of Korean origin, one of the founders of the avant-garde Mono-Ha (School of Things), an artistic non-conformist movement based on the study of nature and of raw materials, considered one of the most important Asian post-minimalist artists.



illycaffè was also an official partner of the 25th edition of Art Paris, the art fair held at the Grand Palais Éphémère. Visitors, exhibitors, curators and collectors were able to taste the illy blend in all of the exhibition's bars.

The more than decade-old relationships that bind illycaffè to the main international contemporary art fairs have made it possible to support young emerging talents.

The Spanish artist Cristina Mejías won the 16th illySustainArt Prize at ARCOmadrid for her works exhibited in the Alarcón Criado and Rodríguez galleries. The artist received the €15,000 illy prize to produce a work to be exhibited at the next edition of ARCOmadrid.

On the other hand, Bekhbaatar Enkhtur, an artist from Mongolia, was awarded the 23rd edition of the illy Present Future Prize, supported by illycaffè since 2001.

On occasion of the Milan ArtWeek, at the store in via Monte Napoleone together with Salotto Studio "Chiacchiere a Colazione" (Chatting over Breakfast), illycaffè organised a program of meetings curated by Antonio de Martino, to promote a dialogue on some of the most current issues in contemporary art starting from the main ongoing cultural exhibitions, bringing together international calibre institutions, artists and curators.

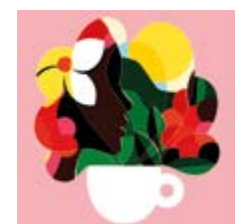
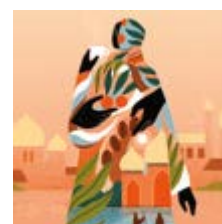
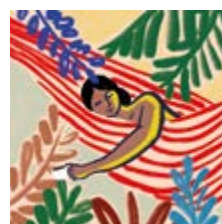
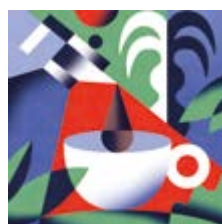
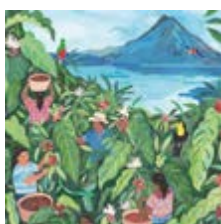


CONTEMPORARY ART

illycaffè was the protagonist of the Milan Design Week, with events and partnerships inside and outside the Salone del Mobile. The illy blend was enjoyed in the showrooms of some of the best-known and sophisticated design brands such as Kartell, Molteni&C, UniFor, Moroso, Dedone Lissoni & Partners. There were also many official secondary events, such as the Take It or Leave IT exhibition by designer Paola Navone, with a bar created by illycaffè, and the INTERNI Design Re-Evolution exhibition. In the Fiera Milano Rho district, in its role of event coffee partner, illy was present at various meetings, networking and breaks for architects, designers and journalists: from the Red Lounge to the International Business Lounge, passing through Caffé della Stampa, where the heart of the installation was once again the Kartell Re-Chair. The collaboration between illycaffè and Kartell was the focus of the installation that animated the illy flagship store in Via Monte Napoleone during the Milan Design Week, thanks to an unprecedented installation entirely dedicated to the collection of chairs made using recycled Iperespresso capsules. For the 2023 Salone del Mobile, the collaboration with Kartell extended to the Eleganza armchair, designed by Philippe Starck, who presented the structure in black and terracotta, made with the same recycling process.



In 2023, the special creative project linked to the Ernesto Illy International Coffee Award was presented. It combines coffee art and culture with the involvement of nine international illustrators, called upon to create a manifesto to assign an artistic and visual identity to each of the prize's nine finalist countries. This is an initiative that illycaffè wants to use to narrate a fundamental and relevant component of the company's culture and ethics, through the language, graphic choices and lively colour palettes of the selected illustrators: the heritage of values behind the coffee production world and its countries.





Entrusted with the artistic direction for the creation of the Barcolana poster, illycaffè chose Judy Chicago for the 55th edition of the largest regatta in the world. The artist highlighted the regatta's commitment to inclusiveness and female leadership, turning the petals that have represented femininity and natural beauty in her art works for 50 years into sails and showing how art and sport can share the same objectives of raising awareness, creating together a strong appeal to the role of women in society and to inclusive sport.



SUSTAINABILITY AND AWARDS

For the second year in a row, Standard Ethics assigned the EE rating to illycaffè, confirming it as the best among the 30 Italian companies included in the SE Food&Beverage Italian Sustainability Benchmark. The award constitutes the highest level of compliance with the international sustainability guidelines established by the European Union, OECD (Organization for Economic Cooperation and Development) and the United Nations.

The desire to create a fair and inclusive workplace, where everyone can express their full potential, in December 2023 resulted in the achievement of the UNI/PdR 125:2022 gender equality certification.

Issued by DNV, the certification was awarded after an assessment based on 33 parameters, which concerned aspects such as corporate culture and strategy, training opportunities, growth and inclusion of women, fairness in terms of remuneration, as well as initiatives to protect parenting and work-life balance.

For the commitment shown in the implementation of regenerative agricultural practices, aimed at reducing emissions produced along the coffee supply chains, illycaffè was awarded the 2023 Innovation Award, the prestigious award conferred by UNIDO (United Nations Organization for Industrial Development).



The names of the Brazilian growers representing Brazil at the eighth edition of the Ernesto Illy International Coffee Award were unveiled at the 32nd edition of the Prêmio Ernesto Illy de Qualidade Sustentável do Café para Espresso. The three winners were Luis Manuel Ramos Fachada M. da Silva (Chapada de Minas), Raimundo Dimas Santana Filho (Matas de Minas) and São Mateus Agropecuária (Cerrado Mineiro). Their coffees were selected by a jury composed of national and international illycaffè experts, chosen from over 500 assessed samples from the major Arabica coffee producing regions in Brazil.

It was Brazil, in fact, with the company São Mateus Agropecuaria, to win the Best of the Best award given to Josè Eduardo Dominicale at the eighth edition of the Ernesto Illy International Coffee Award. Dedicated to the memory of the visionary illycaffè leader and son of the company's founder, the award celebrates the daily work that illycaffè has been carrying out for over 30 years alongside producers to offer the best coffee to the world. The prize was presented by Chairman Andrea Illy at the gala dinner held at the New York Public Library. The prize was awarded by an independent international jury composed of nine experts, who examined the best samples of the 2022-2023 production, through blind tasting of nine coffees from the nine countries included in the illy blend: Brazil, Costa Rica, El Salvador, Ethiopia, Guatemala, Honduras, India, Nicaragua and Rwanda.





HIGH GASTRONOMY AND CHEF AMBASSADORS

A world-renowned avant-garde taste expert, three-star Michelin chef, Massimo Bottura became illy Chef Ambassador in January 2023, joining the project dedicated to coffee and haute cuisine enthusiasts and also creating his own blend from his own personal combination of the nine different origin coffees of the illy blend.

It is precisely with Massimo Bottura that illycaffè decided to commit for the next four years to supporting Food For Soul, the non-profit organisation founded by the chef and by Lara Gilmore and which since 2015 has been taking care of people in need, starting from the primary form of assistance, food, prioritising the reuse of raw materials. Solidarity and the fight against waste inspired the "Refettori" (Refectories) project, thanks to which abandoned or

neglected city spaces reborn into community places where every day hundreds of socially vulnerable people can feel welcomed and where food becomes complicit in forging new ties. These are not common canteens: these are special places also because great international chefs collaborate in the project by making their time and passion available to offer comfort to families in difficulty.

The selected group of illy Chef Ambassador promoters of refined and sustainable gastronomy was joined, in 2023, by star chef Andrea Berton, multi-award-winning Chantelle Nicholson, awarded the green Michelin star and first illy Chef Ambassador in the United Kingdom, and two Michelin star and one green Michelin star chef Ricard Carmena, Spain's first illy Chef Ambassador.



Also in 2023, illycaffè was a partner of The World's 50 Best Restaurants, the list including the 50 best restaurants in the world, which is now one of the most anticipated gastronomic events for food professionals and enthusiasts. The list of the 50 best restaurants is the result of the votes of the World's 50 Best Restaurants Academy, composed of 1,080 international experts in the catering sector from all over the world.



PRODUCT INNOVATION

On occasion of the 90th anniversary of its foundation, illycaffè created an iconic limited edition can, decorated with the five logos that, from 1933 to the present, have represented the brand's history: from the first logo created in 1933 by Xanti Schawinsky, to the current one, created in 1996 by James Rosenquist and inspired by pop art.



On 1 October, on occasion of the International Coffee Day, Arabica Selection Brasile Cerrado Mineiro was launched, the first coffee produced entirely from regenerative agriculture and certified by regenagri®. This launch is the result of the direct and lasting relationships that illycaffè has built over time with the producers from whom it procures its coffee and who have made it possible, together, to grow a coffee that testifies to the shared commitment to combat climate change. In fact, regenerative agriculture aims to improve soil health and rebalance ecosystems through a set of agricultural practices, many of which are still under study, which regenerate the soil, reducing emissions and the impact on biodiversity.



With an aromatic profile characterised by notes of caramel and dried fruit, Arabica Selection Brasile Cerrado Mineiro is available in the 250g cans in bean and ground versions.

In November 2023, the coffee machines range was further expanded with the new Iperespresso X7.1 Deep Pink, a bright pink limited edition of one of the most popular models. The vintage style designed



by Luca Trazzi and which makes reference to baristas' gestures, is combined with more advanced technology, which makes the preparation of coffee and cappuccinos even easier and faster.

The second half of the year also saw the introduction of large formats in the segments of Nespresso® compatible capsules (in the Classico and Intenso versions) and of the E.S.E. pods (with the addition of the Forte version) with the aim of capitalising on the big size growing trend.

In 2023, the Christmas gifting offer was expanded with a series of special packagings in collaboration with Alessi: the union taste and design matches illy coffee with the timeless espresso coffee maker designed by David Chipperfield, the Caffa travel mug, the Slow coffee grinder and the Pulcina espresso coffee maker, designed by Michele De Lucchi. Two Wonder Boxes with the illy Art Collection by Judy Chicago complete the offer.

On the sustainable innovation front, 2023 focused on the creation of Illetta, the coffee machine designed by Antonio Citterio, which completely reinvents the bar coffee experience thanks to a revolutionary technology, which guarantees exclusive customisation in compliance with the highest design and sustainability standards. In fact, the instant-heating technology patented system ensures energy savings of up to 50% compared to the normal coffee machines currently on the market.

Evolution of the first machine of the same name launched in 1935, the new Illetta is equipped with an innovative and interconnected ecosystem and is designed to offer coffee of excellent and constant quality, both reinterpreting the classic espresso and serving mocha and filter preparations made on the spot, to combine the consumer's personal taste with the barista's creativity.

Illetta was previewed at the 45th edition of Sigep - The Dolce World Expo, held from 20 to 24 January 2024 at the Rimini Exhibition Center.



2023 Performance



Financial highlights

€595.1 million

REVENUES

+4.8% vs. 2022

€92.8 million

ADJUSTED EBITDA

+18.6% vs 2022

15.6%

EBITDA MARGIN ADJUSTED

+1.8 p.p. vs 2022

€23.7 million

NET PROFIT

+67.2% vs 2022

€122.2 million

NET FINANCIAL POSITION

-20.8% vs 2022



Key financial ratios

14.3%

ROI

+5.4 p.p. vs. 2022

14.4%

ROE

+4.9 p.p. vs. 2022

6.9%

ROS

+2.3 p.p. vs. 2022

1.3x

NFP/ADJUSTED EBITDA

-0.7 vs. 2022

0.7x

NFP/EQUITY

-0.3 vs. 2022



Operations

138

COUNTRIES SERVED

3

STRATEGIC CLUSTERS
IN EUROPE

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

159

MONO-BRAND STORES
IN 30 COUNTRIES

144 under franchising
15 directly operated



46.5%

Home



53.5%

Out-of-Home



People

1,188

EMPLOYEES WORLDWIDE

-3.4% vs. 2022

43.6%

WOMEN EMPLOYEES

-1.7 p.p. vs. 2022

61.8%

EMPLOYEES IN THE AGE
BRACKET 30-50

-0.1 p.p. vs. 2022

94.1%

GENDER PAY GAP

+2.8 p.p. vs. 2022



Environment

37.7%

ENERGY FROM
RENEWABLE SOURCES

+9.6 p.p. vs. 2022

95.5%

ELECTRICITY FROM
RENEWABLE SOURCES

+19.2 p.p. vs. 2022

100% for the Trieste headquarters

5.5 GJ/t

ENERGY INTENSITY

-11.3% vs. 2022

10.5 t CO₂eq/t

EMISSION INTENSITY

-8.2% vs. 2022



Superior and sustainable quality

345

HOURS OF TRAINING
ALONG THE GREEN
COFFEE SUPPLY CHAIN

+59.0% vs. 2022

2,383

STAKEHOLDERS ENGAGED
ALONG THE GREEN
COFFEE SUPPLY CHAIN

+20.4% vs. 2022

427

AUDITS CARRIED OUT
FROM PLANT TO CUP

+12.7% vs. 2022

135

TYPES OF QUALITY
CONTROL

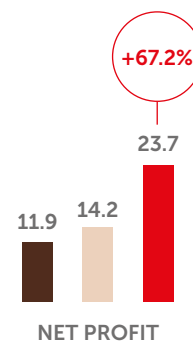
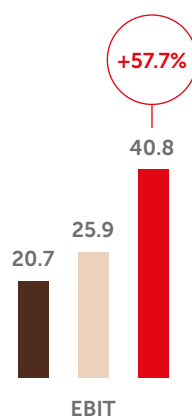
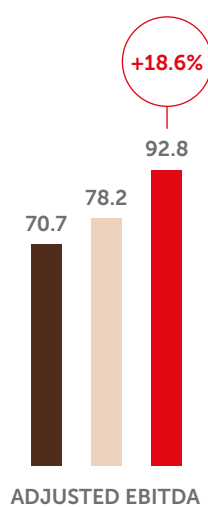
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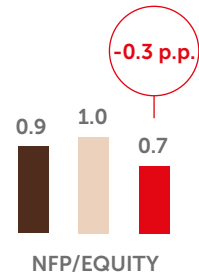
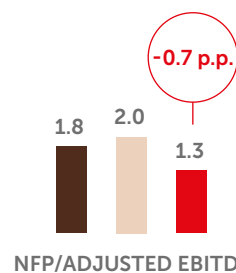
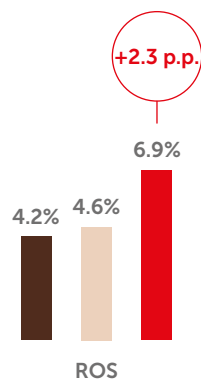
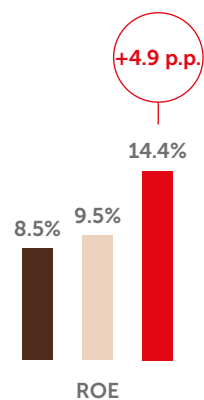
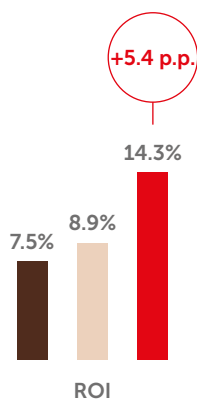
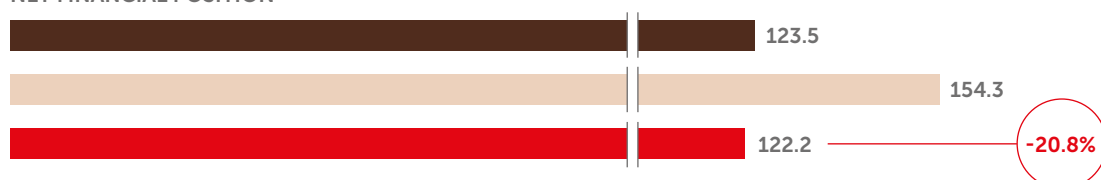
Economic and financial highlights 2023

(€ MILLION, %)

NET REVENUES



NET FINANCIAL POSITION



■ 2021 ■ 2022 ■ 2023 (% change vs. PY)

Macroeconomic landscape

In 2023, geopolitical tensions mainly linked to the wars in Ukraine and the Middle East generated uncertainties in the markets, as well as triggering interruptions in the supply chain. Nevertheless, according to the IMF (International Monetary Fund) forecasts released in January 2024, global GDP grew by 3.1% in 2023, almost in line with pre-pandemic growth rates.



The US economy grew by 2.5% in 2023 (IMF), driven by the recovery in consumption and a sustained expansion of the labour market. On an annual basis, consumer prices in the United States accelerated in December and recorded an increase of 3.4% (Bureau of Labor Statistics). During the year, the Federal Reserve continued the monetary tightening that began in March 2022, bringing interest rates in the range between 5.25% and 5.50%, reaching the highest levels in 22 years.

In 2023, according to data released by the Statistical Office of the European Union (EUROSTAT), the Eurozone GDP increased by 0.5%. Inflation remained high and geopolitical tensions affected confidence and economic performance. Inflation in the Eurozone recorded an annual increase of 2.9%, down sharply compared to +9.2% in the same month of 2022. The food, alcohol and tobacco component recorded the fastest growth (+6.1% compared to December 2022). The unemployment rate in the Eurozone stabilised at 6.4% in December, reaching an all-time low, despite the difficult economic situation.

The German economy entered a recession in 2023 with a 0.3% fall in GDP (IMF), due to the industrial sector crisis, mainly linked to high energy costs. On the other hand, Spain recorded a good performance, contributing with annual growth of 2.4%.

The Italian economy closed 2023 with growth of +0.7% (ISTAT), driven by industry and services.



According to ISTAT, inflation gradually slowed down in 2023, reaching 5.7%. The deceleration was mainly driven by falling gas and energy prices, while the prices of many goods and services, such as food, continued to rise. Encouraging figures were recorded on the employment front (61.9% in December) while the unemployment rate stood at 7.2% (ISTAT). The economy and employment benefited from the expansive fiscal policy measures implemented in recent years, in particular from building bonuses and NRRP spending.

Emerging markets recorded positive trends in 2023, led by Latin America. China recorded a growth rate of 5.2% year-on-year, according to estimates by the Chinese National Statistical Office (NBS). Industry, services and consumption recorded a strong recovery after the lifting of COVID-19 restrictions at the beginning of the year.

In 2023, the performance of global currency markets was strongly influenced by central bank rate increases, inflationary pressures, the banking crisis and ongoing wars. The prices of the euro/dollar exchange rate fluctuated between 1.04 and 1.12, showing high volatility.

linked to the evolution of expectations on the rates of the European Central Bank (ECB) and of the Federal Reserve System (FED).

In the last year, the ECB's strategy was focused on raising interest rates to contain inflation. The upward trend, which began in July 2022, stopped in October 2023, with interest rates on main refinancing

transactions, marginal refinancing transactions and deposits with the central bank to respectively 4.50%, 4.75% and 4.00%, the highest in the history of the European Union.

In 2023 the Euribor was positive throughout the year, prices for the 1-month, 3-month and 6-month maturities stood at 3.85%, 3.91% and 3.86%, respectively.



GREEN COFFEE PERFORMANCE

Also in 2023, the trend in the green coffee price was characterised by high volatility.

In terms of volumes, for the 2022/2023 campaign, USDA (United States Department of Agriculture) estimated global production of 164.5 million bags, down slightly compared to the previous year.

For the 2023/2024 campaign, a total production volume of 171.4 million bags was forecast (+4.2% compared to the previous campaign), driven by a significant increase in Arabica production, in particular in Brazil, Colombia and Ethiopia.

In 2023, the value of Arabica coffee futures fluctuated between 140 and 200 cts/lb. In the first half of the year, the price increased continuously, from 140 cts/lb to 161 cts/lb, with a peak of 195 cts/lb at the beginning of June, reflecting a possible fall in the Brazilian harvest. Between July and October, the price stabilised between 150 and 160 cts/lb, and then increased at the end of the year due to possible drought effects on the 2024 Brazilian harvest.

In Central America, inflation and the high migration of workers to the United States also in 2023 reduced the availability of labour on plantations and led to an increase in production costs, also impacting the final sale price. The price trend was also influenced by the geopolitical situation in Ukraine and the Middle East.

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

PRICE OF GREEN COFFEE FUTURES (ARABICA) 2019-2023



Source: Bloomberg, closing months' last price of coffee futures (Arabica), New York Stock Exchange.

Economic and financial performance

MAIN ECONOMIC AND FINANCIAL INDICATORS

Amounts in € million	2023	2022	2021
Net revenues	595.1	567.7	499.5
Adjusted EBITDA	92.8	78.2	70.7
Adjusted EBITDA pre IFRS 16*	83.9	68.7	62.8
EBITDA	88.8	71.4	61.6
EBIT	40.8	25.9	20.7
Net profit	23.7	14.2	11.9
Net Financial Position	(122.2)	(154.3)	(123.5)
Net Financial Position pre IFRS 16*	(99.3)	(126.5)	(91.9)

(*) The effects deriving from the application of IFRS 16 limited to operating leases.

In 2023, the Group's revenues amounted to €595.1 million, recording an increase of 4.8% compared to the previous year. The organic growth achieved in 2023 was mainly driven by an increase in volumes in the primary markets in which the Group is present. In 2023, the Group's revenues were negatively affected by the performance of the reference markets' main currencies and, in particular, by the weakening of the dollar against the euro. At constant exchange rates, the Group's revenues were up by 5.7% compared to 2022.

The Gross Industrial Margin amounted to €327.0 million, up 5.4% in absolute value compared to 2022, mainly driven by organic growth in revenues, supported by the price increases on selected markets and distribution channels and the positive sales mix. The continuing inflationary pressure on green coffee prices was offset by the reduction in other main cost components, in particular the materials used for packaging and energy costs. Therefore, the industrial margins stood at 54.9% of net revenues, up by 0.3% compared to 2022.

Personnel costs decreased by 1.8% compared to 2022. This trend reflects above all the implementation of initiatives aimed at increasing the Group's operating efficiency (mainly through optimisations in specific central functions and the go-to-market strategy on some markets), the salary increases implemented on the basis of talent assessment and the changes in scope relating to the Retail channel (closure of five directly operated stores compared to 2022 with a reduction of 23 employees). The incidence of personnel costs on net revenues was 16.4%, down 1.1% compared to 2022.

Costs for goods and services were substantially in line with the previous year, recording an incidence on net revenues of 17.1%, down 0.9% compared to 2022.

Advertising and marketing costs increased significantly (+30.3%) compared to 2022, driven by the launch of the new "Quality loves details" global communication campaign, broadcast on TV and published on the main digital and print channels in Italy, United States, United Kingdom and Greece.

The Gross Operating Margin (EBITDA) amounted to €88.8 million, up 24.4% compared to the previous year, mainly due to the increase in volumes, the reduction in operating costs and a lower incidence of non-recurring charges. Margins stood at 14.9% of revenues, up by 2.3% compared to 2022.

Adjusted EBITDA amounted to €92.8 million, up 18.6% compared to the previous year, thanks to the growth in revenues and the implementation of specific initiatives to improve the Group's operating efficiency, also in order to offset the continuing pressure on margins, dictated by the inflationary context, and in line with the strategic sustainable and profitable growth objectives.

In 2023, all overheads (mainly personnel costs and costs for goods and services) decreased both in absolute value (-2.1%) and as a percentage of revenues (-2.5%) compared to 2022, reflecting the optimisation of commercial structures in the main strategic markets and growing operational efficiency.

In general, given the persistent uncertainty of the macroeconomic and geopolitical context, the Group continued to operate a strict control on discretionary costs, acting in particular on overheads.

The (Adjusted) EBITDA Margin increased by 15.6% in 2023, an improvement of 1.8% compared to 2022.

In 2023, net non-recurring expenses amounted to €4.0 million, down 41.4% compared to the previous year, and mainly referring to charges for early retirement incentives (€3.3 million) and charges for the reorganisation of the sales network (€0.6 million).

Normalised for the accounting effects relating to the application of IFRS 16 (amounting to €8.9 million), Adjusted EBITDA stands at €83.9 million, up 22.1% compared to 2022 and with a margin of 14.1%.

Standing at €40.8 million, the Net Operating Margin (EBIT) showed a significant increase of 57.7% compared to the previous year, due to the development of operating profitability and the lower impact on net revenues of amortisation and depreciation, including amortisation relating to right-of-use assets, resulting from the application of IFRS 16 to operating leases.

Financial charges were up by 15.2% compared to 2022, mainly due to the effect of the increase in market interest rates, with the average of the 6-month Euribor rate rising from 0.682% in 2022 to 3.694% in 2023. This trend was partially offset by the positive component of the exchange rate delta of €1.7 million.

Taxation for the period accounted for 29.4% of the pre-tax result, up 2.7% compared to the previous year. The tax trend was driven by the sharp increase in pre-tax profit (+73.5% compared to 2022), partially mitigated by both extraordinary initiatives and initiatives linked, in particular, to Patent Box (€1.3 million) and BAPA in the United States (€1.6 million), both of a recurring nature and linked to the continuous improvement of the transfer pricing policy.

Group Net Profit amounted to €23.7 million, up 67.2% compared to 2022, consistent with the positive trend in operating profitability (EBIT).

The Net Financial Position amounted to €122.2 million, down 20.8% compared to the previous year.

Cash generation for the year was supported by the positive evolution of operating profitability (EBIT) and by an effective working capital management, freeing up resources for the financing of strategic business investments (e.g. investments to support the increase in production capacity, coffee machines for Ho.Re.Ca. customers, digital transformation).

The Net Financial Position breakdown showed an increase in current financial debt (+€45.0 million), offset by a decrease in non-current financial debt (-€60.6 million). This trend reflects the repayments expected on the basis of the due dates in the following 12 months for 60% of the long-term loans.

Excluding the impact deriving from the application of IFRS 16, the Net Financial Position comes to €99.3 million at 31 December 2022, down compared to €126.5 million in the previous year.

All profitability indicators (ROI, ROE, ROS) were up compared to the previous year, mainly as a result of the positive performance of key operating results (EBIT, Net Profit and Revenues).

The NFP/(Adjusted) EBITDA indicator of 1.32 shows a decrease compared to the previous year (1.97), driven by the reduction in the Net Financial Position and by the increase in the Adjusted EBITDA.

PROFITABILITY AND EQUITY INDICATORS

	2023	2022	2021
ROI	14.3%	8.9%	7.5%
ROE	14.4%	9.5%	8.5%
ROS	6.9%	4.6%	4.2%
NFP/Adjusted EBITDA	1.32	1.97	1.75
NFP/EBITDA	1.38	2.16	2.00
NFP/Equity	0.74	1.04	0.88



Trend in Group revenues

REVENUES BY GEOGRAPHICAL AREA

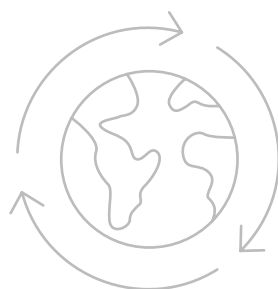
Amounts in € thousand	2023	%	2022	%	2021	%
Italy	185,288	31.1%	181,436	31.9%	165,144	33.1%
EMEA	221,660	37.3%	212,072	37.4%	198,601	39.7%
Americas	120,253	20.2%	107,305	18.9%	84,242	16.9%
Asia and Rest of the World	67,942	11.4%	66,843	11.8%	51,518	10.3%
Total	595,143	100.0%	567,656	100.0%	499,505	100.0%

+2.1% vs 2022

Italy

+1.6% vs 2022

Asia and Rest of the World



+4,5% vs 2022

EMEA

+12.1% vs 2022

Americas

In 2023, all the main markets where the Group operates in showed a growth compared to 2022.

The Group further consolidated its leadership position in Italy in the super-premium market segment, recording revenues of €185.3 million, up 2.1% compared to 2022. Growth was mainly driven by the Out-of-Home channels (Ho.Re.Ca. and Retail) and the online channel. In particular, the distribution expansion continued, reflected in a 3% acquisition rate of new customers in the Ho.Re.Ca. channel, combined with a 5% increase in average consumption compared to 2022.

In the EMEA (excluding Italy), revenues amounted to €221.7 million, up 4.5% compared to 2022. Growth was driven by the main reference markets, such as Spain,

France, the United Kingdom and Greece, and by the further strengthening of the presence in the Middle East, mainly in the United Arab Emirates and Turkey.

The Americas recorded revenues of €120.3 million, up 12.1% compared to 2022, thanks to strong growth in the US market (+15.1% at constant exchange rates). The performance achieved in 2023 was the result of the continuous strategic focus on the United States, a priority market in the Group's medium-term plans. The growth was driven by the further increase in distribution penetration both in the Out-of-Home channels (mainly Ho.Re.Ca.) and in the Home channels. In particular, the online channel experienced a double-digit growth (+16% compared to 2022) thanks to the consolidation of the partnership with Amazon, which supported the business organic growth, accelerating the rate of acquisition of new customers.

In Asia, revenues amounted to €67.9 million, up by 1.6% compared to 2022, driven by South Korea (+6.6% compared to 2022) and Australia (+71.5% compared to 2022).

In 2023, the Group finalised its go-to-market strategy in China, where an exclusive distribution agreement was signed with the Hangzhou Onechance Tech

(Chancemate) group to establish a presence in the Home channels, in particular on the main e-tailers. The transition to the new business model meant that China closed the year down compared to 2022. A return to growth is expected in 2024, leveraging the partnership with Chancemate, successfully launched in the last quarter of 2023.

REVENUES BY DISTRIBUTION CHANNEL

Amounts in € thousand	2023	%	2022	%	2021	%
Home*	276,793	46.5%	278,667	49.1%	267,723	53.6%
Out-of-Home**	318,351	53.5%	288,989	50.9%	231,782	46.4%
Total	595,143	100.0%	567,656	100.0%	499,505	100.0%

(*) Home: it includes Modern Distribution, e-Commerce and the Home component of the Distributors business.

(**) Out-of-Home: it includes Ho.Re.Ca., Retail, OCS/Vending, Large Corporate Clients, Global Key Accounts and the OOH component of the Distributors business.

The illycaffè business model is characterised by a balanced Home and Out-of-Home mix.

In particular, out-of-home consumption accounted for 53.5% of consolidated revenues, while the Home channel reached an incidence on consolidated revenues of 46.5%.

Ho.Re.Ca. channel revenues recorded a growth of 8.2% compared to 2022, driven by Italy, the United States, Spain and France. This growth was supported by an acceleration in the acquisition rate of new customers in the premium market segment and by an increase in average consumption.

Retail channel revenues were up by 7.7% compared to 2022. As at 31 December 2023, the network consisted of 159 stores (15 directly operated and 144 under franchising), down by 31 units compared to 31 December 2022, due to the closure of stores that were not profitable or not in line with the illy brand's super-premium positioning.

OCS/Vending channel revenues recorded an increase of 6.2% compared to 2022, thanks to the growth in foreign markets, in particular the United States and Spain.



Modern Distribution channel revenues were down by 7.0% compared to 2022. This performance was negatively influenced by the Chinese results, due to the aforementioned go-to-market strategy change, and by Italy, where the business was affected by demand elasticity, resulting from the increase in market prices. This effect was not mitigated by the promotional leverage, historically lower than the competition, in line with the strategic objective of holding on to the brand's super-premium positioning.

Online channel revenues recorded a growth of 15.5% compared to 2022, thanks to the further consolidation of partnerships with e-Tailers, in particular in Italy, the United States and China.

Distributors channel revenues were up by 6.1% compared to 2022, thanks to the continuous consolidation of the Group's presence in strategic markets (primarily Greece, South Korea and Australia) and a growing focus on markets with high expansion potential.

RETAIL NETWORK



EVOLUTION OF THE TARGET MARKET

In 2023, double-digit average inflation rates were recorded in the Packaged Consumer Goods sector (in Italy +10.7%¹, in the United States +11.6%²) and a generally positive performance in terms of value was observed in the various product segments, not supported by volumes (Italy: +9.3% in value, -1.7% in volume^{1, 3}; in the United States +10.2% in value, -1.3% in volume²). Promotional activity, down in 2022, gradually returned to growth in all product segments, but promotional effectiveness increased only in the higher discount brackets^{1, 3}. Given the uncertainty of the macroeconomic context, consumers have adopted more conservative purchasing behaviours, looking for opportunities in medium-low price brackets, safeguarding the shopping basket value^{1, 4}.

With regard to the Out-of-Home channel, consumer spending in bars, restaurants and other European catering establishments increased by +4% compared to 2019². In particular, also in Italy, spending in the Out-of-Home channel grew, recovering sharply after the pandemic, but not yet to 2019 levels (€64.0 billion in 2019; €62.7 billion in 2023)⁵.

In 2023, in Italy³, in the GDO (Large Scale Distribution) channel⁴, 93,744 tonnes were sold in the coffee category, recording a 1.5% fall in volume compared to 2022. Turnover in the value category was €1.4 billion, up +6.8% compared to 2022, driven by price increases.

The Roast & Ground market alone (which includes the ground, bean, capsule and pod segments) recorded a volume sell-out of 90,940 tonnes (-1.6% vs 2022) and a value of €1.3 billion (+6.6% vs 2022). The average price was €14.52/kg, higher than in 2022 (+8.3%).

The ground segment accounted for 69.1% of volumes and 44.4% of the value of the total category with a sell-out of €618.3 million/64,754 tonnes, recording a positive value trend compared to 2022 (+1.0%), but negative in volume (-6.0%), losing market share mainly to the pods segment (+1.4% in volume and +1.6% in value vs 2022) and capsules (+0.6% in volume and +1.0% in value vs 2022), confirming its position as one of the segments with the greatest promotional pressure of 52.5% (down slightly by -0.7% vs 2022).

(1) Circana, Liquid Data™. Packaged Consumer Goods. YTD 2023: 39 weeks to 1 October 2023.

(2) Circana - CREST® 2022, Consumer Reporting of Eating Share Trends.

(3) Circana Italia, coffee category, Italy total (the scope of modern large-scale distribution channel is considered to include Hypermarkets, Supermarkets and Small Prepackaged Service and to exclude discount stores); Year to Date updated to December 2022.

(4) Circana, total US FOOD (the scope of modern large-scale distribution channel is considered to include total grocery outlets); Year to Date updated to December 2023.

(5) The scope of modern large-scale distribution channel is considered to include Hypermarkets and Supermarkets and to exclude discount stores; Year to Date updated to December 2023.

The capsule segment accounted for 13.9% of volumes (+1.0% vs 2022) and 37.1% of the value of the entire category (+0.6% vs 2022), registering a sell-out of €516.6 million/13,074 tonnes in 2023, with a still positive trend both in value (+8.5%) and volume (+6.1%), albeit showing a slowdown compared to previous years. The capsule segment recorded an increase of +2.2% in the average price (€39.52/kg) with promotional pressure equal to 36.1% of volumes (+1.2% vs 2022).

The pod segment also grew, accounting for 7.0% of volumes and 8.3% of the total value of the category, seeing a sell-out of €116.0 million/6,533 tonnes with increases of 28.6% in value and 27.6% in volume compared to 2022.

Positive trend also for the bean segment, seeing a sell-out of €69.2 million/6,578 tonnes (+16.1% in value and +8.2% in volume vs 2022) and which accounted for 7.0% of volumes and 5.0% of the total value of the category.



Performance of the Group companies¹

Commercial, distribution and retail companies

illy caffè North America, Inc.

The company recorded revenues of €108,299.3 thousand (+11.7% vs 2022, +14.5% at constant rates). The economic result was a profit (€4,909.0 thousand vs €2,084.3 thousand in 2022).

illy espresso Canada, Inc.

The company recorded revenues of €6,905.0 thousand (-16.2% vs 2022), closing 2023 with a profit (€143.5 thousand vs €217.4 thousand in 2022).

illycaffè France S.A.S.

The company recorded revenues of €32,123.8 thousand (-1.2% vs 2022) with a profit (€1,360.1 thousand vs €608.6 thousand in 2022).

illycaffè Shanghai Co. Ltd.

The company recorded revenues of €11,299.0 thousand (-42.4% vs 2022), achieving a profit of €665.4 thousand (€2,209.3 thousand in 2022).

illycaffè UK Ltd.

The company recorded revenues of €25,112.6 thousand (+6.2% vs 2022). The result is a profit (€540.6 thousand vs €310.5 thousand in 2022).

illycaffè Sud America Comércio Importação e Exportação Ltda

The company recorded revenues of €6,072.7 thousand (+26.4% vs 2022) and a loss of -€1,046.8 thousand (-€1,657.6 thousand in 2022).

Other companies

Bar Finance International S.p.A.

The company recorded a profit (€8.9 thousand vs -€78.5 thousand in 2022).

Magic L'Espresso S.L.

The company closed the year with revenues of €6,082.6 thousand (-8.1% vs 2022) and a profit (€266.0 thousand vs 290.9 thousand in 2022).

Experimental Agricola do Brasil Ltda

The company recorded revenues of €59,351.4 thousand (-9.3% vs 2022) and a profit of €798.2 thousand (€888.5 thousand in 2022).

It should be noted that the parent company operates not only through the structure active in Italy, but also through five branches in the markets of Spain, Germany, Austria, the Netherlands and Hong Kong.

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

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

Controlling shareholder

Receivable and payable positions in respect of the controlling shareholder, recorded in the statement of financial position, mainly relate to Parent Company receivables and payables to the controlling shareholder Gruppo illy S.p.A. resulting from the option to join the national tax consolidation scheme, for the 2020-2022 three-year period, and to RAA S.p.A., deriving from the option for the national tax consolidation regime, signed for the 2023-2026 three-year period.

Related parties

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

	Trade receivables	Financial receivables	Other current assets	Trade payables	Other current liabilities	Revenues from sales and services	Cost of production	Purchases of fixed assets	Interest income and other financial income
Dealings with parent companies									
Gruppo Illy S.p.A.	21,122		3,360,258			41,918			
RAA S.p.A.	561				3,341,438	460			
Dealings with associates									
Kafea Terra Food & Drinks S.A.	6,751,187	218,933				27,531,512			
Illycafé Thalwil AG	280,274					427,413			
Dealings with other related parties									
Domori S.r.l.	193,182			225,552		417,613	248,267	466,679	2,030
Damman Freres S.A.S.				668,881		3,098	3,355,244		5,913
Agrimontana S.p.A.						261,216	576,840		
Ernesto Illy Foundation							380,000		
Polo del Gusto S.r.l.	4,379					4,932			
Marasu's Petits Fours Ltd						1,473			
Pintaudi S.r.l.				6,623			83,967		
Rococo Chocolatier Ltd	380					339			
TOTAL	7,251,086	218,933	3,360,258	901,056	3,341,438	28,689,975	4,644,319	466,679	7,943

Own shares

The Parent Company does not hold any treasury shares and it does not own nor did it hold any shares or holdings of parent companies during the year, including through trust companies or intermediaries.



Business outlook

The 2023 results testify to further progress towards achieving the Group's strategic objectives.

Also in 2024, the Group will continue on the growth path identified in the 2024-2028 Strategic Plan approved in November 2023, focusing on further accelerating international development in the super-premium segment of the market, leveraging its distinctive positioning linked to superior and sustainable quality.

The Group's organic growth in the various markets, with a particular focus on the United States, will be supported by an increasingly greater focus on the end consumer, guaranteeing the uniqueness of the illy experience on all touchpoints, physical and digital, through an omnicanality viewpoint.

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

In light of the above considerations and on the basis of the sound performance achieved in 2023, for 2024 the Group expects its revenue to continue to grow and to accelerate profitability. These expectations for 2024 assume that there will be no further deterioration in the macroeconomic and, in particular, geopolitical situation. The tensions in the Red Sea, in particular, are triggering a sharp increase in logistics costs and delivery times to China and the United States, causing negative impacts on supply chains.

In line with its strategies that have always been oriented towards a sustainable development and business model and with a view to creating value for stakeholders, during 2024 the Group will continue to implement initiatives and projects functional to the pursuit of its sustainability objectives. Among the priorities in this area, the commitment to become carbon neutral from 2033 is confirmed, mainly thanks to innovative regenerative agriculture projects, within the scope of Virtuous Agriculture®, the holistic research and scientific project under the leadership of Chairman Andrea Illy, which combines sustainable agriculture with environmental regeneration, and which aims to achieve a dual benefit: for the environment, through carbon sequestration, and for human health, through natural and beneficial nutritional products. The Group will continue to support coffee growing communities with ad hoc projects, increasing training initiatives both on the regenerative agriculture front and in terms of local communities well-being.

Reclassified financial statements

RECLASSIFIED INCOME STATEMENT

Amounts in € thousand	2023	%	2022	%	2021	%
Net revenues	595,143	100.0%	567,656	100.0%	499,505	100.0%
Consumption of raw materials	268,167	45.1%	257,455	45.4%	197,665	39.6%
Gross Industrial Margin	326,977	54.9%	310,201	54.6%	301,841	60.4%
Personnel costs	97,365	16.4%	99,117	17.5%	97,188	19.5%
Costs for goods and services	101,608	17.1%	101,932	18.0%	93,342	18.7%
Advertising and marketing costs	28,679	4.8%	22,009	3.9%	31,648	6.3%
Other management costs (net of revenues)	4,767	0.8%	6,518	1.1%	6,287	1.3%
Provisions and write-down of receivables (net of releases)	1,733	0.3%	2,376	0.4%	2,650	0.5%
Adjusted Gross Operating Margin (ADJUSTED EBITDA)	92,825	15.6%	78,249	13.8%	70,726	14.2%
Non-recurring charges (income)	4,020	0.7%	6,855	1.2%	9,082	1.8%
Gross Operating Margin (EBITDA)	88,805	14.9%	71,394	12.6%	61,645	12.3%
Depreciation and write-downs of property, plant and equipment	28,788	4.8%	27,300	4.8%	24,148	4.8%
Amortisation of right-of-use assets	7,675	1.3%	9,667	1.7%	7,965	1.6%
Amortisation and write-downs of intangible assets	11,496	1.9%	8,531	1.5%	8,786	1.8%
Operating Margin (EBIT)	40,846	6.9%	25,895	4.6%	20,745	4.2%
Financial management result	(7,333)	(1.2%)	(6,363)	(1.1%)	(2,869)	(0.6%)
Adjustments to the value of financial assets	51	0.0%	(191)	(0.0%)	(160)	(0.0%)
Pre-Tax Profit	33,565	5.6%	19,341	3.4%	17,716	3.5%
Income taxes	(9,860)	(1.7%)	(5,160)	(0.9%)	(5,786)	(1.2%)
Consolidated Net Profit	23,705	4.0%	14,182	2.5%	11,930	2.4%
of which: Non-controlling interests	0	0.0%	0	0.0%	0	0.0%
of which: Equity holders of the parent	23,705	8.8%	14,181	5.5%	11,930	6.0%

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

Amounts in € thousand	31/12/23	%	31/12/22	%	31/12/21	%
ASSETS						
Trade receivables	95,566	28.6%	89,847	26.3%	87,791	28.3%
Trade payables	(105,148)	(31.5%)	(119,113)	(34.8%)	(112,319)	(36.1%)
Inventories	114,967	34.5%	137,861	40.3%	111,200	35.8%
Net Operating Working Capital	105,385	31.6%	108,595	31.7%	86,672	27.9%
Other current and non-current assets	31,911	9.6%	33,224	9.7%	30,047	9.7%
Equity investments	16,794	5.0%	16,794	4.9%	4,225	1.4%
Property, plant and equipment	119,611	35.8%	118,276	34.6%	118,849	38.2%
Right-of-use assets	21,487	6.4%	25,389	7.4%	30,127	9.7%
Intangible assets	38,525	11.5%	39,795	11.6%	40,836	13.1%
Non-current assets	196,417	58.9%	200,255	58.5%	194,037	62.4%
TOTAL NET ASSETS	333,712	100.0%	342,074	100.0%	310,756	100.0%
LIABILITIES						
Net financial position	122,197	36.6%	154,289	45.1%	123,468	39.7%
Other current and non-current liabilities	37,902	11.4%	26,981	7.9%	34,408	11.1%
Employee benefits	2,644	0.8%	2,883	0.8%	3,613	1.2%
Other provisions	6,263	1.9%	8,877	2.6%	8,857	2.9%
Total Provisions	8,906	2.7%	11,760	3.4%	12,470	4.0%
Loan capital	169,005	50.6%	193,030	56.4%	170,346	54.8%
Shareholders' equity pertaining to non-controlling interests	12	0.0%	12	0.0%	12	0.0%
Group shareholders' equity	164,695	49.4%	149,032	43.6%	140,398	45.2%
TOTAL NET LIABILITIES	333,712	100.0%	342,074	100.0%	310,756	100.0%

RECLASSIFIED CASH FLOW STATEMENT

	Esercizio 2023	Esercizio 2022
UTILE DELL'ESERCIZIO	23,704,728	14,181,502
Ammortamenti (materiali, immateriali, diritti d'uso)	42,441,813	44,551,025
Svalutazioni	5,507,035	1,138,075
Accantonamenti netti ai fondi	(2,614,018)	(5,867,421)
Altre Variazioni di carattere operativo (prevalentemente imposte accantonate al netto di quelle pagate)	9,107,845	(8,221,108)
Altre variazioni non monetarie del risultato	(1,013,915)	3,757,167
Utile dell'esercizio al netto delle variazioni non monetarie	77,133,488	49,539,240
Variazione delle rimanenze	22,894,028	(26,661,181)
Variazione dei crediti / debiti commerciali	(19,562,663)	4,737,744
Variazione delle altre attività / passività correnti	6,984,896	(1,660,615)
(+/-) Variazioni del CCN	10,316,261	(23,584,052)
FLUSSO DI CASSA NETTO GENERATO/(ASSORBITO) DALL'ATTIVITÀ OPERATIVA (A)	87,449,749	25,955,188
Investimenti / Disinvestimenti in attività materiali	(26,876,602)	(26,444,297)
Investimenti / Disinvestimenti in attività immateriali	(10,196,461)	(7,717,345)
Investimenti / Disinvestimenti in attività finanziarie non correnti	(2,095,237)	(13,243,530)
FLUSSO DI CASSA NETTO ASSORBITO DALL'ATTIVITÀ DI INVESTIMENTO (B)	(39,168,300)	(47,405,172)
Incremento/decremento netto delle passività finanziarie correnti	998,000	(6,441,896)
Accensione / Rimborso di passività finanziarie non correnti	(13,874,829)	18,929,950
Rimborso della quota capitale dei contratti di leasing	(11,926,253)	(12,339,369)
Dividendi pagati agli azionisti della Capogruppo	(8,000,000)	(8,000,000)
FLUSSO DI CASSA NETTO GENERATO/(ASSORBITO) DALL'ATTIVITÀ FINANZIARIA (C)	(32,803,083)	(7,851,315)
Altre variazioni di patrimonio netto	(638,038)	2,011,481
FLUSSO DI CASSA COMPLESSIVO (D=A+B+C)	14,840,329	(27,289,818)
DISPONIBILITÀ LIQUIDE NETTE ALL'INIZIO DELL'ESERCIZIO (E)	16,990,114	44,279,932
DISPONIBILITÀ LIQUIDE NETTE ALLA FINE DELL'ESERCIZIO (F=D+E)	31,830,443	16,990,114

GROUP NET FINANCIAL POSITION

Amounts in € thousand		31/12/23	31/12/22
A	Cash and cash equivalents	31,830	16,990
B	Other current financial assets	10,354	8,679
C=A+B	Total liquid assets	42,185	25,669
D	Current financial receivables	(851)	(1,093)
E	Short-term derivative financial assets	(2,081)	(374)
F	Current bank payables	71,512	25,250
G	Debt instruments: bonds issued	14,000	14,000
H	Other current financial payables	1,302	297
I	Current financial payables for leases	6,543	7,308
J	Short-term derivative financial liabilities		0
K=D+E+F+G+H+I+J	Current financial debt	90,425	45,387
L=K-C	Net current financial debt	48,240	19,719
M	Long-term derivative financial assets	(325)	(661)
N	Non-current bank payables	5,502	56,982
O	Debt instruments: bonds issued	42,000	56,000
P	Other non-current financial payables	10,398	1,720
Q	Non-current financial payables for leases	16,382	20,529
R	Long-term derivative financial liabilities		0
S=M+N+O+P+Q+R	Non-current financial debt	73,957	134,571
T=S+L	Net financial debt	122,197	154,289

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

	2023		2022	
	Shareholders' Equity	Income Statement	Shareholders' Equity	Income Statement
Parent Company ITA GAAP	150,289,746	12,442,489	144,936,883	7,202,094
Effect of applying IFRS	(4,949,434)	1,971,848	(7,575,645)	548,788
Parent Company IFRS GAAP	145,340,312	14,414,338	137,361,237	7,750,882
Share of shareholders' equity and profit of consolidated companies, net of the equity investments' book value	16,529,138	10,361,256	8,960,318	3,548,096
Elimination of write-downs net of revaluations of equity investments in consolidated companies and receivables from consolidated companies		(1,397,782)		2,110,637
Consolidation difference emerging from the reversal of consolidated equity investments	6,767,601	(376,948)	7,111,306	1,387,419
Effect of financial leases of consolidated companies	1,081,894	55,818	1,026,076	(3,863)
Elimination of intercompany asset sales	(22,603)		(22,603)	
Elimination of profits on sales to subsidiaries included in inventories, net of the related tax effect	(5,021,322)	852,348	(5,873,670)	(447,717)
Elimination of intercompany receivables and payables	39,600	2,780	533,106	17,190
Elimination of intercompany costs and revenues	(7,383)	(207,082)	(51,586)	(181,141)
Shareholders' Equity and net profit as reported in the consolidated financial statements (including non-controlling interests)	164,707,239	23,704,728	149,044,185	14,181,502
Non-controlling interests	(12,303)	(80)	(12,200)	(89)
Group share of Shareholders' Equity and net profit	164,694,936	23,704,648	149,031,985	14,181,414

Indicator description

This report uses certain indicators, set out below.

EBITDA¹

(Gross Operating Margin)

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

NFP

(Net Financial Position)

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

ROE

(Return on Equity)

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

ADJUSTED

EBITDA¹(Adjusted Gross Operating Margin)

EBITDA before non-recurring charges/income.

NFP/ADJUSTED EBITDA

The ratio of Net Financial Position to Adjusted EBITDA.

ROI

(Return On Investment)

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

NFP/EBITDA

The ratio of Net Financial Position to EBITDA.

EBIT

(Net Operating Margin)

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

NFP/EQUITY

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

ROS

(Return on Sales)

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

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



Annual Report 2023



Value creation

Value chain

| GRI 2-6 |

The Group's sustainability strategy extends to every phase of its value chain, in line with its commitment to operating sustainably, from bean to cup. To achieve the best sustainable quality, the Group collaborates closely with the main stakeholders along its value chain, starting with the countries where the finest Arabica is grown. In 2023, the Group continued to pursue this strategy, oriented towards the creation of long-term sustainable value.

The illycaffè value chain consists of five key phases: agriculture and cultivation, procurement, production and packaging, marketing, sales and distribution, and circular economy.





PRODUCTION AND PACKAGING



3

The distinctive illycaffè blend is the result of the union of nine different varieties of the finest 100% Arabica coffee, expertly selected to ensure the unmistakable flavour that characterises the blend. The pursuit of excellence in the end product's quality is closely linked to environmental protection. illycaffè pursues this objective through conscious management of resources (energy, water and materials) during all stages of production (selection, roasting, packaging and pressurisation).



MARKETING, SALES AND DISTRIBUTION



4

The Group distributes its products through a multi-channel model (mainly through Ho.Re.Ca., Modern Trade, on-line, single-brand retail, OCS/Vending), both directly, through its own sales network, and indirectly, through a network of distributors, reaching 138 markets worldwide. Through its products, appreciated by consumers for their high quality standards, illycaffè wants to act as spokesperson and promoter of a culture of coffee excellence throughout the world. In pursuit of this vocation, the Università del Caffè was founded in 1999 to spread the culture of quality coffee throughout the world through training, research and innovation.



CIRCULAR ECONOMY



5



The principles of circular economy and eco-design, focused on a design based on the efficient use of resources and materials, guide strategic choices along all phases of the illycaffè supply chain, from procurement of materials to their disposal. This is also achieved through the use of methodologies such as LCA (Life Cycle Assessment), which makes it possible to assess and quantify the environmental impacts associated with a product and its life cycle, helping to reduce the amount of waste generated. In order to encourage virtuous processes for the protection of the environment and the responsible management of resources and materials, illycaffè adheres to numerous initiatives in the field of recovery and recycling of coffee capsules.



Stakeholders

| GRI 2-29 |

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

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

In 2023 the Group updated its stakeholders map in terms of the degree of influence exercised and according to three criteria: parties illycaffè most interacts with, parties the company's operations depend on and parties located near the company sites.





Also in 2023, illycaffè conducted specific initiatives aimed at engaging, listening and entering into a dialogue with stakeholders:

Stakeholders	Engagement activities carried out in 2023
Employees and other collaborators	<ul style="list-style-type: none"> ■ Sharing the Code of Conduct and the Code of Ethics; ■ Intranet and internal communication tools (e.g. podcasts); ■ Plenary meetings with the CEO to share company strategies, results and objectives; ■ On-boarding path for new employees; ■ Continuous online training; ■ Participation in ELIS - School4life, a corporate volunteering project in Italy; ■ Talent Assessment; ■ Identification of material topics and related impacts.
Shareholders and Board of Directors	<ul style="list-style-type: none"> ■ Periodic meetings with board committees; ■ Periodic meetings with the Board of Statutory Auditors; ■ Investor relations activities.
Green coffee suppliers (farmers, suppliers processing coffee, consortia and cooperatives, and exporters)	<ul style="list-style-type: none"> ■ Sharing the Code of Ethics and the Suppliers Code of Conduct; ■ Periodic monitoring; ■ Continuous improvement programs; ■ Mutual transfer of knowledge and training; ■ Meetings of Circolo illy and of Clube illy do Café; ■ Prêmio Ernesto Illy de Qualidade do Café para Espresso do Brazil; ■ Ernesto Illy International Coffee Award.
Suppliers of goods and services (suppliers of semi-finished products, technologies, equipment, logistics services and consulting activities)	<ul style="list-style-type: none"> ■ Training activities on ESG issues; ■ Pre-qualification and qualification surveys, including ESG issues; ■ Periodic audits; ■ Sharing the 231 Organisational Model, the Code of Ethics and the Code of Conduct.
Local communities (families of employees and suppliers, schools, research institutes and trade associations)	<ul style="list-style-type: none"> ■ Training activities on sustainable agricultural practices and mutual knowledge transfer; ■ Ad hoc projects to support well-being, health and education; ■ Participation in conferences and events; ■ Partnerships with universities and research institutions; ■ Participation in working groups (e.g. International Coffee Organization, World Coffee Research).

Stakeholders	Engagement activities carried out in 2023
Customers (B2B)	<ul style="list-style-type: none"> ■ Events, exhibitions and fairs; ■ Prospect tours, roadshows; ■ Interactions through customer care; ■ Training through the Università del Caffè; ■ Visits to the production plant; ■ Illy Chef Ambassador Program; ■ Artists of Taste Program.
Consumers (B2C)	<ul style="list-style-type: none"> ■ Market analysis, customer segmentation and consumer insights; ■ Customer satisfaction analysis; ■ Interactions through customer care; ■ Pre- and post-sales assistance; ■ Feedback to complaints received; ■ Management of social media, digital channels and other media; ■ Training through the Università del Caffè; ■ Public events and demonstrations.
Lenders	<ul style="list-style-type: none"> ■ Ad hoc meetings; ■ Investor relations activities.
Ernesto Illy Foundation	<ul style="list-style-type: none"> ■ Collaborations in scientific research, educational and advanced training projects and study conferences; ■ Participation in global surveys; ■ Organisation of events, seminars and workshops.
Certification and control bodies	<ul style="list-style-type: none"> ■ Audit for certifications; ■ Compliance audits; ■ Networking meetings with the B Corp Italia community.
Advocacy groups and NGOs	<ul style="list-style-type: none"> ■ Partnerships (e.g. Foundation for Sustainable Development and Italy4Climate); ■ Institutional meetings; ■ Active involvement in institutional roundtables and supranational organisations on sustainability issues (e.g. UN Global Compact).

Creation of shared value

| GRI 201-1 |

In order to provide a representation of the value shared by the illycaffè Group with its stakeholders, the income deriving from the use of resources which generated economic value as a result of the realisation of the production cycle is shown below.

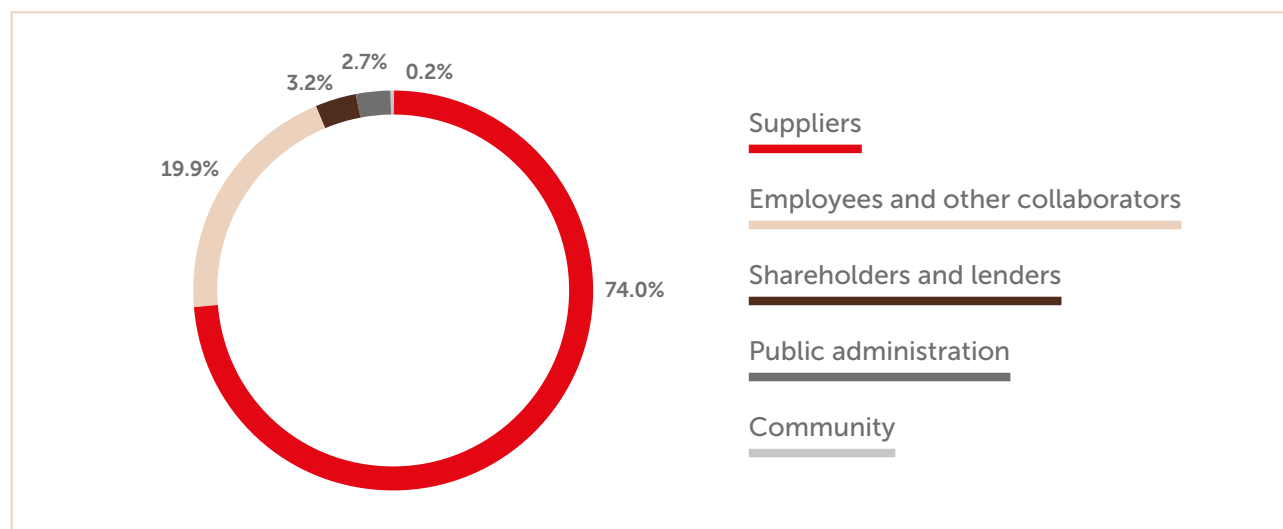
In 2023, the economic value generated by illycaffè was €604.8 million, up by 5.2% compared to 2022. The economic value distributed by the Group amounted to €536.7 million in 2023, also up compared to 2022 (+3.1%).

ECONOMIC VALUE GENERATED AND DISTRIBUTED

Amounts in € thousand	2023	2022
Economic value generated	604,805.2	574,753.1
Revenues	602,943.0	573,693.3
Financial income	1,862.1	1,059.8
Economic value distributed	536,689.3	520,697.2
Operating costs	397,083.0	384,599.1
Remuneration of personnel	107,006.7	110,723.7
Credit and risk capital	17,004.8	13,944.7
Taxes and levies	14,323.0	10,244.9
Donations membership fees	1,271.8	1,184.9
Economic value retained	68,115.9	54,055.9

A 88.7% portion of the economic value generated by illycaffè was distributed to stakeholders, both internal and external, and the remaining 11.3% was retained within the Group.

ECONOMIC VALUE DISTRIBUTED



Material topics

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

The sustainability aspects on which illycaffè focuses its management, monitoring and planning efforts have been identified through an impact materiality analysis based on the relevance of the impacts that the organisation generates or could generate on the economy, society (including aspects relating to human rights) and the environment, along the entire value chain.

In 2023, illycaffè updated its materiality analysis, in light of the indications contained in the Standard GRI 3 - Material Topics of the GRI Universal Standards and the guidelines defined by the European Commission as part of the European Sustainability Reporting Standards (ESRSs).

Coordinated by the Total Quality & Sustainability and Strategy & Investor Relations functions, the analysis process involved all the main company functions, integrating the methodology and process adopted by the Risk & Compliance function as part of the Group Enterprise Risk Management (ERM) activities.



The impact materiality process envisaged four main phases:

- 1. Context analysis.** The first phase of the process focused on the analysis of illycaffè's business model and value chain, as well as on the dynamics in the coffee sector, also through external sources, such as academic research, publications and international standards. Specifically, consideration was given to Sector Standard GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022 and Industry Standard SASB 2018: Food & Beverage Sector - Agricultural Products.
- 2. Identification of impacts.** Thanks to the analysis of the context and to more than 30 interviews with company experts, it was possible to proceed with the identification of current or potential impacts, negative or positive, with reference to the ESRSs. In this second phase, over 170 impacts were mapped along the entire value chain.
- 3. Impact assessment.** A score was assigned to each impact based on its severity and associated probability, in full alignment with the methodology used by the Risk & Compliance function. The assessment of each impact was carried out by the reference company functions. The score obtained made it possible to determine a materiality threshold and identify the most significant impacts, resulting in a short list of 41 material impacts, relating to 9 topics and 15 sub-topics of the ESRSs.
- 4. Sharing and validation of results.** The illycaffè Group's material topics short-list was approved by the Headquarters' Leadership Team, in the context of the ESG Taskforce, the management committee supporting the Group's planning and development of sustainability strategies.

FIND OUT MORE 

The material topics and associated impacts are reported below, linked to the topics and sub-topics of the reference ESRs.

Topics	Impacts	Pos/Neg	Value chain					Significance	Stakeholders impacted
			Agriculture and cultivation	Procurement	Production and packaging	Marketing, sales and distribution	Circular economy		
Climate change - Energy	Energy consumption in roasting processes and in the production and processing of the materials used (steel, aluminium, plastic).	●	✓	✓	✓			■	Green coffee suppliers and suppliers of goods and services
Climate change - Climate change mitigation	Contribution to greenhouse gas emissions along the value chain through the use of nitrogen fertilisers in coffee plantations, excessive consumption of material in the production of goods and procurement logistics.	●	✓	✓	✓			■	Local communities, green coffee suppliers and suppliers of goods and services
	Contribution to greenhouse gas emissions in the value chain downstream phases through potential impacts such as coffee waste during consumption, inadequate waste management and high rate of incineration or disposal in landfills.					✓	✓	■	Consumers (B2C) and customers (B2B)
Water and marine resources - Water	High consumption of water resources in the transformation phases of raw materials (paper, steel).	●	✓	✓	✓			■	Suppliers of goods, Local communities
Biodiversity and ecosystems - Direct impact factors on biodiversity loss	Potential imbalances in the ecosystems caused by rise in terrestrial temperatures, due to contribution to the generation of greenhouse gas emissions, especially in the coffee cultivation phases.	●	✓	✓				■	Green coffee suppliers
Circular economy - Inflows of resources, including the use of resources	Possible contribution to the exploitation and depletion of environmental resources and the emission of greenhouse gases due to the use of virgin material, excessive materials use in products, the use of fossil fuels in roasting, the introduction on the market of non-recyclable, non-compostable or non-reusable consumables.	●	✓	✓	✓			■	Local communities and green coffee suppliers

CONTINUED

Key: ● Positive impact ● Negative impact ■ High significance ■ Medium-high significance ■ Medium significance

Topics	Impacts	Pos/Neg	Value chain					Significance	Stakeholders impacted
			Agriculture and cultivation	Procurement	Production and packaging	Marketing, sales and distribution	Circular economy		
Circular economy - Outflows of resources related to products and services	Potential inefficiency in the management of unsold product, inadequate delivery of products by consumers and high use of incineration or land-filling of consumed goods contribute to serious waste and environmental impact problems.	●				✓	✓	■	Consumers (B2C) and customers (B2B)
Own workforce - Equal treatment and opportunities for all	Promotion of a fair working environment, ensuring internal and external training, including people with disabilities in compliance with current regulations and ensuring the representation of different categories in terms of gender, age, ethnicity, religion and sexual orientation.	●			✓			■	Employees and other collaborators
Own workforce - Working conditions	Potential absence of suitable working conditions guarantees and inadequate remuneration policies.	●			✓			■	Employees and other collaborators
	Promotion of workers' rights by guaranteeing working hours in line with European and international standards and offering parenting and caregiving support. Guarantee of freedom of association, creation of company committees, workers' participation and information and free collective bargaining.	●			✓			■	
Own workforce - Other work-related rights	Compliance with the provisions of European and international regulations on the confidentiality of information (e.g. GDPR).	●			✓			■	Employees and other collaborators

CONTINUED

Key: ● Positive impact ● Negative impact ■ High significance ■ Medium-high significance ■ Medium significance

Topics	Impacts	Pos/Neg	Value chain					Significance	Stakeholders impacted
			Agriculture and cultivation	Procurement	Production and packaging	Marketing, sales and distribution	Circular economy		
Workers in the value chain - Equal treatment and opportunities for all	Contribution to the skills and knowledge development and growth through training activities for the sales force, B2B professionals, institutions and suppliers, with a view to continuous innovation and sector evolution.	●	✓	✓	✓	✓	✓	■	Green coffee suppliers and suppliers of goods and services, Employees and other collaborators, Customers (B2B)
Communities concerned - Economic, social and cultural rights of communities	Contribution to the creation of positive impacts on local areas through collaboration with local suppliers and implementation of social projects to support art, gastronomy and communities.	●	✓	✓	✓	✓	✓	■	Local communities, Advocacy Groups and NGOs
Consumers and end users - Health and safety, access to quality information and responsible marketing practices	Contribution to consumers' safety and social inclusion by ensuring there are no contaminants in the final product through controls along the entire supply chain, guaranteeing constant quality in all products and ensuring access to quality information through packaging and digital touchpoints.	●				✓	✓	■	Consumers (B2C) and customers (B2B)
Business conduct - Corporate culture	Creation of a working environment guided by shared behavioural values and a sense of belonging, thanks to a governance capable of contributing to sustainable development models.	●			✓			■	Employees and other collaborators

Key: ● Positive impact ● Negative impact ■ High significance ■ Medium-high significance ■ Medium significance

The most significant impacts for the context in which illycaffè operates concern, in particular, the generation of greenhouse gas emissions due to the use of nitrogen fertilisers in coffee plantations and the use of fossil fuels in the roasting process. illycaffè also assessed to be material the positive impacts involving consumers and end users. In particular, illycaffè guarantees the offer of safe and quality products thanks to the monitoring

of the entire production chain. In addition, the positive impacts relating to its workforce through the guarantee of a fair work environment were considered to be material. illycaffè attaches particular importance to the application of an integrated approach within which environmental and social responsibility and attention to product quality coexist.

The industrial company's function is fundamental and indispensable, but the economic perspective alone is not sufficient to legitimise its work, as it must be integrated with respect for the human being, the community and the environment."

Ernesto Illy, 1976

Impact materiality represented the basis for reporting sustainability performance in 2023, guiding the definition of the Group's ESG priorities in the medium-long term.

For the fiscal year 2024, illycaffè has planned to integrate impact materiality with financial materiality, identifying

risks and opportunities in the ESG area with potential repercussions on financial results. This project stream will be integrated and advanced simultaneously with the Enterprise Risk Assessment (ERA) update, in order to include ESG risks and opportunities in the context of the risks related to business activities and integrating them into the financial control system.





















Sustainability strategy

| GRI 2-28 |

The illycaffè Group pursues a strategy of sustainable growth at every stage of the value chain and pays particular attention to the impacts generated on its stakeholders.

Through the impact materiality analysis carried out in 2023, illycaffè identified the fundamental drivers supporting its sustainable growth plan.

These drivers also contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). In particular, illycaffè recognised 12 SDGs as relevant to its business, in line with the material topics identified through the impact materiality analysis.

Material topics	SDGs	Sustainability strategy driver
Climate change	 	
Water and marine resources		<ul style="list-style-type: none"> ■ Reduction of emissions along the value chain, also thanks to continuous research and the application of regenerative agronomic practices
Biodiversity and ecosystems	 	<ul style="list-style-type: none"> ■ Transition towards the use of renewable energy sources ■ Product innovation and development according to the principles of the circular economy
Circular economy		
Own workforce	  	<ul style="list-style-type: none"> ■ Elimination of the pay gap between women and men ■ Development of fair and merit-based career paths
Workers in the value chain	  	<ul style="list-style-type: none"> ■ Support for coffee growing communities through training and projects focused on education and health
Communities concerned	 	<ul style="list-style-type: none"> ■ Support to suppliers and local communities, through dedicated projects aimed at promoting collective well-being
Consumers and end users	  	<ul style="list-style-type: none"> ■ Guarantee the end product's superior and sustainable quality, safeguarding the health and safety of consumers
Business conduct	  	

The drivers identified are also aligned with the mutual benefit objectives pursued by illycaffè as a Benefit Corporation and focused on decarbonisation, regeneration of the biosphere, circular economy and respect for human rights issues.

FIND OUT MORE 

In addition, illycaffè achieved the B Corp® certification in 2021, pursuing a development course consistent with the founding principles of the standard, based on five fundamental pillars: Governance, Workers, Environment, Community and Customers. The Group monitors its performance in these areas on an annual basis through a self-assessment process carried out through the B Impact Assessment (BIA), which provides the company with a snapshot of the management and progress status regarding its sustainability objectives.

The recertification process was launched in 2023 and concluded in March 2024 with a score of 90.4.

Main membership associations:



Since 2013, illycaffè has been a member of the United Nations Global Compact, in support of its 10 founding principles relating to human rights, working conditions, the environment and the fight against corruption. Every year, illycaffè publishes its Communication on Progress (CoP), confirming its support for the principles it has subscribed to.



In 2020, illycaffè joined the Sustainable Development Foundation, an authoritative point of reference for the main green economy sectors and players. The Foundation's objective is to promote strategic ecological transition issues such as climate neutrality, energy and the circular economy.



Also since 2020, illycaffè has been the promoter of Italy for Climate, the study centre of the Sustainable Development Foundation, created with the aim of promoting the implementation of a roadmap for climate neutrality in Italy, in line with the European Green Deal guidelines and with the Paris Agreement objectives.

Governance

Governance Model

| GRI 2-9 | GRI 2-10 | GRI 2-11 | GRI 2-15 | GRI 2-17 | GRI 2-18 | GRI 2-19 | GRI 2-20 | GRI 405-1 |

The composition of illycaffè's governance meets the effectiveness and efficiency criteria and integrates a shared value creation model. The Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors work to guarantee the sustainable development of the business, which was further strengthened in 2019 with the transformation into Benefit Corporation.

illycaffè operates according to an independent, family-controlled and management-led business model.

The Board of Directors plays a central role in guiding and managing the Group. In addition to its powers pursuant to the law and the Articles of Association, the Board has exclusive competence in relation to the main economic and strategic decisions. The Board of Directors is responsible for monitoring and guiding the company and the Group.

The Board of Directors is responsible for the annual assessment on the adequacy of the company's organisational, administrative and accounting structure and of the company's general operating performance, on the basis of reporting from the delegated bodies.

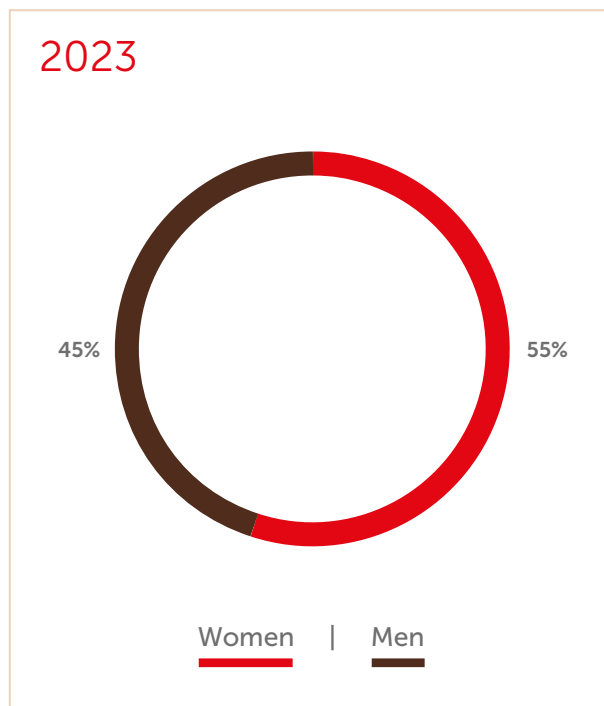
Composition of the Parent Company's governance bodies

illycaffè's Board of Directors was renewed by resolution of the Shareholders' Meeting of 20 June 2022 and will remain in office until the approval of the Financial Statements as at 31 December 2024.

The Parent Company's Board of Directors consists of 11 members, including the Chairman. Of these, 10% are aged between 30 and 50 years, while the remaining 90% are over 50 years old. In 2023, the average attendance at meetings of the Board of Directors was 98%.














































































The Board of Directors guides the company in its path for the creation of long-term sustainable value and is composed of members with diversified skills and complementary professional experience, consistent with the identified strategic objectives and oriented to the international development of the illy brand in the super-premium segment of the coffee market. 55% of the members of the Board of Directors are women, in line with the principles of diversity and inclusion pursued by the Group.

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











The number and skills of non-executive directors are such as to ensure they have a significant weight in the adoption of resolutions and to guarantee effective management monitoring, in particular in areas where conflicts of interest could arise.

The Board ensures that the independence requirements are met by referring to the legal provisions and the Corporate Governance Code, taking into account any other offices in other companies. In particular, the Board assesses the possible presence of more than one office in companies that may become related parties; it also assesses that there are no circumstances that may entail a conflict of interest or impair independent judgement with the consequent loss of independence.

Role	Name	Executive	Independent	Year of first appointment	Percentage of attendance	Skills
Chairman ¹	Andrea Illy	■		14/04/1992	100%	      
Vice Chairman	Enrico Tommaso Cucchiani		■	29/04/2019	100%	      
Chief Executive Officer	Cristina Scocchia	■		29/04/2019	100%	      
Director	Anna Illy²			14/04/1992	100%	      
Director	Robert Frank Agostinelli			25/02/2021	100%	      
Director	Marianne Kirkegaard			30/07/2021	80%	      
Director	Raffaele Jerusalmi³		■	20/06/2022	100%	      
Director	Carolyn Dittmeier		■	29/04/2019	100%	      
Director	Maria Migliorato		■	25/02/2021	100%	      
Director	Paola Cillo		■	20/06/2022	100%	      
Director	Giovanni Zoppas		■	20/06/2022	100%	      

Key

 Sector experience	 Corporate governance, compliance and legal affairs	 Audit and risk management
 Strategy and business model	 Financial and accounting analysis	 ESG
 Innovation	 International experience	

(1) The Chairperson of the Board of Directors is not a manager in the organisation.

(2) As Chief Ethical Officer, they represents the point of reference for the promotion of company's ethical values.

(3) As Lead Independent Director, they represents the point of reference and coordination of the Independent Directors' requests and contributions.

In line with the importance that stakeholders attribute to effective and transparent governance, even though it is not obliged to comply with the regulations contained in Circular CRD IV No. 285 Part One, Section IV, Chapter 1, in 2017 illycaffè implemented an annual self-assessment process for the Board of Directors and its optimal composition ("Board Evaluation"). Operating with the support of an independent external consultancy firm, this process aims to evaluate:

- the size, composition and actual functioning of the Board and its Committees;
- the role played by the Board in defining strategies and monitoring management performance with particular attention to sustainability issues (integration in strategic plans, internal control systems and remuneration policies) and to the adequacy of the internal control and risk management system;
- any areas for improvement.

Board of Statutory Auditors¹

Joram Bassan (Chairman)

Pasquale Debidda

Alessandra Stabilini

Internal Control and Risk Committee²

Carolyn Dittmeier (Chairwoman)

Marianne Kirkegaard

Raffaele Jerusalmi

It performs investigative, proposal and advisory functions in favour of the Board of Directors with regard to the internal control and risk management system. It is made up of three Directors, the majority of whom meet the requirements of "non-executive and independent director".

Sustainability Committee²

Maria Migliorato (Chairwoman)

Marianne Kirkegaard

Giovanni Zoppas

It performs investigative, proposal and advisory functions in favour of the Board of Directors with regard to sustainability. It is made up of three Directors, the majority of whom meet the requirements of "non-executive and independent director".

Appointments and Remuneration Committee²

Enrico Tommaso Cucchiani (Chairman)

Robert Frank Agostinelli

Paola Cillo

It performs investigatory, proposal and advisory functions in favour of the Board of Directors with regard to the appointment and remuneration of the CEO, Directors and top management. It is made up of three Directors, the majority of whom meet the requirements of "non-executive and independent director".

231 Supervisory Body and Code of Ethics²

Daniele Piva (Chairman)

Luca Marmo

Miriam Ota

Independent Auditing Firm³

KPMG S.p.A.

1) Term of office fiscal years 2021 - 2023 with resolution of Shareholders' Meeting of 25 February 2021.

2) Term of office fiscal years 2022 - 2024 with resolution of the Board of Directors of 20 June 2022.

3) Term of office fiscal years 2022 - 2024 with resolution of Shareholders' Meeting of 20 June 2022.

Also in 2023, the assessment was focused on the Board's qualitative and quantitative composition, on its functioning and on its strength in exercising its corporate management and supervisory role.

The Board of Directors' remuneration policies envisage a fixed remuneration for all non-executive members and the Chairman. The Chief Executive Officer's remuneration also includes a variable component, linked to both economic-financial and sustainability objectives, resolved by the Board with the favourable opinion of the Appointments and Remuneration Committee.

Incentive Plans

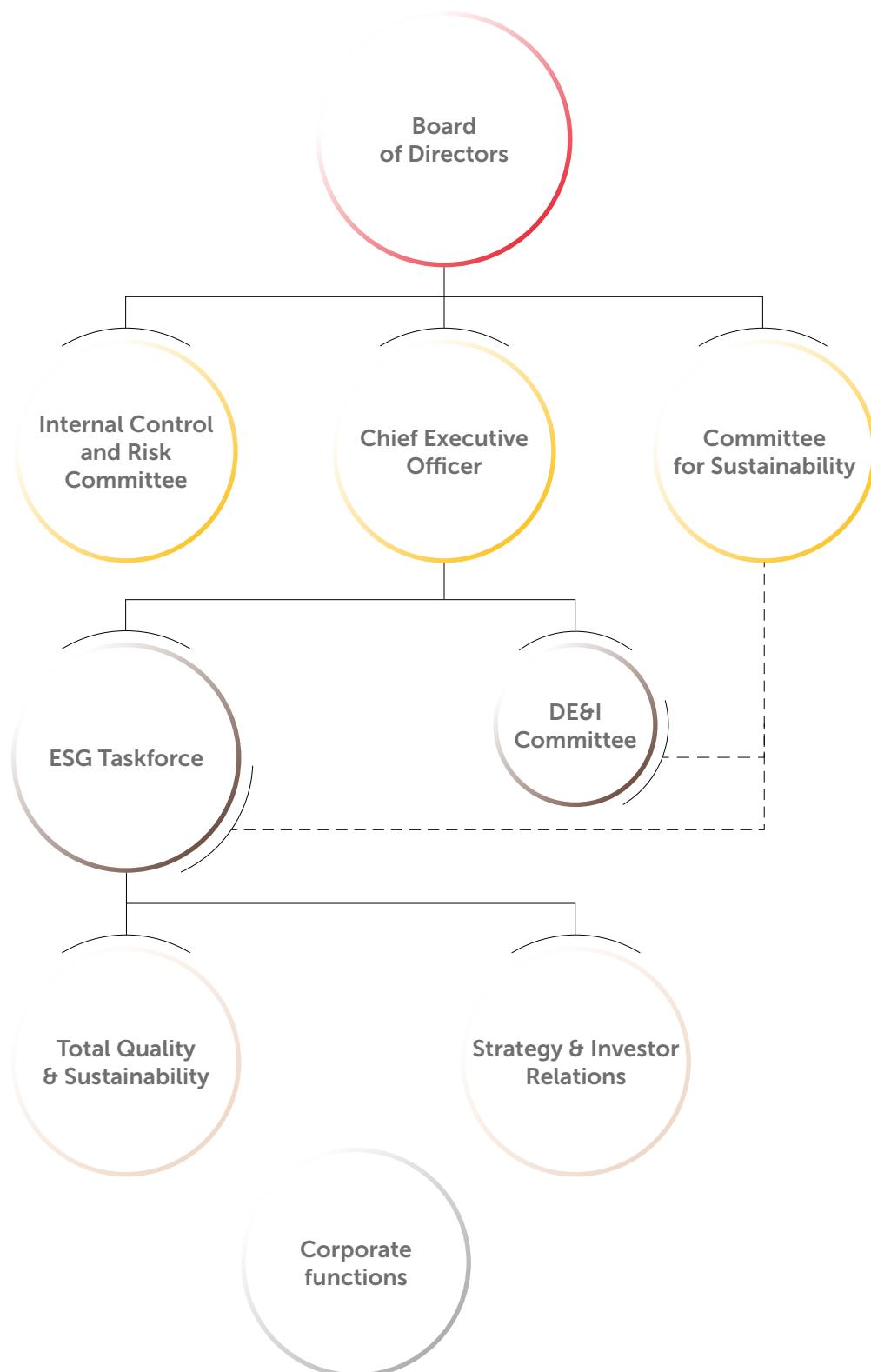
On 2 December 2022, the Board of Directors of the Parent Company, subject to the positive opinion of the Appointments and Remuneration Committee on 29 November 2022, approved the regulations for the "Management Equity Plan 2022 - 2029", an incentive plan with the following characteristics:

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

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

Governance of sustainability

| GRI 2-12 | GRI 2-13 | GRI 2-14 | GRI 2-22 |



The illycaffè Board of Directors plays a fundamental role in ensuring that the Group's commitment to sustainable development models is consistent and widespread along the entire value chain, and integrated into its strategic plan and business model, also based on the mutual benefit objectives pursued as a Benefit Corporation.

In particular, the governance system adopted by the company provides for the Board of Directors to be supported by a Sustainability Committee, which plays a strategic role in the dissemination and monitoring of issues related to the environment, society and governance. It also supports management in the evolutionary path towards systemic sustainability governance, in order to ensure an increasingly greater sustainability integration within the Group's strategies.

With a view to fully integrating ESG issues, in 2023 the Sustainability Committee collaborated with the Internal Control and Risk Committee in carrying out the impact materiality analysis.

Among the objectives of the Total Quality & Sustainability Department, which reports directly to the Chief Executive Officer of illycaffè S.p.A., are the development and monitoring of the Sustainability Plan, coordinating and supporting the organisation in the implementation of initiatives and projects.

The Strategy & Investor Relations Department, also reporting directly to the Chief Executive Officer of illycaffè S.p.A., integrates the Sustainability Plan into the Strategic Plan, coordinates the preparation and reporting of ESG performance, enhancing its strategic relevance to the financial community and the main reference stakeholders.

The Total Quality & Sustainability and Strategy & Investor Relations Departments coordinate the ESG Taskforce, the committee set up by the Group in 2022 with the aim of encouraging the continuous interaction of all company functions and all the skills necessary to pursue the Group's sustainability process in an increasingly effective manner.

Composed of the Chief Executive Officer, all members of the Leadership Team⁴, the head of the Risk & Compliance Office function and the head of the Legal function, the ESG Taskforce has among its objectives:

- the coordination and definition of the Group's strategic priorities and sustainability objectives;
- the definition of plans and investments to achieve these objectives;
- the monitoring of projects' progress and the sustainability performance trend;
- the dissemination of a managerial culture on sustainability within the organisation.

Under the supervision of the Total Quality & Sustainability Department, these company functions are responsible for the implementation of the initiatives identified in the Sustainability Plan.

In addition, the Diversity, Equity & Inclusion (DE&I) Committee was established in 2023, which has been assigned appropriate resources, responsibilities and powers to pursue, achieve and maintain the inclusiveness, equality and gender equality objectives established. The DE&I Committee is composed of the Chief Talent Officer, the Chief Strategy & Investor Relations Officer, the Chief Total Quality & Sustainability Officer and the Chief Communication & Key Client Officer.

(4) The Leadership Team includes all the headquarters managers who report directly to the Chief Executive Officer.

Ethics, transparency and integrity

| GRI 2-16 | GRI 2-23 | GRI 2-24 | GRI 2-25 | GRI 2-26 | GRI 2-27 | GRI 3-3 | GRI 205-1 | GRI 205-2 | GRI 205-3 | GRI 406-1 | GRI 416-1 | GRI 416-2 |

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

The company has developed and adopted its own Code of Ethics, which describes commitments and responsibilities in the conduct of business and company activities and which consists of general principles on relations with stakeholders, conduct criteria and implementation mechanisms, which describe the control system for compliance with the Code of Ethics.

In particular, the general principles define the reference values in illycaffè's activities, which include:

- impartiality in decisions that affect relations with stakeholders;
- honesty in diligently complying with current laws, the Code of Ethics and internal regulations;
- transparency in the relationship with all stakeholders and in the reporting of its activities, ensuring truthful, clear and complete information;

- management of conflicts of interest with all stakeholders;
- confidentiality in information management;
- value of human resources as an essential and indispensable element for the success of the company;
- integrity and dignity of the individual and equal opportunities;
- fairness of the authority in the management of contractual relationships;
- entrepreneurship, i.e. management of the company through economy and efficiency criteria;
- quality of services and products as an absolute and sustainable element to guide the company's operations;
- responsibility towards the community, always maintaining as a guide the threefold economic, social and environmental sustainability;
- protection of the environment, as a primary asset to be safeguarded in consideration of future generations' rights;
- protection of cultural heritage, protection and conservation of assets of artistic, historical, archaeological, ethno-anthropological, archival and biographical interest.



Conduct criteria provide the guidelines and rules to be followed in order to comply with the general principles and to prevent the risk of unethical conduct. In this sense, the Code of Ethics defines, among other things, conduct criteria from the recruitment of employees to their management and development; it also defines criteria for health and safety, integrity, protection of the individual and of privacy, also specifying their duties, i.e. diligence and good faith, conflicts of interest, confidentiality and the protection of corporate and intellectual assets; it also indicates the conduct criteria in relations with customers, suppliers, partners and external collaborators, with the Public Administration, with other stakeholders and with shareholders.

The Code of Ethics is translated into seven languages, in addition to Italian, and circulated to all subsidiaries and branches in order to share the Group's value culture; it is also subject to periodic updating with a view to continuously and constantly contrasting active and passive corruption. In 2023, illycaffè updated its Code of Ethics with a specific focus on aspects related to gender equality.

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

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

The Model is completed by the Whistleblowing guidelines envisaged by Italian Legislative Decree 231/2001, updated in 2023, in accordance with the Italian Whistleblowing Decree, Legislative Decree 24/2023. Lastly, the guidelines for subsidiaries and branches summarise the Model's principles for the benefit of foreign companies.

In the context of Italian Legislative Decree 231/2001, illycaffè has also carried out an overall assessment of the risk of corruption, considering the offences listed in the decree and the sensitive processes from which it may emerge. The company has put in place the controls envisaged by the Organisation, Management and Control Model, which make it possible to assess this risk as limited with reference to illycaffè's transactions.

Anti-corruption procedures are contained in the Organisational Model and in Code of Ethics and are communicated to all governance bodies.

In 2023, training on the Organisational Model and on the Code of Ethics, which also includes anti-corruption issues, involved all members of the Leadership Team at the headquarter, the Internal Audit, Risk & Compliance and Legal functions, as well as all the General Managers of the foreign companies.

The Code of Ethics, the Organisational Model and the Whistleblowing guidelines are published on the company website, as well as being available on the company intranet, where all employees have the opportunity to consult the company policies, guidelines and procedures. Through this repository it is possible to access, among other things, the Policy on feedback and complaint mechanisms, designed to guarantee the contribution of employees in identifying and implementing improvements to company practices, as well as in addressing any elements of interest to be reported other than those covered in other procedures.

Again in 2023, there were no cases of non-compliance with Italian Legislative Decree 231/2001, or episodes of corruption.

THE INTEGRATED MANAGEMENT SYSTEM AND CERTIFICATIONS



The first in the coffee sector in Italy and Europe, illycaffè obtained the ISO 9001 certification in 1996, which verifies that the production system meets certain quality requirements.



The ISO 14001 certification, obtained by illycaffè in 2003, certifies the containment of environmental impacts, systematically seeking their improvement in a sustainable manner.



In 2007, illycaffè obtained the BRCGS Food Safety certification on food hygiene and safety, confirming its commitment to guaranteeing the safety of its products.



In 2007, illycaffè obtained IFS Food certification, further confirming its commitment to the quality and food safety of its products.



In 2015, illycaffè obtained the ISO 50001 certification, aimed at continuously improving the effectiveness and efficiency of its energy performance.



In 2019, illycaffè S.p.A. obtained the ISO 45001 certification, proactively improving accidents prevention and reducing work impacts on its employees' health.



In 2021, illycaffè was the first Italian company in the coffee sector to obtain the B Corp® certification, advocating an inclusive, fair and regenerative economic system.



In 2023, illycaffè launched Arabica Selection Brasile Cerrado Mineiro, the first coffee from regenerative agriculture and certified by RegenAgri®.



The UNI/PdR 125:2022 certification, obtained in 2023, recognises illycaffè's commitment to creating inclusive and equal work environments.



In 2023, illycaffè obtained the Colombia PGI (Protected Geographical Identification) recertification, which guarantees the authenticity of the product's origin and compliance with the Café de Colombia quality standards.

With a view to offering its products to an increasing number of consumers and mindful of inclusiveness, in 1996 illycaffè obtained the Kosher certification, while in 2008 it obtained the Halal certification.

All products sold by illycaffè, both consumable and durable, are subject to directives and regulations that regulate the impacts they generate in terms of health and safety for its customers and consumers. In particular, since 2010 the illycaffè food safety management system has been verified with respect to HACCP principles. With regard to coffee machines, directives regulate electrical voltage limits (Directive 2014/35/EU), electromagnetic compatibility (Directive 2014/30/EU), the eco-design of energy-related products (Directive 2009/125/EC) and restriction of the use of certain hazardous substances (Directive 2011/65/EC). Food contact compliance is governed by Regulation 1935/2004/EC and Good Manufacturing Practices (Regulation 2023/2006/EC).

In 2023, no cases of non-compliance with legislation and/or regulations on product health and safety were recorded. The illycaffè Quality Assurance team continuously and promptly monitors any complaints or disputes received from customers and consumers, in order to initiate procedure to analyse causes and correct non-compliance, where necessary.

In 2023, illycaffè conducted 122 internal audits on quality, hygiene, environment, energy and occupational safety issues.

Risk management and policy

The internal control and risk management system adopted by illycaffè defines the principles of transparency, segregation of responsibilities, traceability of the transactions carried out and the adoption of structured controls. This represents the set of rules, procedures and organisational structures intended to allow sound and correct management of the company consistent with the strategic objectives. Starting from 2017, the Group adopted the "Guidelines of the Internal Control and Risk Management System", subsequently updated in 2020 and 2022.

In particular, illycaffè's internal control and risk management system is structured over three levels:

- the first level includes the "line controls", aimed at identifying, monitoring, mitigating and reporting the intrinsic risks of ordinary business activities. These controls are carried out, in the first instance, directly by the owners of the individual operating processes and by the IT systems used for this purpose;

- second-level controls are carried out by the corporate functions responsible for managing the risks typical of the Group's activities, first and foremost the Risk Manager;
- third-level controls are entrusted to the Internal Audit function, called upon to verify the suitability of the first two levels' controls, through audits of operations and of the suitability of the internal control and risk management system, carried out on the basis of the audit plan approved by the Board.

The Group has a Risk Management unit, within which the Risk Manager is responsible for developing and updating, under the supervision of the Chief Executive Officer, the risk management framework, using the Risk & Compliance unit. The Risk Manager periodically reports to the Internal Control and Risks Committee, which performs proposal, advisory and control functions in favour of the Board of Directors, with regard to the internal control and risk management system.

In 2023, illycaffè consolidated the Enterprise Risk Management (ERM) framework, adopted for the overall and integrated management of business risks, confirming the objectives, the reference standards, the Risk Catalogue, the assessment metrics, the roles in risk management, the reporting flow to Governance and defining the Risk Appetite Map, a governance expression on the degree of risk acceptable to the organisation in relation to the various types of risk.

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

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

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

In 2023, the persisting of tension elements deriving from the external context (such as the conflict in Ukraine, the tensions between the United States and China, the Middle East conflict, inflation and Covid) with increasing systemic risks (food, climate, energy and technologic uncertainty) entailed an ongoing control on the level of exposure for many of the company's operational and strategic areas and the definition of mitigation or adaptation strategies. The evolution of the European regulatory framework, with particular reference to ESG issues, also required a high level of attention and in-depth analysis to assess potential implications for the Group.

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

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

Risks related to ESG factors apply to all the above subdivisions, since they can present thematic connections in each highlighted category. Given the growing internal and external importance of these factors, starting from 2022, with the support of the Total Quality & Sustainability Department, the company has carried out dedicated in-depth studies on the ESG risk areas related to the Group's strategic objectives, included in the Enterprise Risk Assessment, with a focus on outside-in and inside-out risk scenarios, in anticipation of future dual materiality requirements. To this end assessment metrics have been refined so as to be able to effectively identify the effects of such scenarios and systemically incorporate ESG factors in the overall risk mapping. In particular, in 2023, together with the Total Quality & Sustainability function, an in-depth analysis was carried out on inside-out risks (or "impacts") and new elements were introduced to integrate the assessment extent on employees, the environment, ethics and governance.

Identified risks are assessed in terms of severity and probability of occurrence, considering the control system in place. In assessing the severity of risks, dimensions are considered not only of an economic nature, but also of a reputational nature and in relation to the impacts that certain events can cause to people or the environment.

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

Again in 2023 the Enterprise Risk Assessment process involved, through interviews, all the organisational units at various levels (first and second managerial levels) and allowed the collection of information with an updated and comprehensive view of the different risk areas.

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

Following the assessment:

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

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

Operational risks


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

Raw material availability risk

As regards the risks associated with green coffee, in addition to the price change risk included under financial risks, the risk linked to coffee procurement should be noted, taking into account that the Group has always selected and purchased the best quality of Arabica coffee from various sources. To offset this, the procurement policy is planned well in advance and ongoing agreements are stipulated with its producers in strategic countries, to guarantee product availability and quality.

In 2023, periodic checks were carried out on the evolution of activities relating to cultivation, harvesting, processing, tasting and transport of raw material from the different countries, also in relation to the issue of agrochemicals used and the limited availability of fertilisers and labour identified in 2023 on some coffee origins.

Coffee is sensitive to increasingly less predictable atmospheric events. The impacts of severe drought or frost, not to mention the development of plant diseases during the different stages of the plant's growth can determine a reduction, also in the short term, in the offer as well as triggering a significant price increase. In the most adverse scenarios, it may be difficult to obtain supplies from specific sources. The Group is engaged in numerous scientific research activities in relation to the health of plants, environments, diseases and biodiversity.

FIND OUT MORE 

In this context, the recent EU Regulation on Deforestation-free products, representing a transition risk, was assessed and analysed in depth in 2023, also in relation to the different legislation interpretations with the activation of a work stream to guarantee compliance, including of documents, by the envisaged date. In relation to the critical issues recorded in logistics at global level, in particular with reference to the crisis in the Middle East, special attention is being paid to the management of green coffee arrivals from Africa.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topics "Climate change - Climate change mitigation" and "Biodiversity and ecosystems - Direct impact factors on biodiversity loss".

Goods/services supply risk

illycaffè monitors the risks relating to the procurement of supplies of other goods and services, mapped and prioritised in the Procurement area with identification of mitigation measures. This risk saw a reduction in exposure in 2023, following the decrease in energy costs with a positive impact also on packaging costs. However, also in relation to the evolution of the geopolitical context, attention remains high on:

- gas and energy costs;
- costs of plastic and steel components;
- delays and costs relating to electronic components for coffee machines.

In 2023, continuous monitoring was carried out on the supply situation of critical components, in particular in cases of single-supply, with the definition of additional mitigation measures.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topic "Climate Change - Energy".

Production stoppage risk

With regard to operational risks, the risk of production stoppages must be considered. The Group operates on various hubs, but with a high concentration of activities on the Trieste hub with highly specialised and customised production lines: this exposes the Group to the risk of business stoppages in the event of extreme natural events or accidental events. During the year some measures were introduced and in-depth analyses were carried out on possible further actions to be implemented, in addition to the existing insurance coverage which is monitored and reviewed annually.

In 2023, the Business Plan 2024-2028 was approved, aimed at increasing the production capacity in the Trieste production hub to support growth plans.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topics "Climate change - Climate change mitigation" and "Business conduct - Corporate culture".

Risks relating to IT security

The Group is very sensitive to the issue of the soundness and continuity of its information systems, which it monitors and adjusts with continuous improvements. With respect to potential cyber attacks, it has introduced significant measures for the prevention, detection and containment of the potential impact both in terms of operational continuity and with regard to privacy aspects. In addition to dedicated tools, continuous training is provided to employees on these issues and specific insurance coverage has been put in place, reviewed annually.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topic "Business conduct - Corporate culture".

Risks relating to product quality and safety

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

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topic "Consumers and end users - Health and safety, access to quality information and responsible marketing practices".

Risks associated with the management of human resources

The Group acknowledges the key role played by its human resources and the importance of maintaining clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by the Code of Ethics adopted by the Group. Working relationships are managed and coordinated in respect of workers' rights and in full acknowledgement of their contribution, with a view to encouraging their professional development. Starting from 2020, concurrently with the onset of the pandemic, the Group promoted the transition to smart working mode for all office staff, still retained in hybrid form.

In 2023, particular attention was paid to risks related to staff motivation and retention and, to this end, the new talent assessment process, launched in 2022, was consolidated.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topics "Own workforce - Equal treatment and opportunities for all", "Own workforce - Working conditions" and "Own workforce - Other work-related rights".

Risks relating to health and safety

The Group has always been committed to health and safety improvement projects in the workplace. Training courses and workshops are frequently organised for staff, particularly on the issue of safety. In 2023, the ISO 45001 certification obtained by the Parent Company in 2019 was confirmed.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topic "Own workforce - Working conditions".

Integrity and compliance risks

Compliance risks are related to non-compliance, when conducting business, with applicable laws and regulations, both nationally and internationally, both in terms of policies, guidelines and internal procedures. The Group had adopted the Code of Ethics, which lays down the high-level policies on general principles and conduct and an organisational, management and control model pursuant to Italian Legislative Decree No. 231/2001.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topic "Business conduct - Corporate culture".

Strategic risks

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

Market risk

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

Risks on the long-term availability of raw materials

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

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topics "Climate change - Climate change mitigation" and "Biodiversity and ecosystems - Direct impact factors on biodiversity loss".

Risks related to increased market competition

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

Risks related to the impacts of coffee on health

Coffee is sometimes targeted by press campaigns and articles that highlight the risks that may be associated with highly daily consumption. The Parent Company is part of the Scientific Committee of ISIC (Institute for Scientific Information on Coffee), a non-profit organisation founded in 1990 with the aim of studying in depth and continuously update studies on the effects of coffee on health. In 2016, IARC (International Agency for Research on Cancer) downgraded coffee to category 3 ("non-carcinogenic for humans"), concluding that there is no evidence that coffee consumption is associated with an increased risk of developing cancer.

illycaffè is actively involved in proprietary and pre-competitive research programs that study the reduction of agrochemical inputs during the cultivation phase. In particular, since 2019, illycaffè has been supporting Virtuous Agriculture®, a holistic research and scientific training project, under the leadership of President Andrea Illy, that combines sustainable agriculture with a focus on the regeneration of the environment, enriching the soil with organic carbon. Virtuous Agriculture® has a dual benefit: for the environment, through the sequestration of carbon and the reduction of contaminants, and for human health, through lower use of crop protection products and a consequent absence of toxic residues in the cultivated coffee.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topic "Consumers and end users - Health and safety, access to quality information and responsible marketing practices".

Risks relating to the environmental impacts of products

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

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topic "Climate change - Climate change mitigation".

Risks of failure to achieve pre-established CO₂ emission targets

illycaffè is active on the issue of decarbonisation, on which it has defined its own roadmap, and has launched an intense plan of internal and external initiatives to support it. The launch of these practices on supply chains in a general context of uncertainty could lead to an increase in costs related to these initiatives.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topics "Climate change - Energy" and "Climate change - Climate change mitigation".

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

illycaffè operates in a responsible, transparent and sustainable manner. Specifically and with reference to producing countries, the Parent Company annually updates the analysis on environmental, employment, and corporate and product ethics risks, evaluating them at the level of the individual countries, organisations, and asks suppliers to carry out a risk analysis of their own supply chain. Based on the critical analyses emerging, the action focuses on raising awareness on minimum wages, preventing the use of highly toxic agrochemical products, supporting the implementation of efficient wastewater treatment systems, and preventing and mitigating child labour risk.

EU regulatory developments in terms of due diligence (primarily CSRD, Regulation on Deforestation-free products, CSDDD) will lead to an increase in information flows and document compliance. In 2023 the process of engaging with suppliers with greater impact in terms of emissions in the industrial packaging and machines supply chains continued through training on issues related to decarbonisation.

With reference to the material topics identified by the Group in 2023, some of the risk scenarios illustrated are associated with the topics "Climate change - Climate change mitigation" and "Communities concerned - Economic, social and cultural rights of communities".

Risks relating to the protection of own brands

illycaffè has always considered innovation as an indispensable tool for market success and competitiveness and has a very substantial set of patents, trademarks and other intellectual property rights. In order to maintain and protect intellectual property, periodic monitoring is carried out.

Reputational risks

Given its premium positioning and awareness, illycaffè remains exposed to the risk of media attacks on traditional and social media. The Group carefully monitors the press and interactions on social media and in any case has mitigation and crisis management tools at its disposal.

Financial risks

The Group constantly monitors its exposure to financial risks with the aim of stabilising cash flows and ensuring the alignment of the operating result with what was planned in the budget. These risks are managed centrally by the Administration, Finance and Control Department. The market risk management activity with regard to raw materials, exchange rates and interest rates is regulated by a Group policy approved in February 2017 and updated at the end of 2021, which defines the perimeter of exposure, the time horizon, the roles and responsibilities as well as the derivative instruments allowed for hedging.

Credit risk

Credit exposure is divided among a high number of counterparties and customers. The Group strives to reduce the risk resulting from the insolvency of customers through procedures ensuring that sales are made to reliable and solvent customers, especially in Italy, but with guidelines strengthened in 2023 also abroad. Based on the available information on customer solvency and historic data statistical series, combined with exposure limits per individual customer, these procedures allow for reducing credit concentration and minimising the relative risk. In the event of changes in the payment terms, guarantee measures are put in place to protect payments. Positions involving significant amounts for which the Group identifies situations of objective, total or partial, non-recoverability, taking into consideration any guarantees obtained are written down individually. Also, the Group makes appropriate provisions for receivables that have not been written down individually, taking into account past experience and statistical data, identifying the potential loss expected on receivables. With regard to the current inflationary context, the Group monitored receivables in a targeted manner, focusing on the Italian market, assessing whether the measures in place were suitable and sufficient, but finding no critical issues.

Liquidity risk

This risk could be manifested in inability on the part of the Group to find, at optimal financing conditions and adequate timing, the financial resources needed to sustain operations. The Group's cash flows, borrowing requirements and liquidity are constantly monitored centrally by the Finance and Treasury function in order to ensure the effective and efficient management of financial resources.

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

Exchange rate risk

The Group operates in an international context in which transactions are also conducted in currencies other than the euro, exposing it to the risk of fluctuating exchange rates. The accounting exchange rate risk is mainly managed to reduce the impact of exchange rate changes between invoice date and date of collection. The centralisation in the Parent Company of activities related to the management of such risk allows, where possible, natural hedging between incoming and outgoing cash flows. If the net balance is higher than €500,000 per annum, any hedging transactions are assessed in accordance with the provisions of the budget/multi-year plan and using the financial instruments defined in the Financial Risk Policy. The translation risk associated with the translation of the assets/liabilities of consolidated companies that prepare their financial statements in currencies other than the euro is not managed.

Interest rate risk

Borrowing from banks exposes the Group to the risk of changes in interest rates, in particular in the current upward trend in interest rates by central banks. Loans at floating rates determine the risk of an increase in financial expense, whereas fixed-rate loans (including the bond loan issued in 2015) entail a potential change in the fair value of the loans. Interest rate risk is also managed by the Financial Risk Policy where the use of financial hedging instruments is envisaged. In 2023, the

notional value of the interest rate swap contracts was equal to €9.0 million.

Commodity price risk

The Group is exposed to the risk of changes in commodity prices, given that part of the purchase contracts are stipulated at variable price and the extremely volatile nature of the coffee market, which is influenced by factors of an environmental (for example drought and frost), macroeconomic (such as supply and demand) and financial (including investments in index funds, hedge funds, etc.) nature.

The objective of commodity risk management is to stabilise the purchase cost of the raw material in order to ensure alignment with the values defined in the budget/multi-year plan as far as is possible. In addition to defining fixed price agreements with producers, derivative financial instruments were used with banks specialised in the agricultural sector, with a time horizon that is at most equal to the multi-year plan, always following the guidelines defined in the Financial Risk Policy. In 2023, the purchase prices negotiated remained in a price range in line with budget forecasts.

Geo-political context

At the end of 2023, in relation to the geopolitical tensions linked to the conflict in the Middle East, the company assessed the risks to which it is exposed, highlighting some aspects of greater importance linked to the procurement and costs of logistics services, the availability and relative costs of energy supplies (gas, electricity) and packaging supplies related to production chains, and the generalised increase in cyber attacks risk, both directed at the organisation and at information system providers.

Approach to taxation

| GRI 207-1 | GRI 207-2 | GRI 207-3 |

The Group pursues a tax strategy in full compliance with Italian and international regulations with main reference to transfer pricing issues and with a relative risk appetite.

The tax delegate is the Chief Financial Officer (CFO) and operational responsibility, within the Finance function, is entrusted to the Administrative Department, which:

- prepares accounting, social security and tax documents to be submitted to the competent corporate bodies for approval;
- prepares, signs and submits, also with the help of authorised intermediaries, all tax returns required by tax regulations.

illycaffè's tax planning is aligned with the company's business activities and the relationship with the tax authorities is based on the utmost transparency. On occasion of non-recurring transactions or in order to better understand some tax changes, the company made use of instruments such as tax rulings.

Privacy

In 2023, the illycaffè privacy system was managed, developed and maintained to ensure the company's full compliance with European Regulation (EU) 2016/679 through the constant analysis of business activities and processes involving processing of data and monitoring of existing projects within the new global organisational structure.

Periodic audits were carried out to test the system effectiveness and the support to the management of activities between the European branches and HQ, which made it possible to maintain a consistent level of compliance with the regulations.

The most important activities carried out during the year include:

- updating of the My Account system, the reserved area dedicated to consumers who access illy.com and the mobile app;
- the reorganisation of the privacy function with the insertion of the new delegate and the identification of a new operating professional figure to correctly describe within the organisation what is necessary and indicated by the Data Protection Officer (DPO).

Cybersecurity

In parallel with the business processes digitalisation ongoing for several years now, as well as the acquisition and management of increasingly large volumes and types of data, in 2023 illycaffè continued its program of cybersecurity initiatives aimed at business continuity and data availability, integrity and confidentiality.

The main initiatives carried out during the year are shown below:

- introduction and configuration of a Web Application Firewall to analyse and monitor network traffic relating to e-Commerce, in order to detect and block any suspicious activities;
- acquisition of a continuous vulnerability assessment tool to identify, prioritise and address the vulnerabilities of the software systems in use, mitigating the risk of malicious exploitation;
- migration of the Cyber Threat Intelligence platform to a more performing solution integrated with existing security systems, which also enables visibility of any data, information, profiles or attack indications regarding illycaffè and present on the web, deep web and dark web.

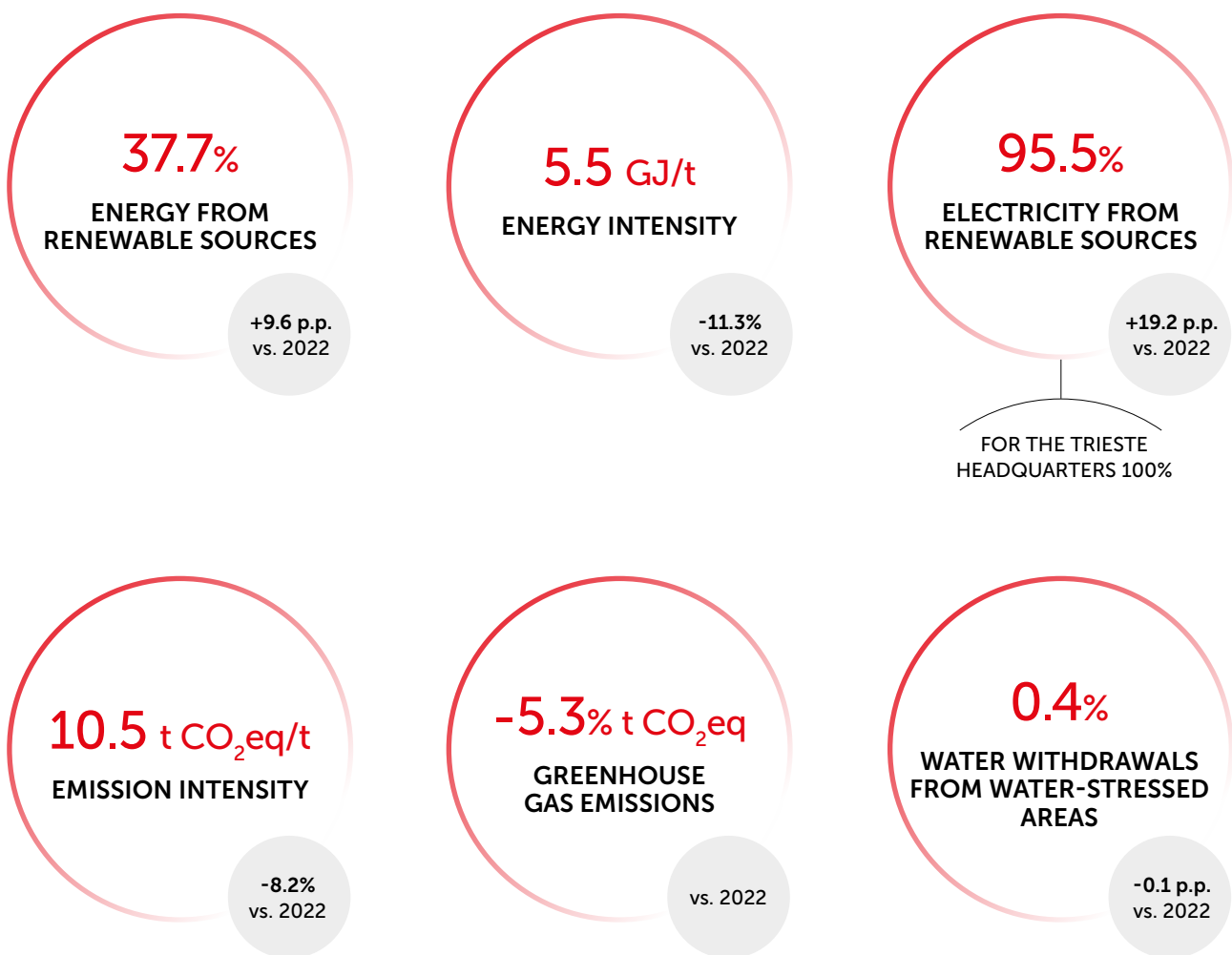
These tools are added to those already introduced in recent years (Security Operations Center, XDR PC and Server, SIEM, anti-phishing/anti-spam).

This is accompanied by the continuous training and awareness-raising program for all company personnel on cybersecurity, which also included, among other things, the distribution of modules relating to cyber threats induced by recent technological advances in the field of Artificial Intelligence, as well as numerous sample phishing test campaigns.

Lastly, in the final part of 2023, an IT risk assessment activity was launched (which will be completed in 2024) by a specialised supplier to re-assess, after a similar initiative in 2021, the level of maturity reached in IT security management and plan the evolution of controls and defences in the best possible way.

Environment

In 2023, illycaffè continued its commitment to protecting environmental resources, positively impacting crucial areas such as energy efficiency, emission mitigation, support to regenerative agriculture, enhancement of water resources and optimisation in the use of materials. The company has also consistently pursued its vision of a circular economy, focusing on waste minimisation and positive environmental impact, also thanks to strategic partnerships.



Energy

| GRI 3-3 | GRI 302-1 | GRI 302-3 |

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

The illycaffè Group's energy requirements for 2023 amounted to 127,570.8 GJ¹, down 12.9% compared to 2022, with 37.7% deriving from renewable sources, which include electricity consumed by the car fleet and purchased electricity (+9.6% compared to 2022). In line with previous years, over 90% of energy consumption continued to be linked to the activities of the production sites in Trieste, Robecchetto con Induno (Milan) and Els Hostalets (Barcelona, Spain).

The main energy sources used throughout the production process are natural gas (methane), diesel and electricity.

Methane is used for 87.6% (+0.3% compared to 2022) in the roasting phase by the Trieste and Robecchetto con Induno (Milan) production sites, with the remainder being used for domestic water and heating. Thanks to the heat recovery system from the toaster chimneys in the Trieste plant, 129,373 Scm of natural gas for heating and domestic hot water were saved in 2023 (+12.8% compared to 2022).

illycaffè also uses an energy intensity indicator, which reports all of the Group's energy consumption on roasted coffee. In 2023, this indicator was 5.5 GJ/t of roasted coffee (-11.3% compared to 2022).

ENERGY CONSUMPTION WITHIN THE ORGANISATION (GJ)

	2023	2022	2021
Petrol consumption	1,034.9	2,715.0	2,323.0
Diesel consumption	12,534.3	15,817.0	13,819.0
Ethanol consumption	50.0	34.0	33.5
Electricity consumption	40.7	24.3	43.2
Total consumption of the car fleet	13,659.8	18,590.3	16,218.7
Consumption of natural gas for heating	7,862.8	9,344.6	14,895.7
Total consumption of heating fuels	7,862.8	9,344.6	14,895.7
Consumption of natural gas for production uses (e.g. roasting)	55,465.4	64,294.3	65,192.9
Consumption of diesel for production uses	241.1	308.2	265.2
Total consumption of the production process	55,706.5	64,602.5	65,458.2
Electricity acquired from renewable sources	48,064.1	41,083.8	43,689.4
Electricity acquired from non-renewable sources	2,277.7	12,789.4	11,358.1
Total electricity consumption	50,341.8	53,873.3	55,047.5
Total	127,570.8	146,410.7	151,620.1

(1) The consumption in GJ was determined using the 2023 conversion factors of the UK Department for Environment, Food and Rural Affairs (DEFRA).

95.5% of the electricity used comes from renewable sources (+19.2% compared to 2022) and for the Parent Company this indicator stands at 100%.

In 2023, the car fleet consumption fell by 26.5%. Most of the vehicles (91.8%) continue to run on diesel.

illycaffè's energy transition continued also in 2023 with the aim of improving efficiency and resource consumption by means of the application of best practices and innovative solutions:

- tests were successfully completed on reusable pallets produced thanks to the transformation of plastic waste at the Trieste plant;
- with the aim of further exploiting LPG's greater thermal value, the first tests on its use as a substitute for methane for the operation of roasters were successfully completed;
- the implementation of the roasters new software, which took place at the end of 2022, made it possible to reduce consumption when in stand-by 20% during the year.

Emissions and climate change

| GRI 3-3 | GRI 305-1 | GRI 305-2 | GRI 305-3 |
| GRI 305-4 | GRI 305-7 |

illycaffè has set itself the goal of becoming carbon neutral from 2033 and, also in 2023, confirmed its willingness to pursue a decarbonisation strategy aimed at reducing its impact along the entire value chain, starting with the promotion of regenerative practices in the field up to the end-of-life management of its products.

Pollutant and greenhouse gas emissions

Pollutant emissions deriving from production processes come mainly from coffee roasting stages consist of the emission of dust, NOx (nitrogen oxides), TOC (Total Organic Carbon) and volatile organic substances produced by coffee roasting. Directive 2010/75/EU and its 2012 amendment, concerning integrated pollution prevention and control, introduced parameters to control polluting emissions of NOx and TOC for roaster chimneys. In 2023, the values for the Trieste and Robecchetto con Induno (Milan) plants were always below the emission limits indicated by the regional authorities.

Any dust production resulting from the pneumatic transport of coffee is handled directly on the systems through which coffee transits, equipped with suction and filter devices for dust sedimentation. Storage and loading silos are equipped with the same technology.

The analysis conducted on the company's carbon footprint in 2023 showed that the majority of emissions (96.6%, +1% compared to the previous year) fall under Scope 3 and are, therefore, produced outside of company operations. Emissions falling within the scope of illycaffè's activities (Scope 1 and Scope 2), on the other hand, account for the remaining part (3.4%).

The total emissions recorded in 2023 amounted to 242,009.5 t CO₂eq (down by 5.3% compared to 2022), using the market-based calculation method².

Scope 1 emissions, i.e. emissions directly generated by illycaffè during fuel consumption (whose main source of emissions is natural gas, which accounts for 65.0%), are equal to 7,047.7 t CO₂eq.

Scope 2 emissions, i.e. indirect emissions linked to the consumption of purchased energy, mainly derive from production sites activities and are equal to 1,203.5 t CO₂eq.

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

GREENHOUSE GAS EMISSIONS (t CO₂eq)

	2023	2022*
Total Scope 1 emissions	7,047.7	8,229.0
Natural gas used for the production process	4,581.3	5,440.1
Heating fuels	684.6	812.9
Fugitive emissions	205.9	239.0
Company fleet emissions	1,576.0	1,737.0
Total Scope 2 emissions	1,203.5	3,100.0
Emissions deriving from electricity consumption (market-based)	1,203.5	3,100.0
Emissions deriving from electricity consumption (location-based)	6,205.8	6,670.0
Total Scope 3 emissions	233,758.2	244,337.2
Upstream:	204,659.9	212,895.7
Goods and services purchased	172,122.1	179,681.3
Activities related to fuels and energy not included in Scope 1 and 2	2,172.3	2,823.0
Upstream transport and distribution	26,016.6	26,052.5
Waste generated by operations	1,100.5	916.8
Business travel	527.9	300.0
Commuting by employees	2,720.4	3,122.1
Downstream:	29,098.2	31,441.5
Downstream transport and distribution	5,946.2	7,888.6
Use of products sold	5,499.1	7,115.0
End-of-life treatment of products sold	17,086.6	15,959.8
Downstream leased assets	566.4	478.0
Total	242,009.5	255,666.2

(*) In 2023, illycaffè signed an undertaking to reduce its emissions, joining the Science Based Targets initiative (SBTi), which requires compliance with the methodology defined by the GHG Protocol for calculating corporate carbon footprint. In light of the requirements defined, it should be noted that the values reported in the Management Report 2022 were aligned with the aforementioned methodology.

Scope 3 emissions, i.e. emissions indirectly linked to illycaffè and generated along its value chain, amounted to 233,758.2 t CO₂eq.

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

The achievement of the decarbonisation objectives requires periodical monitoring of all greenhouse gas emissions into the atmosphere, investigating the relationship between production site activities and the surrounding environment. In fact, the production sites

in Trieste, Robecchetto Con Induno (Milan) and Els Hostalets (Barcelona, Spain) are the factor contributing the most to the generation of Scope 1 and Scope 2 emissions, in particular through the processes for coffee processing and production of coffee machines.

With regard to greenhouse gas emissions generated, illycaffè analyses the performance of its production processes by means of the emission intensity indicator, comparing total tonnes of CO₂eq. emissions (calculating Scope 2 with the market-based method) with tonnes of roasted coffee. In 2023, this indicator was equal to 10.5 t CO₂eq / t of roasted coffee (-8.2% compared to 2022).

Respect for biodiversity and regenerative agriculture

The adoption of increasingly integrated agricultural practices represents a key factor to mitigating the effects of climate change and, at the same time, intensifying the production of sustainable coffee per hectare. In this context, regenerative agriculture represents a set of agricultural practices (many of which are still at study phase) which, among other benefits, contribute to reversing the effects of climate change, rebuilding soil organic matter and restoring biodiversity, especially in the soil.

Together with the group of technicians and agronomists with whom it collaborates in the various producing countries, the illycaffè Coffee Procurement team supports the adoption of agronomic practices aimed at promoting biodiversity, accompanying coffee producers in a continuous improvement process.

In 2023, data collection activities continued in the field, in order to identify the main sources of greenhouse gas emissions and implement mitigation actions in this regard. In particular, emission factors were analysed along the green coffee supply chains in Central and South America, in order to obtain high quality primary data. The analysis carried out contributed to further refine the calculation of illycaffè's carbon footprint, recording a reduction of approximately 25% compared to the average emission factors present in commonly used databases.

In addition, implementation continued of practices aimed at protecting biodiversity and, in particular, in compliance with regenerative agriculture, with a reduction of synthetic agrochemicals and in favour of soil protection. On the basis of the strict criteria identified by the illycaffè Coffee Procurement team, the 248 plantations monitored during the year implemented on average:

- 76% of regenerative farming practices (in line with 2022);

- 77% of practices aimed at reducing the application of synthetic agrochemicals (+6% compared to 2022);
- 69% of practices promoting soil protection (in line with 2022).

Working with a view to continuous improvement, illycaffè's objective is to promote an increasingly greater implementation of these practices, respecting the specific context of each plantation. This proactive approach makes it possible to promptly identify and address any critical issues and ensures that every purchase from these plantations contributes positively not only to the superior and sustainable quality of the final product, but also to the health of the environment and the well-being of the communities involved in the cultivation process. The partnership with the Yara Group, which also in 2023 contributed to studying the impact of regenerative agriculture on productivity, quality and emissions and, at the same time, trying to measure soil biodiversity through the collection of data through precision farming, fits into this framework.



Scientific research

Virtuous Agriculture®

A holistic research and scientific training project that, under the leadership of President Andrea Illy, combines sustainable agriculture with a focus on the regeneration of the environment, enriching the soil with organic carbon. Virtuous Agriculture® has a twofold benefit: for the environment, through the sequestration of carbon and the reduction of contaminants, and for human health, through natural nutritional products. In 2023, research activities continued in collaboration with the Faculty of Agricultural Sciences and Biotechnology of the University of Udine as part of a three-year PhD project.

ECOFFEE R&D

In June 2023, the second phase of the initiative aimed at progressively reducing the use of pesticides in coffee production began. This phase is dedicated to the collection of primary field data to assess the effects of the reduced use of pesticides both for the purposes of agronomic performance and coffee quality, as well as for the impact on the environment.

GENOME

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

Scientific collaborations with universities

In 2023, the scientific collaboration agreement with the Bicocca University of Milan, which included study and research activities relating to the characterisation of coffee through advanced MS-imaging techniques, continued. The results were awarded in June during the 2023 edition of the Massa Congress, organised by the Italian Chemical Company [Società Chimica Italiana] and the University of Turin.

Water

| GRI 3-3 | GRI 303-1 | GRI 303-2 | GRI 303-3 |

Water in the production plants

Water is a fundamental resource for illycaffè and must be protected.

In 2023, the total amount of water withdrawn by production plants was 38.2 megalitres (down 6.4% compared to 2022). Only 0.4% of withdrawals come from water-stressed areas (Catalonia, Spain), down slightly compared to the previous year. The identification of water stress areas was carried out via the World Resources Institute tool and water stress areas were considered those in the extremely high level of risk category. Water intensity (m³ of water withdrawn per tonne of roasted coffee) stood at 1.7 m³/t, in line with the previous year.

The Parent Company, whose water consumption accounts for almost the entire consumption of the illycaffè Group, carries out periodic meter readings and closely monitors all the devices that use the water mains (taps, toilet flushes, showers, irrigation systems), identifying efficiency opportunities.

At the Parent Company's production sites, the majority of water consumption concerns the roasting process, cooling chillers and water for drinking and sanitary purposes. Only 4.6% of the water withdrawn is consumed in the roasting process in the form of evaporated water, and almost all water withdrawn is returned to the environment in compliance with authorised parameters.

Water in the plantations

In addition to the constant monitoring and improvement in the efficiency of water resources use in its production plants, illycaffè collaborates with its green coffee suppliers, supporting various initiatives for the best use and recovery of process water in the plantations.

To this end, in 2023 training initiatives were also implemented in the field during periodic audits in producing countries. In particular, the topics related to the washing stations' residual water (which require special treatment before being released back into nature) and the use of more efficient machinery in terms of water consumption for each kilogram of fruit processed (vs 5/10 litres used on average) were subject to training.

WATER WITHDRAWALS (megalitres)

	2023	2022*	2021
Surface water	0.2	0.2	0.3
of which from water-stressed areas	100.0%	100.0%	100.0%
Groundwater	38.1	40.6	42.9
of which from water-stressed areas	0.0%	0.0%	0.0%
Total	38.2	40.8	43.2

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

(*) It should be noted that the value reported in the 2022 Management Report was changed following more accurate and correct reporting of the GRI 303-3 indicator.

Materials

| GRI 3-3 | GRI 301-1 | GRI 301-2 |

illycaffè has always favoured the use of materials with a reduced environmental impact and which, at the same time, do not affect the superior quality of the final product.

Overall, 74.6% of the materials used by illycaffè in 2023 are renewable³ (-0.5% compared to 2022) and 8.1% come from recycled materials (+0.7% compared to 2022). The remainder derives from first use sources, also in line with the provisions of Regulation (EC) no. 1935/2004, which regulates the use of recycled materials in direct contact with food.

RAW MATERIALS AND PURCHASED MATERIALS

	2023		2022		2021	
	kg	%	kg	%	kg	%
Raw materials	27,311,995.2	100.0%	27,714,998.0	100.0%	29,085,294.6	100.0%
Green coffee	26,849,369.2	98.3%	27,505,811.0	99.2%	28,829,929.6	99.1%
Polypropylene	462,626.0	1.7%	209,187.0	0.8%	255,365.0	0.9%
Materials needed for the production process (including packaging and maintenance of machinery)	3,734,257.7	100.0%	4,087,454.0	100.0%	4,344,040.4	100.0%
Carbon dioxide	205,880.0	5.5%	238,510.0	5.8%	222,200.0	5.1%
Nitrogen	3,528,297.7	94.5%	3,848,860.0	94.2%	4,121,759.9	94.9%
Plant lubricating oils	50.0	0.0%	49.0	0.0%	45.5	0.0%
Degreasing solutions	30.0	0.0%	35.0	0.0%	35.0	0.0%
Semi-finished products or components	127,245.0	100.0%	141,989.0	100.0%	135,184.0	100.0%
Steel	82,808.0	65.1%	92,776.0	65.3%	87,866.0	65.0%
Aluminium	16,906.0	13.3%	18,696.0	13.2%	17,061.0	12.6%
Cables	3,960.0	3.1%	4,418.0	3.1%	3,929.0	2.9%
Electrical components	3,134.0	2.5%	3,483.0	2.5%	2,910.0	2.2%
Brass	4,944.0	3.9%	5,477.0	3.9%	7,242.0	5.4%
Plastic	15,493.0	12.2%	17,139.0	12.1%	16,176.0	12.0%
Packaging	15,407,124.0	100.0%	15,520,253.3	100.0%	14,598,144.0	100.0%
Paper and cardboard	313,805.0	2.0%	291,842.0	1.9%	3,645,290.0	25.0%
Cardboard	3,948,096.0	25.6%	3,692,691.3	23.8%	0.0	0.0%
Filter paper	90,120.0	0.6%	63,282.0	0.4%	50,138.0	0.3%
Plastic	3,951,376.0	25.6%	3,942,159.0	25.4%	4,363,253.0	29.9%
Aluminium poly laminate plastic	1,345,624.0	8.7%	1,301,856.0	8.4%	768,490.0	5.3%
Metals (tinplate)	5,730,052.0	37.2%	6,173,969.0	39.8%	5,699,879.0	39.0%
Textiles (cotton, jute, etc.)	28,051.0	0.2%	54,454.0	0.4%	71,094.0	0.5%
Total	46,580,621.9		47,464,694.3		48,162,663.0	

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

It should be noted that the values in the 2022 Management Report have been categorised according to a more accurate and correct reporting of the GRI 301-1 indicator.

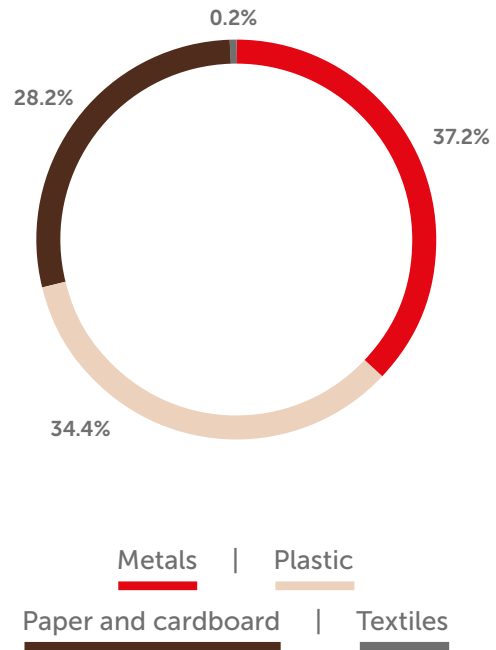
(3) Materials derived from resources abundant in nature that are rapidly replenished via ecological cycles or agricultural processes, so that the services provided by these and other related resources are not compromised and remain available for future generations.

Almost all of the raw materials used by illycaffè in 2023 were green coffee (98.3%), while nitrogen, the gas used in the pressurisation phase, accounted for 94.5% of the materials used during the production process. As regards the packaging purchased by the Group in 2023, the main categories continue to be, as in previous years, metals, plastics, paper and cardboard and textiles.

In particular, tinplate accounted for 37.2% (-2.6% compared to 2022) and was mainly used for the creation of the iconic cans for home consumption and for the Ho.Re.Ca. channel. Plastic accounted for 34.4% (+0.6% compared to 2022) and was mainly used in the production of Iperespresso capsules. This category also includes poly laminate materials in plastic-aluminium, used for the Soft Can cans and for Iperespresso capsules packaging. Paper and cardboard accounted for 28.2% (+2.1% compared to 2022) and were mainly used for the secondary packaging necessary for product transport. The production site of Magic L'Espresso uses cotton packaging for the coffee machines (0.2%, -0.2% vs. 2022), thus reducing plastic consumption, in favour of a renewable material that can also be reused by the customer or end consumer.

PURCHASED PACKAGING

2023



Quality

PRESERVING COFFEE FLAVOUR AND QUALITY

The roasting phase is immediately followed by the coffee packaging phase. This activity must take place extremely quickly. Once roasted, carbon dioxide is released from the beans, which carries the volatile aromas with it. The lipid components (fats), on the other hand, oxidise in contact with oxygen and moisture (this process is known as rancidity).

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

Pressurisation requires the use of cans with specific characteristics. For



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

Waste

| GRI 3-3 | GRI 306-1 | GRI 306-2 | GRI 306-3 | GRI 306-4 | GRI 306-5 |

In 2023, the illycaffè Group produced 2,076.7 tonnes of waste, down 14.1% compared to the previous year.

The main categories of non-hazardous waste produced by the Group are ground coffee waste (20.1%, +2.1% compared to 2022), cardboard packaging (19.3%, +3.8% compared to 2022) and municipal solid waste (11.3%, +3.7% compared to 2022).

Hazardous waste accounted for a small percentage, equal to 0.3%, an increase of +0.1% compared to the previous year.

WASTE GENERATED BY COMPOSITION

	2023		2022*		2021*	
	t	%	t	%	t	%
Other non-hazardous waste	23.3	1.1%	22.6	0.9%	17.9	0.7%
Discarded equipment	16.0	0.8%	23.7	1.0%	41.2	1.6%
Tinplate	66.4	3.2%	71.2	3.0%	62.0	2.4%
Batteries	0.0	0.0%	0.3	0.0%	0.4	0.0%
Card and cardboard	399.5	19.3%	374.6	15.5%	416.1	16.3%
Iron and steel	17.8	0.9%	12.5	0.5%	33.3	1.3%
Jute	55.6	2.7%	109.5	4.5%	67.0	2.6%
Filtering materials	33.4	1.6%	31.7	1.3%	34.4	1.3%
Wood pallets	119.0	5.7%	409.6	17.0%	180.6	7.1%
Films	206.7	10.0%	212.7	8.8%	193.5	7.6%
Plastic	230.7	11.1%	277.6	11.5%	451.6	17.6%
Aluminium poly laminate plastic	172.5	8.3%	183.5	7.6%	206.4	8.1%
Municipal solid waste	234.5	11.3%	183.4	7.6%	163.5	6.4%
Liquid coffee waste	78.5	3.8%	65.0	2.7%	85.0	3.3%
Ground coffee waste	417.0	20.1%	434.6	18.0%	607.6	23.7%
Toner	0.0	0.0%	0.2	0.0%	0.1	0.0%
Total non-hazardous waste	2,070.9	100.0%	2,412.5	100.0%	2,560.4	100.0%
Other hazardous waste	4.0	67.3%	2.6	50.4%	3.0	90.1%
Containers with solvents	0.2	3.9%	0.2	4.7%	0.1	3.9%
Oily emulsions	1.7	28.8%	2.3	44.9%	0.2	6.0%
Total hazardous waste	5.9	100.0%	5.1	100.0%	3.3	100.0%
Total waste	2,076.7		2,417.6		2,563.7	

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

(*) It should be noted that the values reported in the 2022 Management Report have been changed following more precise and correct reporting of the GRI 306-3 indicator.

In 2023, the Group continued to carry out stringent controls on the management of its waste, of which 96.4% was recycled or recovered through other recovery operations, essentially in line with the previous year.

WASTE GENERATED BY DISPOSAL METHOD

	2023				2022*				2021*			
	Hazardous waste (t)	Waste non-hazardous (t)	Total	%	Hazardous waste (t)	Waste non-hazardous (t)	Total	%	Hazardous waste (t)	Waste non-hazardous (t)	Total	%
Reuse	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%	0.0	1.0	1.0	0.0%
Recycling	0.0	32.7	32.7	1.6%	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Other recovery operations	4.5	1,965.3	1,969.7	94.8%	3.9	2,328.8	2,332.7	96.5%	3.2	2,469.2	2,472.4	96.4%
Waste-to-energy	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%	0.0	0.0	0.0	0.0%
Landfill	0.0	0.3	0.3	0.0%	1.2	73.5	74.7	3.1%	0.1	73.1	73.2	2.9%
Other disposal operations	1.4	72.6	74.0	3.6%	0.0	10.2	10.2	0.4%	0.0	17.1	17.1	0.7%
Total waste	5.9	2,070.9	2,076.7	100.0%	5.1	2,412.5	2,417.6	100.0%	3.3	2,560.4	2,563.7	100.0%

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

(*) It should be noted that the values reported in the 2022 Management Report have been changed following more precise and correct reporting of the GRI 306-4 and 306-5 indicators.

Also in 2023, illycaffè S.p.A. obtained an economic advantage from the sale of certain types of waste, corresponding to 30.2% of the waste generated, an increase of 4.0% compared to 2022.

Circular economy

| GRI 3-3 |

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

The principles of circular economy and ecodesign guide the research and design of materials, to optimise the disposal and disassembly of products and make them more efficient. These principles are applied not only to consumable products but also to durable ones: the criterion of "design for disassembling" which envisages

coffee machines designed with disassembly in mind, so that most of their components can be reused or recycled.

The activities relating to the circular economy are also implemented within the production plants. In particular, from the end of 2022, the conditions were in place to transform all waste deriving from coffee processing into organic fertilisers. Coffee waste is being studied in many sectors: also in 2023, illycaffè contributed on an experimental basis to the use of the active ingredients of used coffee in cosmetics.

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

Alliance for the recycling of aluminium capsules

Founded by Nespresso in 2021 in partnership with illycaffè, this program contributes to promoting and increasing the recycling of spent aluminium capsules in Italy, encouraging virtuous processes for environmental protection and for the responsible management of resources and materials. Since 2023, the Alliance has also included Starbucks among its members. Consumers have been able to return their used capsules to 72 Nespresso boutiques, 10 illy Shops and illy Caffè venues and over 98 affiliated drop-off points, for a total of 180 collection points throughout the country. Since 2021, more than 4,700 tonnes of spent capsules have been recovered, accounting for more than 270 tonnes of aluminium being put back into circulation.



ReCap

The ReCap project was born from the partnership between illycaffè and Nescafé Dolce Gusto, in collaboration with the Friuli-Venezia Giulia Region, the Friuli-Venezia Giulia Regional Environmental Agency (Arpa Fvg) and three companies that manage municipal waste at regional level (Net S.p.A., A&T2000 S.p.A. and AcegasApsAmga S.p.A.). ReCap represents a first testimony to how the collaboration between public and private companies



is a positive force able to implement concrete actions for the regeneration of the environment. In 2023, the project for the collection and recycling of plastic capsules continued to involve four municipalities in the Friuli Venezia Giulia Region, both through the door-to-door collections and drop-off points.

In collaboration with the Scuola Superiore Sant'Anna of Pisa, an LCA analysis of the project was carried out in 2023, aimed at identifying the initiative's emission hotspots and at defining, based on the results obtained, future industrialisation and scalability phases of the project.

TerraCycle®

In 2023, illycaffè continued its collaboration with TerraCycle® for the collection and recycling of Iperespresso plastic capsules and Nespresso® compatible aluminium capsules in France, the Netherlands, Belgium and Brazil.

Podback

Podback, a recycling service active in the United Kingdom, also saw Nespresso, Nescafé Dolce Gusto and L'OR as players together with illycaffè. The collection of Iperespresso plastic capsules and Nespresso® compatible aluminium capsules takes place both through door-to-door collection and through 7,000+ stores participating in the initiative.

Circularcaps

In 2023, the collaboration with the Circularcaps NGO continued, involving 24 coffee producers active in the recycling of capsules in Spain. The collection of Iperespresso plastic capsules and Nespresso® compatible aluminium capsules is ensured thanks to the presence of 4,400 active collection points.

g2 revolution®

In the United States, the active partnership with g2 revolution®, which carries out the collection of plastic Iperespresso capsules throughout the country with the

home pick-up method, bookable through the local illy e-Shop and with delivery to selected stores, continued.

Re-Chair

Also in 2023, the partnership between illycaffè and Kartell played a leading role in Milan Design Week, where the Re-Chair, created by the Italian designer and architect Antonio Citterio from recycled Iperespresso capsules, animated the flagship store in via Monte Napoleone. Together with the Eleganza armchair, designed by Philippe Starck, Re-Chair was once again the protagonist in the event, to emphasise how two Made in Italy excellences contribute to environmental sustainability through the strengthening of circular economy production models.



Eco-sustainable investments and activities

illycaffè invests in projects that can contribute to achieving environmental objectives, such as greater energy efficiency, the reduction of greenhouse gas emissions, the protection of biodiversity and the promotion of the responsible use of resources.

In 2023, with the aim of increasingly effectively guiding strategic decisions relating to its investments, illycaffè carried out an initial analysis of its economic activities following the criteria and methodology defined by Regulation (EU) 2020/852 (EU Taxonomy), the European Commission legislation to achieve the climate neutrality goal by 2050. The Taxonomy consists of a classification system aimed at identifying and establishing a clear definition of eco-sustainable activities with a common language.

As part of the Taxonomy, the following six environmental objectives have been identified:

- climate change mitigation;
- adaptation to climate change;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and reduction;
- protection and restoration of biodiversity and ecosystems.

The preliminary analysis carried out in 2023 focused on activities related to the installation, maintenance and repair of energy efficiency devices and instruments and the measurement, regulation and control of the energy performance of buildings.

In 2024, these analyses will be further developed, also based on the huge investment plan envisaged starting from 2024, with the aim of doubling production capacity, accelerating product innovation and continuing digital transformation.

People

Employees in numbers

| GRI 3-3 | GRI 2-7 | GRI 2-8 | GRI 2-30 | GRI 401-1 | GRI 405-1 |

As at 31 December 2023, the total number of Group employees was 1,188, down 3.4% compared to 2022 (-42 employees). This performance is the result of the continuous implementation of initiatives aimed at increasing the Group operating efficiency (mainly through go-to-market optimisations on some markets) and of the changes in the scope of consolidation relating to the Retail channel. In particular, the evolution of the number of employees was affected by the closure of five directly operated stores compared to 2022 (-23 employees). There were 82 not directly employed workers¹, down by 22.6% compared to 2022.

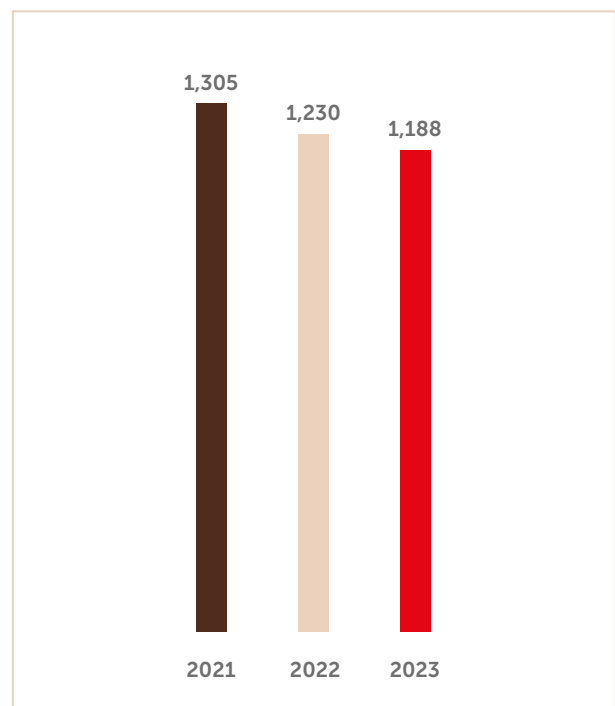
At the end of 2023, 67.9% of the population was based in Italy with 807 employees.

95.5% of employees were on permanent contracts, while full-time employees represented 93.9% of the total, in line with the previous year. Also in 2023, illycaffè did not employ employees on zero hours contracts.

In addition, 82.7% of employees were covered by collective labour agreements².

illycaffè guarantees its employees free collective bargaining, freedom of association and creation of company committees, and promotes workers participation and information.

HEADCOUNT



(1) Non-employed workers, who in 2023 carried out duties for illycaffè but did not have an employment relationship with the company, were mainly temporary workers through authorised agencies, blue-collar workers in production activities areas (packaging, production, etc.) and workers in the Ho.Re.Ca. sector (bartenders).

(2) The remaining 17.3% of employees were employed in countries where local legislation does not provide for collective bargaining agreements or in subsidiaries that, by sector and size, do not provide for the obligation or option to comply with it.

EMPLOYEES BY TYPE OF CONTRACT, GENDER AND GEOGRAPHICAL AREA

	2023			2022			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees - Americas	64	71	135	64	74	138	61	80	141
Permanent employees	64	71	135	64	74	138	61	80	141
Fixed-term employees	0	0	0	0	0	0	0	0	0
Full-time employees	63	71	134	62	71	133	60	74	134
Part-time employees	1	0	1	2	3	5	1	6	7
Employees - Europe	594	434	1,028	595	459	1,054	641	482	1,123
Permanent employees	574	414	988	573	433	1,006	609	450	1,059
Fixed-term employees	20	20	40	22	26	48	32	32	64
Full-time employees	579	377	956	579	398	977	631	422	1,053
Part-time employees	15	57	72	16	61	77	10	60	70
Employees - Asia	12	13	25	14	24	38	17	24	41
Permanent employees	6	5	11	8	6	14	10	6	16
Fixed-term employees	6	8	14	6	18	24	7	18	25
Full-time employees	12	13	25	14	24	38	17	24	41
Part-time employees	0	0	0	0	0	0	0	0	0
Total	670	518	1,188	673	557	1,230	719	586	1,305

In 2023, women accounted for 43.6% of the total company population, a slight decrease compared to 2022 (45.3%) and held 40.8% of managerial positions, i.e. top and middle management categories.

Analysing distribution by age bracket, the 30-50 age bracket represented 61.8% of the company population, in line with the previous year.

Finally, taking into account professional categories, white-collar workers represented 57.5% of the population, down compared to 2022 (-1.3%), followed by production workers and finally middle and top management.

EMPLOYEES BY GENDER AND PROFESSIONAL CATEGORY

	2023			2022			2021		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Top management	38	12	50	36	14	50	42	16	58
Middle management	78	68	146	89	63	152	98	72	170
Clerical staff	314	369	683	321	402	723	297	387	684
Production workers	240	69	309	227	78	305	282	111	393
Total	670	518	1,188	673	557	1,230	719	586	1,305

EMPLOYEES BY AGE BRACKET AND PROFESSIONAL CATEGORY

	2023				2022				2021			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Top management	0	22	28	50	1	24	25	50	0	25	33	58
Middle management	1	89	56	146	89	63	0	152	3	105	62	170
Clerical staff	115	432	136	683	127	454	142	723	109	458	117	684
Production workers	17	191	101	309	21	193	91	305	31	262	100	393
Total	133	734	321	1,188	238	734	258	1,230	143	850	312	1,305

In 2023, the Group's recruitment rate was 24.4%, up compared to the previous year (21.4%), while the negative turnover rate stood at 27.8%, up slightly compared to the 2022 (27.5%).

Excluding retail personnel, affected by typical trends in the sector deriving from the specific competitive

context and whose performance was affected by the closure of five directly operated stores (DOS) in 2023, the recruitment rate was 11.4% (+5.8% compared to 2022), while the negative turnover rate was 13.0% (+0.1% compared to 2022).

RECRUITMENT AND TERMINATIONS BY GENDER, AGE GROUP AND GEOGRAPHICAL AREA

	Recruits				Leavers			
	2023	%	2022	%	2023	%	2022	%
Total by gender	290		263		332		338	
Men	159	23.7%	120	17.8%	170	32.8%	168	30.2%
Women	131	25.3%	143	25.7%	162	24.2%	170	25.3%
Total by age group	290		263		332		338	
<30	146	109.8%	157	104.7%	140	105.3%	128	85.3%
30-50	131	17.8%	92	12.1%	143	19.5%	162	21.3%
>50	13	4.1%	14	4.4%	49	15.3%	48	15.1%
Total by geographical area	290		263		332		338	
Americas	32	23.7%	43	31.2%	35	25.9%	46	33.3%
Europe	258	25.1%	217	20.6%	284	27.6%	286	27.1%
Asia	0	0.0%	3	7.9%	13	52.0%	6	15.8%

Equal opportunities, talent development and remuneration policies

| GRI 3-3 | GRI 404-3 | GRI 405-2 |

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

Development and management strategies of resources are guided in this direction in order to promote a culture of diversity, equity and inclusion (DE&I), which gives value to the uniqueness of people and their professional growth.

The Policy for Inclusiveness and Gender Equality, approved in 2023, reflects the commitment to consolidate a culture based on respect for human rights and the enhancement of diversity, excluding any discrimination. Also in 2023, a DE&I Committee was established with the aim of further boosting initiatives to support the diversity, equity and inclusion strategy.

illycaffè's path towards full implementation of the DE&I principles has led to achievement of the UNI/PdR 125: 2022 certification on gender equality, which recognises the commitment of companies to adopt a systemic approach and culture change aimed at creating inclusive and equal work environments. The assessment focuses on six specific areas: culture and strategy, governance, human resources processes, opportunities for the growth and inclusion of women in the company, gender pay equity, protection of parenting and work-life balance. In line with the principles of the Global Compact and the SDGs, the certification was awarded to illycaffè at the end of



a rigorous verification process based on transparent and measurable requirements and was issued by DNV, a leading certifying body.

For illycaffè, the creation of meritocratic and equitable growth paths is at the heart of the policies for the development of people and their careers.

Also in 2023, the talent assessment process ensured effective mapping at global level, aimed at talent management. Adopted throughout the organisation and applied to all professional categories, this instrument is based on a matrix that put together performance and talent (described through behaviours that allow objective identification), also taking into account feedback requested on different levels of relationships within the organisation.

Top management remuneration policies are based on fixed and variable remuneration. The specific individual objectives linked to variable remuneration reflect the achievement of targets that guarantee the contribution of each function to the achievement of illycaffè's strategic and business objectives, including its impacts on environmental sustainability.

RATIO OF THE BASIC SALARY OF WOMEN TO THAT OF MEN

	2023	Δ	2022	Δ
Top management	80.2%	19.8%	81.7%	18.3%
Middle management	92.3%	7.7%	93.3%	6.7%
Clerical staff	95.2%	4.8%	91.4%	8.6%
Production workers	92.2%	7.8%	91.0%	9.0%
Total	94.1%	5.9%	91.3%	8.7%

The figures shown refer to the Italian headquarters of the Parent Company.

In 2023, the ratio of the basic salary of women to that of men, calculated through a weighted average related to the number of female workers in each professional category, was 94.1%, up compared to 2022 (+2.8%).

During the year, with a view to continuous improvement of the remuneration and talent management policies, with the support of a leading independent consultant, the company carried out an assessment aimed at defining a mapping of Executives and Middle Managers categories positions in Italy by weighted by role, area of responsibility and impact on the business ("grade"). For the Employees and Production Workers categories, the levels already envisaged by the National Collective Labour Agreement (CCNL) for the Food Industry were considered. This mapping made it possible to make comparisons between salaries of comparable positions, aimed at providing an additional analysis tool to support the remuneration strategies adopted.

Leveraging on these analyses, the ratio between the average remuneration of women and the average remuneration of men in the same grades/levels was 97.2%.

Welfare and benefits

| GRI 401-2 |

illycaffè contributes to generating a positive impact on its employees by guaranteeing working hours in line with European and international standards and offering support for parenting and care giving.

Also in 2023, illycaffè S.p.A. continued to provide its employees with financial and social benefits aimed at improving their personal well-being and that of their families:

- supplementary health care for employees and their families, which is fully borne by the company;
- smart working (in Italy equal to two days in five per week);
- degree bonus and financial support for the purchase of university texts;
- agreements with gyms, theatres, shops and clinics.

Training and professional development

| GRI 404-1 |

In 2023, illycaffè promoted training and professional development activities, mainly focused on cyber security and the circular economy. Periodic training also continued on the issues included in the Code of Ethics, including the Whistleblowing model, to reaffirm the Group's ethics and transparency values.

Lastly, the on-boarding process for newly recruited resources, designed in collaboration with the Università del Caffè, was confirmed.

In 2023, in order to foster the personal and professional development of top managers, the Permanent Update platform, created by The European House - Ambrosetti was made available; it provides an update service with live meetings and webinars, focused on topics such

as macroeconomics trends, innovation and leadership development.

Also in 2023, all employees were offered the opportunity to extend foreign language training courses provided through the GoFluent platform to a family member, with a view to implementing a welfare system that also involves skills development.

In 2023, 18,239 hours of training were provided globally, equal to an average of 15.4 hours of training per employee.

Occupational health and safety

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

illycaffè adopts an occupational health and safety management system in line with Italian legislation (Italian Legislative Decree 81/2008). This system, which involves all employees of the Parent Company, is compliant with the ISO 45001 standard, which makes it possible to pro-actively improve accident prevention and reduce the health impacts of work, safeguarding the organisational structure of companies.

illycaffè's commitment to improving the health and safety of workers is focused on the following areas:

- compliance with all applicable legal requirements;
- risk reduction;
- prevention of and protection from risks at work;
- the reduction and elimination of accidents and illnesses deriving from work activities;
- the involvement and participation of the entire company structure according to each one's own powers and skills, also for the assumption of responsibilities regarding safety in the workplace with specific reference to the role performed;
- the training, information and training of workers to carry out their tasks safely, encouraging the continuous improvement of each individual worker's skills;
- periodic workers consultation through the relevant functions;

- collaboration and cooperation with the community, suppliers, local authorities, supervisory authorities and any other interested party, in order to share in a transparent manner company practices on occupational health and safety;
- continuous performance improvement to safeguard the health and safety of workers.

The process of identifying and analysing hazards takes into account all legislative provisions issued on occupational health and safety. These aspects are managed by dedicated roles, including the company doctor, who is in charge of health monitoring, the Health and Safety Manager (HSM) and the Workers' Safety Representatives (WSR).

The HSO is responsible for conducting and supervising the analysis and assessment of risks to the health and safety of workers. The risk assessment is updated with consequent revision of the Risk Assessment Document (RAD) with the frequency required by the regulations and a document review is also carried out regardless of the time expiry in the case of:

- adaptation to the general technological process;
- implementation of new methodologies in the area of risk analysis;
- adaptation to new knowledge in the area of prevention and protection;
- the need to identify urgent measures to contrast any trend in work-related injuries or occupational diseases that is higher than that currently foreseeable on the basis of company and sector statistics;
- need to examine and eliminate new risks;
- updating of regulations on occupational health and safety.

The company is equipped with a management tool for reports of identified events ("near misses", i.e. unintentional accidents, which could have caused damage or injury) with the aim of defining the ways by which they occur:

- reports of identified events;
- recordings of these events;

- compilation of the distribution list for circulations of the reports;
- activation of corrective actions;
- verification of the corrective actions implementation.

In 2023, the monitoring and detection of near misses was intensified, in order to further strengthen the monitoring of health and safety issues in the workplace. All illycaffè workers can report critical situations to the Health, Safety & Environment (HSE) function, which has the task of collecting them and identify such events, assessing, together with the HSO, the health and safety risks. Once the risks have been qualified and quantified, appropriate measures are proposed with an indication of priority for their adoption to counteract the risk that has arisen.

To facilitate worker participation and consultation, as part of the development, implementation and assessment of the occupational health and safety management system, and in order to provide access and communicate relevant information, illycaffè makes available system documents, operating documents and dedicated procedures to all workers. In this way, the Group ensures that all workers are aware of the workplace health and safety policy, the related objectives, and their contribution to the effectiveness of the management system, including the benefits deriving from improved performance. In addition, all employees are informed of the implications and potential consequences of not complying with occupational health and safety management system requirements, of the accidents that affect them and of the results of the analyses into their causes. In addition, employees are trained on the dangers, risks and related actions that concern them, on the right to distance themselves without consequences from work situations that they consider to be serious and immediate danger to their life or health.

As part of the prevention and mitigation of occupational health and safety impacts within existing trade and business relationships, illycaffè guarantees access to information on the policies and procedures adopted by the company to all external parties, such as consultants, partners and suppliers.

In particular, illycaffè promotes the health and safety of contract workers through a process divided into four phases:

- qualification of all contractors operating at illycaffè sites;
- process for assessing risks from interference that may arise from the contracted activities;
- identification of the personnel assigned with the task to supervise the contract;
- supervision on contracted activities by the supervisors in charge of the contract.

All workers are required to participate in mandatory health and safety training. Depending on the type of role held, each worker follows a specific training course, which can vary from 8 to 16 hours of overall training. This training is subject to periodic updating. In addition, for activities that require specific skills, a specific training course is provided (e.g. specific training for the operation of forklifts and lifting platforms; specific training for firefighters; specific training for first aid workers; and specific training for electrical workers). In 2023, 1,741 hours of health and safety training were provided (+27.2% compared to the previous year).

The competent doctor is responsible for carrying out health monitoring on all workers exposed to health risks. Monitoring consists in carrying out periodic examinations of workers to check their state of health and express an opinion on their suitability for the specific job and possibly prohibit certain type of work following medical prescriptions or limitations.

illycaffè facilitates its workers' access to non-professional medical services by providing all workers with supplementary health insurance.

Globally, the rate of work-related injuries for employees was 5.8, up compared to 2022 (3.6). The Lost Time Injury Frequency rate (LTIFR), an index of injuries that caused at least one day of absence from work, was 5.2, also up compared to 2022 (3.1). For not directly employed workers, both rates stood at 53.9, up compared to 2022 (22.8).

Most of the work-related injuries in 2023 occurred within the Trieste production hub, while the increase in the LTIFR resulted from work-related injuries occurring in directly operated stores (DOS) in Italy with a prognosis of less than three days and, therefore, not recognised by INAIL (Italian National Institute for the Prevention of Accidents at Work).

The work-related injuries recorded are mainly due to trips and falls, lifting or incorrect handling of loads and impacts and only in two cases to the failure to use personal protective equipment.

In view of the increase in the accident rates, illycaffè carried out a detailed analysis of the working environment, in order to examine the reasons for these trends and implement the necessary measures to contain and prevent work-related injuries in its workplaces. The measures identified include:

- the implementation of an awareness-raising project aimed at all workers on the risks and on the prevention and protection measures to be adopted;
- an increase in controls by the supervisors on worker behaviour compliance with the help of specific checklists.

No cases of occupational diseases or deaths were recorded among employees during 2023.

The severity rate was 0.2, in line with the previous year, and only one work-related injury while travelling was recorded, down compared to the previous year (4 injuries).

WORK-RELATED INJURIES

	2023	2022	2021
Employees			
Recordable work-related injuries	10	7	17
of which work-related injuries that caused at least one day of absence from work	9	6	11
Hours worked	1,723,287	1,940,100	2,755,460
Multiplier	1,000,000	1,000,000	1,000,000
Rate of work-related injuries	5.8	3.6	6.2
Rate of work-related injuries that caused at least one day of absence from work (LTIFR)	5.2	3.1	4.0
Workers who are not employees			
Recordable work-related injuries	6	3	2
of which work-related injuries that caused at least one day of absence from work	6	3	2
Hours worked	111,281	131,665	40,215
Multiplier	1,000,000	1,000,000	1,000,000
Rate of work-related injuries	53.9	22.8	49.7
Rate of work-related injuries that caused at least one day of absence from work (LTIFR)	53.9	22.8	49.7

Responsible procurement

Procurement is a fundamental phase of illycaffè's value chain, as it guarantees the sustainable quality of the materials used in the production cycle.

All suppliers, both of green coffee and of other goods and services used, play a crucial role in the responsible procurement process pursued by the Group. For illycaffè, this process has been concretely translated over the years also through:

- the application and reference to the Code of Ethics in all contracts with suppliers. The Code includes clauses on the respect for human rights in purchasing and throughout the supply chain;
- membership, since 2012, of the UN Global Compact, the pact designed to encourage companies around the world to adopt sustainable and socially responsible policies.

Control of the green coffee supply chain

| GRI 3-3 | GRI 408-1 | GRI 409-1 | GRI 413-1 |

Producing superior and sustainable quality coffee is an absolute and strategic priority for illycaffè. This approach is pursued throughout the supply chain, starting from direct and lasting relationship established over the decades with coffee producers. In particular, the green coffee supply chain management model is based on three principles:

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

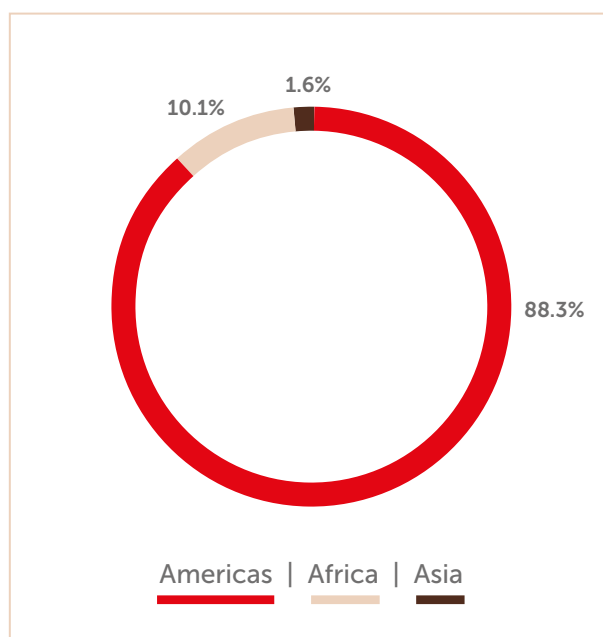
Within the green coffee supply chain, each stakeholder plays an important role in achieving a responsible procurement process:

- farmers, who work small plots of land;

- producers, i.e. farms, cooperatives and structures that process the coffee harvested, for example separation, washing and drying;
- exporters, who purchase coffee from cooperatives or select it directly from producers. The exporters' knowledge of local production areas guarantees the traceability, sustainability and quality of the raw material.

In 2023, illycaffè purchased 88.3% of its green coffee volumes from the Americas and, in particular, from Brazil, where it is sourced directly from local producers. In fact, since the beginning of the 1990s, illycaffè has implemented a procurement strategy that is as direct as possible, based on the awareness that, where relations with producers and growers are closer, the influence and impact generated by its actions are greater.

VOLUMES OF GREEN COFFEE PURCHASED BY GEOGRAPHICAL AREA (T)



The system of direct relations developed over the years by illycaffè with the stakeholders in its supply chains is based on four pillars:

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

These principles are expressed in the Sustainable Procurement Process (SPP), the supply chain sustainability standard for the purchase of sustainable quality green coffee that illycaffè uses. Based on ISO 20400 and ISO 26000 standards and issued by the Det Norske Veritas (DNV) organisation, this protocol represents one of the most comprehensive sustainability standards in the coffee procurement process, defining the company's sustainable development and social responsibility principles in its procurement policies and practices and promoting the qualification and monitoring of suppliers on not only economic, but also environmental and social aspects, encouraging improvement targets and programs throughout the entire procurement chain.

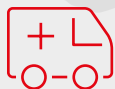
In this context, illycaffè assigns a central role to respect for human rights and understanding the needs of communities in producing countries, in whose favour it promotes a virtuous collaboration path developed through support for ad hoc projects aimed at increasing the well-being of local communities.

Child labour is one of the main risks in coffee growing: the use of minors in coffee cultivation undermines social development in those countries where the closure of schools coincides with the period of coffee harvesting. For this reason, illycaffè only purchases from countries that have ratified the ILO (International Labor Organization) standards of the United Nations and that have established in their legislation a child working age of no less than 14 years. Also in 2023, illycaffè promoted programs to support school facilities and quality educational offers in producing countries also with the aim of extending access to education in rural areas, to as many children as possible, freeing them from poverty and child labour and contributing to a process of sustainable generational change in the coffee supply chain.

illycaffè's ongoing commitment to these issues has meant that no cases of child labour were reported in 2023. Furthermore, illycaffè has never recorded cases of forced labour along its supply chains.

Nonetheless, illycaffè has continued to carry out awareness-raising activities on these issues and to promote social projects aimed at preventing and mitigating these risks. The Coffee Procurement team carries out these activities in close collaboration with its stakeholders, with a view to an integrated supply chain and continuous improvement. An essential element for the implementation of these initiatives is the engagement of the various players in the coffee supply chains the company operates with, local institutions, sector associations of the countries of origin, as well as foundations and non-profit organisations, always with the aim of achieving a real and concrete implementation of sustainable practices for the protection of human rights, aimed above all to weaker population sections.

STORIES FROM THE FIELD



GUATEMALA

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

illycaffè continued to finance a mobile clinic in the Santa Rosa area in 2023 to offer free medical, dental and ophthalmology assistance to more than 1,600 producers and their families, often representing their only possibility of receiving healthcare.



NICARAGUA

Together with the Ernesto Illy Foundation, since 2018 illycaffè has financed the Seeds for Progress Foundation with the aim of making quality education accessible to the children of producers in its supply chain. After contributing to the renovation of the Aguas Frias school in the rural area of Wiwili, supporting a community of 250 small producers and promoting their social development and economic growth, in 2023 illycaffè supported the Mercon Group in opening a school on the Florda plantation. The facility has welcomed almost 70 children of coffee pickers and six teachers, who are also particularly attentive to the needs of a group of indigenous children. The project made it possible to offer educational, food and health services.



BRAZIL

Since 2020, illycaffè has financed the socio-environmental Viveiro de Atitude project, a nursery created by the Monteccer cooperative for the production of more than 100 species of native plants, which are sold to reforest the territories of the Cerrado region, preserve biodiversity and protect water sources. A portion of the proceeds is donated to six local organisations, which welcome a total of 350 minors in the 0-14 age group, mitigating the risk of child labour and early school leaving and helping local families in difficulty. The remaining proceeds are donated to two projects aimed at 65 elderly people, welcomed in facilities that promote health and food assistance and carry out play and recreational activities. Viveiro de Atitude also supports environmental training in schools and universities in the Cerrado region with the aim of encouraging the creation of green areas in the city of Monte Carmelo.

illycaffè carries out constant and continuous monitoring in the field with an approach that makes it possible to guarantee coverage of 100% of the operators in the supply chains over a three-year time span.

The main areas of supply chains monitoring are as follows:

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

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

- minimum requirements, which, if not met by suppliers, lead to the interruption of the supply relationship;
- additional requirements, which go beyond the legal minimums and which illycaffè deems essential in the relationship with the supplier, in understanding the local context of raw material supply chains and production;
- rating systems to qualify the supply chains.

In 2023, the verification of the supply chains involved 305 players (+16.9% compared to 2022) in Brazil, Burundi, Costa Rica, El Salvador, Ethiopia, Guatemala, Honduras, India, Mexico, Nicaragua, Rwanda and Vietnam.

These audits revealed 81 cases of plantations not complying with illycaffè's minimum requirements, an increase of almost double the number of cases in 2022 (41). The cases of non-compliance observed mainly fall within the scope of labour contracts in Brazil. For

this reason, illycaffè is talking to national institutions, including the National Coffee Council, to try to find solutions to the regularisation of labour in plantations. The number of plantations with non-compliant and/or inefficient wastewater treatment systems remains high. A total resolution of this critical issue implies significant economic investments by producers, who are often unable to undertake them. Precisely for this reason, illycaffè is proposing training activities for producers on issues such as, for example, the measurement and reduction of water consumption, to mitigate the negative effects that may be generated on the environment.

The continuous improvement process promoted by illycaffè, as well as the objective of preventing, eliminating and reducing any cases of non-compliance, depends not only on the influence that illycaffè can exercise on its supply chains, but also on very complex external macroeconomic, social and political conditions. Hence the action undertaken also in 2023 to strengthen collaborations with national and international institutions, with the public and private sector to create synergies aimed at identifying solutions that can take into consideration not only individual supply chains, but the entire sector at regional, national and international level. The main collaborations include those with:

- Food and Agriculture Organization of the United Nations (FAO);
- International Coffee Organization (ICO);
- World Food Program;
- United Nations Development Program (UNDP);
- United Nations Industrial Development Organization (UNIDO);
- Global Coffee Platform (GCP);
- Ministers of Agriculture of various countries, financial institutions, universities and national coffee institutes.

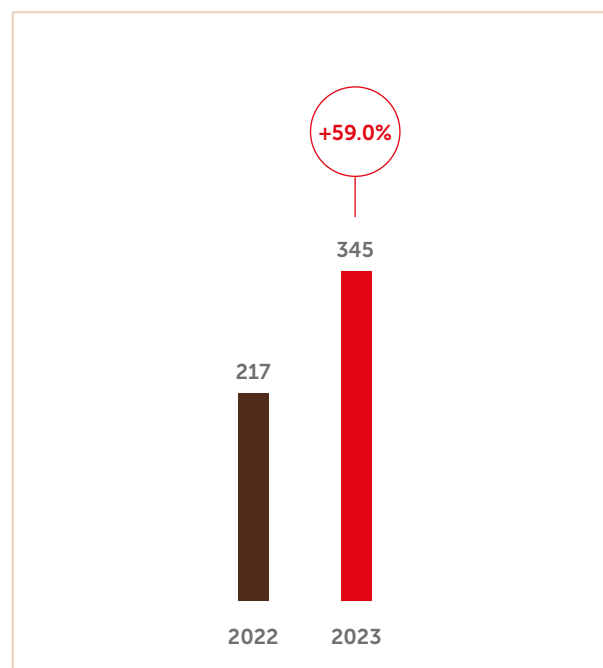
illycaffè strongly believes that training is the main tool to promote improvement in these areas. For this reason, the monitoring of supply chains is accompanied by

continuous stakeholder engagement activities, which represents an important opportunity not only to share the main aspects of sustainability, but also to fully understand each supply chain's context and situation. In particular, in 2023 illycaffè directly involved 2,383 people in training activities, an increase of 20.4% compared to 2022, divided between:

- 1,282 members of the coffee supply chains (suppliers' top management and commercial contacts, agronomists and technicians, producers). These are the key stakeholders, who represent the set of stakeholders illycaffè establishes a commercial relationship with;
- 690 participants in dissemination activities aimed at supply chains, public and private institutions in the sector, academia;
- 227 people including illy employees, instructors at the international offices of the Università del Caffè and foreign distributors;
- 184 stakeholders in companies that operate in the area of digitalisation, agribusiness on precision farming and fertiliser production, or social foundations and multistakeholder platforms.

During the year, 345 hours of training were provided to producers and participants in dissemination activities, an increase of 59.0% compared to 2022.

HOURS OF TRAINING PROVIDED



NUMBER OF STAKEHOLDERS INVOLVED ALONG THE GREEN COFFEE SUPPLY CHAIN

	2023	2022
Producers	1,282	634
Participants in dissemination activities, institutions, academia	690	1,139
Employees and foreign distributors	227	126
Other stakeholders	184	75
Total	2,383	1,979

The training provided focused on sharing illycaffè's approach to sustainability as a fundamental element of its business model: decarbonisation, deforestation, digitalisation of field data collected, sharing of regenerative farming practices, but also gender equality, to support the increasing presence of women in the sector. In particular, there was an increase in female participation, mainly in Brazil, with a presence

of 28% of women producers compared to 18% in 2019, the last year before the pandemic when similar activities were carried out in person. Even more consistent was the participation in the running of the panels for the proposed training activities, run by 60% of women, representatives of the most diverse sectors: from coffee producers to heads of national institutions, university researchers and company managers.

Quality

SUPERIOR AND SUSTAINABLE QUALITY OF THE RAW MATERIAL

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

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

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

From the time the coffee arrives in the port of Trieste until it leaves the warehouses to enter the market, illycaffè's analysis and quality laboratories carry out 135 types of sample checks according to internal and legal specifications, for a total of 356 analyses carried out daily on the various products.

Five specialised laboratories develop innovative technological solutions through continuous experimental activities:

■ **SENSORYLAB**

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

■ **FOODLAB**

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

■ **TECHLAB**

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

■ **AROMALAB**

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

■ **BIOLAB**

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

Supplier lifecycle management

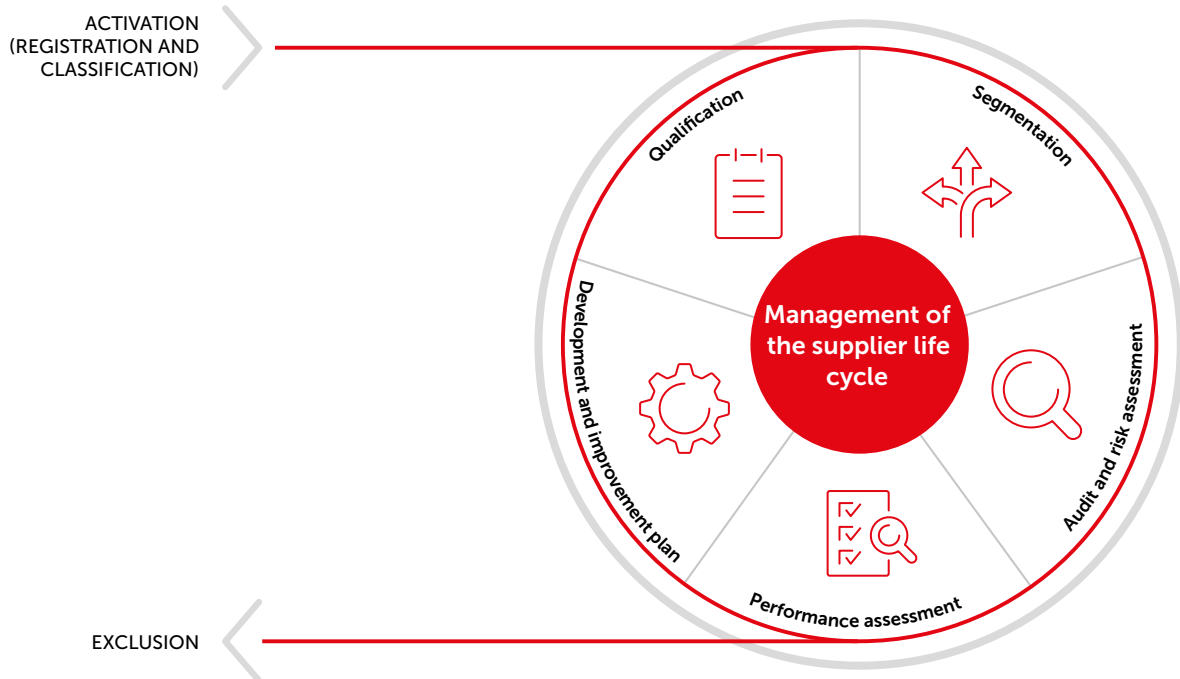
| GRI 2-6 | GRI 204-1 |

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

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

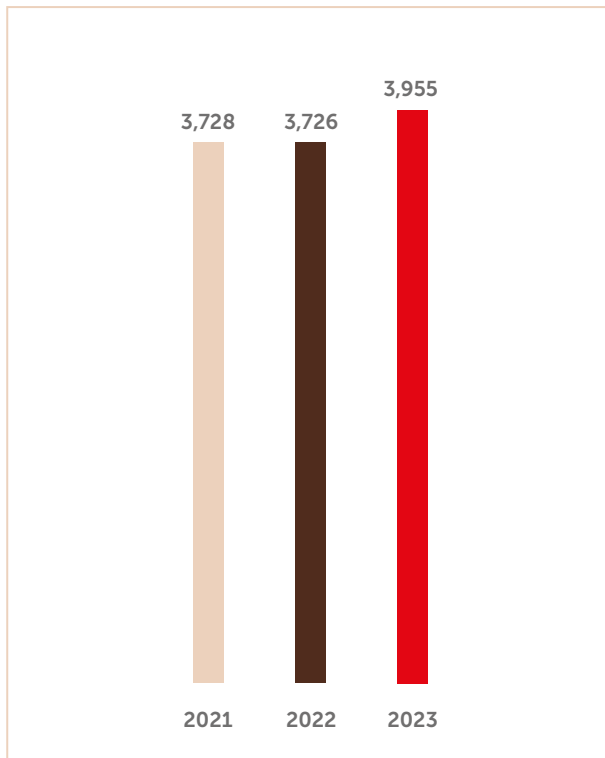
Via a pre-qualification questionnaire, suppliers who register within the portal accept the 231 Organisational Model and the company's Code of Ethics and have access to the Code of Conduct, which lists and describes the principles that illycaffè asks them to observe. The most significant aspects of this questionnaire concern business ethics and integrity, human and labour rights, and environmental sustainability.

MANAGEMENT OF THE SUPPLIER LIFE CYCLE

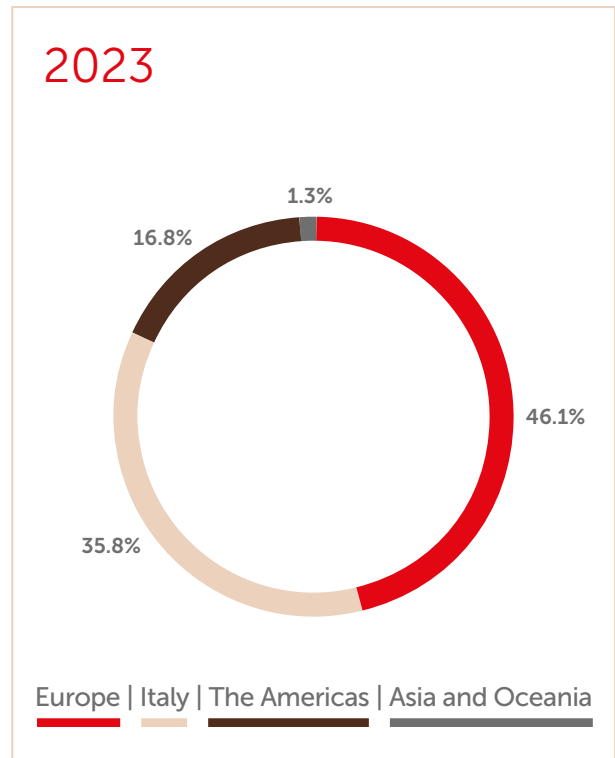


Overall, suppliers of goods and services to which the illycaffè Group turned in 2023 number 3,955, of which 1,451 in relation to the Parent Company. The majority of suppliers (excluding green coffee suppliers) come from Europe (82%), and in particular from Italy (36%). With reference to the parent company (illycaffè Group headquarters where the most significant activities take place), 85% of the suppliers it sourced from were based in Italy, and 79% of the spending budget¹ was allocated to local suppliers (i.e., based in Italy).

NUMBER OF SUPPLIERS (excluding green coffee suppliers)



ORIGIN OF THE SUPPLIERS (excluding green coffee suppliers)



(1) It should be noted that a comparison with the previous two fiscal years is not reported for GRI indicator 204-1, as it is reported for the first time in 2023.

The creation of a responsible supply chain plays a fundamental role in the pursuit of illycaffè's strategic and sustainability objectives. Ambitious targets such as decarbonisation can only be pursued through effective collaboration with suppliers. From this point of view, the Sustainability in Procurement multi-year project, launched in 2022, aims at further strengthening the role played by ESG issues in the selection and assessment of its partners. In 2023, the project focused on the following areas:

- the integration of ESG aspects in the supplier qualification and assessment modules, to obtain a rating with the support of the Synesgy platform, also in order to comply with the requirements of the Corporate Sustainability Due Diligence Directive (CSDDD), the European directive that will define the obligations of companies related to actual and potential negative impacts on human rights and the environment with regard to their activities, those of their supply chains and of their business partners;
- the development of a module dedicated to the quantification of Tier 1 and Tier 2 suppliers' emission impacts through the use of primary data;
- training activity that involved 80% of suppliers with the greatest emission impact^(*) and focused on issues related to decarbonisation, in order to identify shared improvement plans.



(*) Suppliers of goods and services (excluding green coffee suppliers) are considered on the basis of the impact of Scope 3 emissions in the Purchased Goods & Services category, i.e. suppliers of industrial packaging and coffee machines.



Customers and consumers

| GRI 3-3 |

illycaffè is committed to guaranteeing constant quality levels in all products, paying particular attention to the health and safety of consumers; it also guarantees the absence of contaminants in the final product through controls along the entire supply chain. Through packaging and the various digital touchpoints, relevant information is shared with customers and consumers, with a view to complete transparency.

Product portfolio

| GRI 2-6 |

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

Products for home consumption are mainly coffee beans, ground coffee and coffee in single portions, both in capsules, lperespresso and Nespresso® compatible, and in ESE pods. In 2023 the single portion segment (mainly Nespresso® compatible capsules and the lperespresso proprietary system) showed a growth

compared to 2022. The range of products for home consumption also includes coffee machines for all the main preparation systems (coffee beans, ground coffee and coffee in single portions).

In the Out-of-Home segment, the iconic 3 kg and 1.5 kg tinsplate formats, dedicated to bars and restaurants, recorded a double-digit increase compared to 2022, driven by the growth of the Ho.Re.Ca. channel. For operators in the smaller channel, illycaffè offers the lperespresso portion system (professional capsules and coffee machines).

For the OCS/Vending channel, illycaffè has designed and developed a service for the supply of coffee (in beans and single portions) and vending machines. In 2023, the channel recorded strong growth and in terms of product, the focus was on strengthening the offer with the introduction of the FAS300 machine, a semi-automatic vending machine equipped with an advanced capsule loading system and touch screen.



QUALITY LOVES DETAILS

In September, illycaffè launched the new communication campaign “Quality loves details” starring actress Matilda De Angelis, as brand ambassador. Danish director Martin Aamund takes viewers on a journey to discover the details that make the superior and sustainable quality of the illy brand unique, starting with the selection of 1% of the best 100% Arabica coffee beans with zero defects and regenerative agriculture practices applied in plantations.

The campaign was broadcast on TV and through the main digital and print channels in Italy, the United States, the UK and Greece.



Customer care

illycaffè relates with its customers by putting into practice the principles of accessibility, transparency, reduced response time and homogeneity of support on various contact channel, also thanks to its customer care service and a Customer Relationship Management (CRM) platform active in Italy, the United States, the United Kingdom, Austria, Germany, France, Spain and, since 2023, also in Belgium and the Netherlands.

The year 2023 was dedicated to the launch of a path to improve the customer experience. To support interactions in European markets, an agreement was signed with an international partner, aimed at standardising and extending service hours and harmonising interaction methods. In addition, a new IVR (Interactive Voice Response) technology was implemented in all countries, which has enabled the streamlining of management flows, including for B2B

customer care, as well as full compliance with the requirements established by the GDPR with regard to the management of telephone interactions with customers.

In the two main countries, Italy and the United States, 82,551 tickets were opened, down by 3.4% compared to 2022, mainly due to the optimisation of ticket management procedures in the United States.

The Customer Satisfaction Index (CSI), calculated on the basis of satisfaction questionnaires put forward at the end of each ticket, recorded a score of 4.5/5 in Italy, recording an improvement compared to 2022 (+0.4%) and obtaining positive assessments consistently higher than the previous year starting from April until December 2023.



For the second consecutive year, Italian customer care won first place in the Cafeterias and Tea Rooms section of Italy's 2023/2024 Best Customer Service Award, granted by Economia del Corriere della Sera and Statista in July 2023.



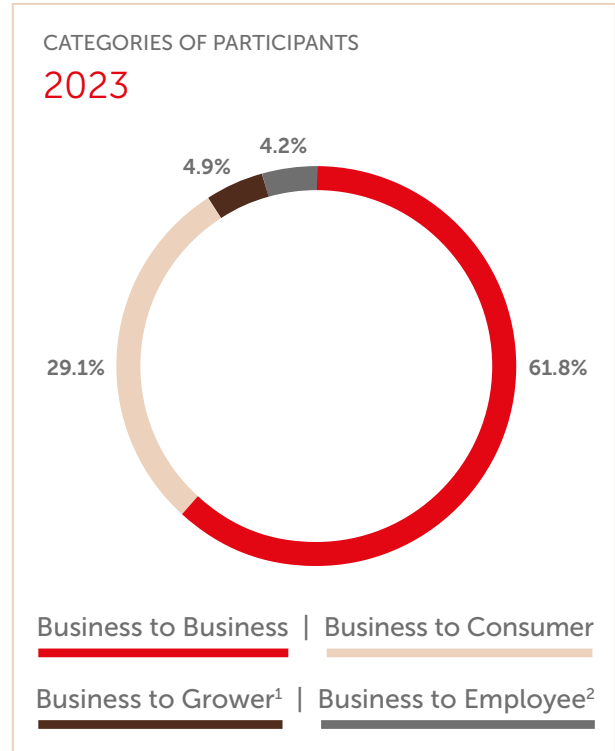
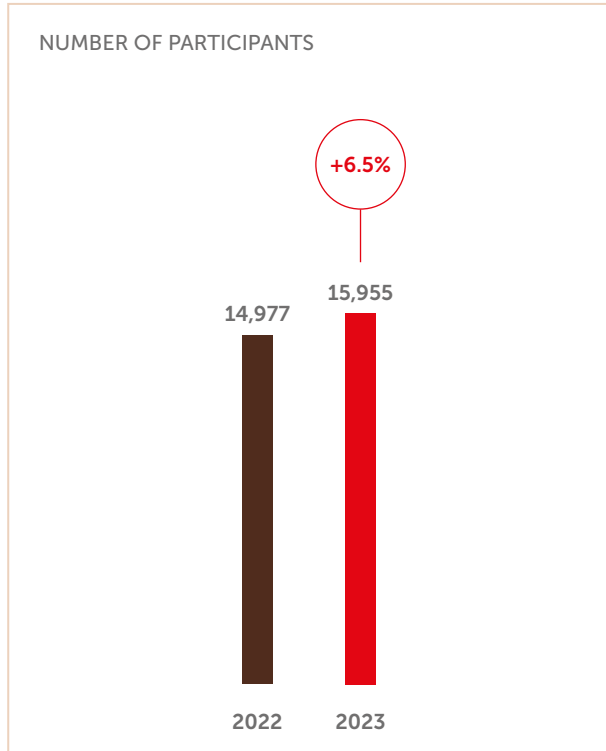
In the United States, the CIS recorded a score of 3.9/5, down compared to 2022 (-0.3), mainly due to an operational disruption, which was resolved later that year. The less favourable assessments are mainly associated with interactions conducted via e-mail, while telephone touchpoints continued to record highly positive feedback, exceeding the defined target of 4/5.

Spreading coffee culture

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

In this spirit, the Università del Caffè was founded in 1999, a hub of excellence created to spread the culture of quality coffee throughout the world through training, research and innovation: a mission that unites all the players involved in the supply chain of a large international community which, to date, has trained over 348,000 people.

PARTICIPANTS IN ACTIVITIES OF THE UNIVERSITÀ DEL CAFFÈ



(1) In the Business to Grower category, it corresponds to the 666 members of the green coffee chain involved in stakeholder engagement activities carried out by the Coffee Procurement team during 2023. For more information, please refer to the chapter Control of the green coffee supply chain.

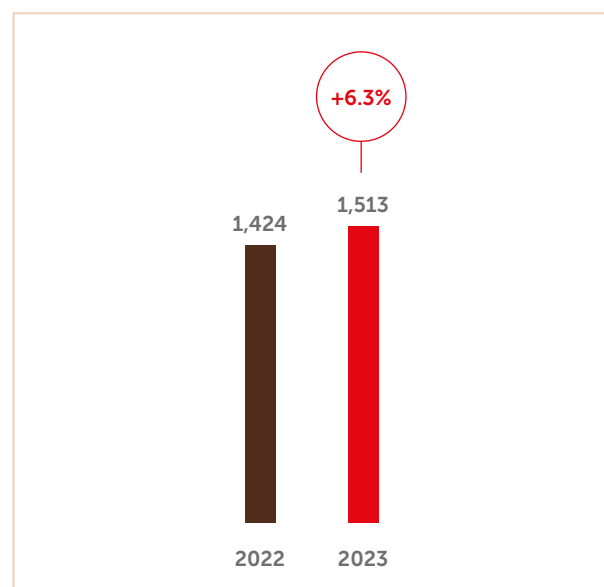
(2) This category includes all illycaffè employees, agents and the illycaffè retail network.

In 2023, 15,955 participants were reached through 1,513 training, teaching and consulting activities for professionals in the Ho.Re.Ca. sector (Business to Business), consumers (Business to Consumer), illycaffè employees (Business to Employee) and coffee growers (Business to Grower).

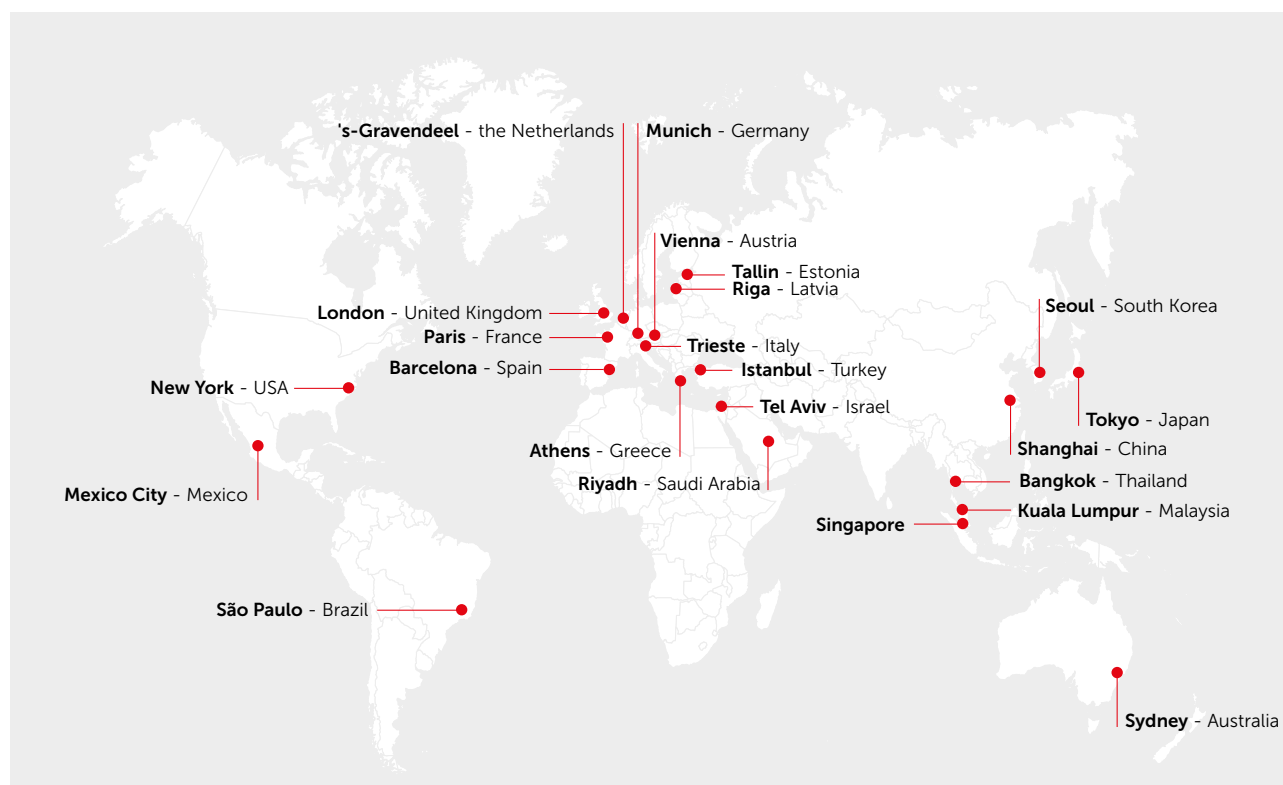
The Università del Caffè network reached an important milestone in 2023: the know-how of 50 teachers operating in the international branches of the Università del Caffè was certified by ACS Italia, a competence certification body accredited by a third party (Accredia), which certifies the level of knowledge and skills in training.

To date, the Università del Caffè network has 23 offices (-2 compared to the previous year due to the closure of the offices in Johannesburg in South Africa and Budapest in Hungary).

NUMBER OF TRAINING, TEACHING AND CONSULTING ACTIVITIES OF THE UNIVERSITÀ DEL CAFFÈ



OFFICES OF THE UNIVERSITÀ DEL CAFFÈ



Through the Università del Caffè, illycaffè promotes one of the cornerstones of its own superior and sustainable quality: direct relationships with suppliers and the sharing and transfer of knowledge. Since 2000, more than 12,500 coffee producers have been supported in the field by experts and instructors from the Università del Caffè.

The dissemination horizon extends to the sector of Ho.Re.Ca. professionals, who have the delicate task of conveying the illy experience to consumers. To this end, the Università del Caffè has developed a program of courses dedicated to bar and restaurant operators. The activities carried out in 2023 for hospitality professionals include, among others:

- tailor-made blending activities for Chef Ambassadors;
- masterclasses at the ALMA and Niko Romito academies, as well as a workshop on sustainability for chefs and pastry chefs at the In Cibus food school;
- educational activities for prospective customers.

Also in 2023, in collaboration with the Cimballi Group, illycaffè organised the 31st edition of the Maestri dell'Espresso Junior competition, where sustainable quality and innovation were key concepts in the selection of finalists. The 2023 edition reached record subscriptions with 56 enrolled institutions and more than 1,000 participating students.

Targeted at graduates from all over the world and aiming to provide high-profile academic preparation in the world of coffee, the Master in Economics and Science of Coffee - Ernesto Illy is dedicated to present and future professionals in the world of coffee. The Master is promoted by the Ernesto Illy Foundation and was developed with authoritative Italian and international partners. As usual, the Università del Caffè organised the Coffee Brewing Week for the 19 students who participated in the 2023 edition.

Training takes also addresses the end consumer, who, through the Università del Caffè, can sharpen their knowledge of the world of coffee, discover its production aspects and learn to appreciate its characteristics.

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

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

It should also be noted that company tours for professionals and suppliers, authorities and journalists, have resumed. In 2023, 228 were scheduled, which were attended by 1,310 guests. These include the 26 tours for the 176 guests of the open day organised on occasion of illycaffè's 90th anniversary at the Trieste site: an entire day dedicated to employees and their families, but also to local authorities and institutions, to the media and the main suppliers in the area to celebrate this milestone together.

Finally, as part of the collaborations with universities, schools and academies, please note the activities carried out by the trainers of the Università del Caffè for the students of the Three-year Degree Course in Biotechnology and Food Engineering of Innsbruck (Austria), the Master Food&Wine 4.0 of the IUSVE of Venice, the Master in Food Quality Management and Communication of the University of Pisa and the Executive Master in Luxury Management and the Executive MBA of the SDA Bocconi School of Management.

Support for local communities

| GRI 2-6 |

In 2023, illycaffè continued to support the activities of the dental department of the San Patrignano Community with the aim of improving the quality of care provided to the facility's guests. To give new smiles to the young people participating in the community recovery process, illycaffè supported the purchase of instruments, materials and tools for laboratory activities, which involves the students of the dental technology course at the Community's study centre. Since 2012, the year the project was activated, 23 students have obtained the dental technician diploma.



The illydieci program continued. Through this illycaffè supports IEO Second Opinion, the service of the European Institute of Oncology in Milan founded by Umberto Veronesi, a world leader in cancer research, prevention, diagnosis and treatment.

The service is dedicated to cancer patients who wish to receive a qualified second opinion on a diagnosis or treatment.

Thanks to the illydieci subscription, available in all illy Caffè venues directly managed in Italy and in participating bars, consumers had the opportunity to donate €1 for every 10 coffees purchased.



The year 2023 also saw the start of a four-year commitment to support Food For Soul, the non-profit organisation founded by chef Massimo Bottura and Lara Gilmore, which since 2015 has been taking care of people in need starting from the primary form of assistance, food, prioritising the reuse of raw materials. Solidarity and the fight against food waste inspired the "Refettori" (Refectories) project, thanks to which abandoned or neglected city spaces reborn into community places, where every day hundreds of socially vulnerable people can feel welcomed and where food becomes complicit in forging new ties.

illycaffè pays particular attention to supporting local communities through local projects aimed at promoting collective well-being, in line with its status as a Benefit Corporation and with the mutual benefit objectives it pursues.

FIND OUT MORE 

Ernesto Illy Foundation

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

The Foundation is a non-profit organisation chaired by Anna Illy, daughter of Ernesto, who was for years her father's closest collaborator, accompanying him on his

travels in search of the best quality Arabica coffee for roasting.

The main objective of the Ernesto Illy Foundation is to develop and launch a series of global projects in the fields of science, education, training and culture that align with the 17 United Nations Sustainable Development Goals (SDGs). The strategy to pursue this objective envisages an operating model that also includes partnerships with other foundations and organisations.



The Ernesto Illy Foundation aims to support the national and international scientific community, both by working in a philanthropic and direct manner on common projects and by contributing to the development of debate and reflection in the cultural, scientific and social spheres.

Always engaged in the science and culture of coffee, cocoa, tea and the agri-food sector in general, it now pays particular attention to research in the agronomic and nutritional field, also with the aim of improving living conditions in producing countries.

The Ernesto Illy Foundation collaborates with associations, entities and institutions whose activities are aimed, directly or indirectly, at pursuing purposes similar to those of the same Foundation. These include UNIDO (United Nations Industrial Development Organization), ECOSOC (United Nations Economic and Social Council) and UNESCO-TWAS (World Academy of Sciences for Scientific Progress in Developing Countries).

In addition, the Ernesto Illy Foundation organises events, study conferences, seminars and workshops, carries out publishing and multimedia activities and cultivates global collaborations with universities, institutions and bodies of excellence.

Governance of the Ernesto Illy Foundation

Board of Directors

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

In 2023 the Foundation carried out the following projects, some in continuity with the past:

International Master in Coffee Economics and Science - Ernesto Illy



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

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

The 12 edition of the Master's degree catered to 19 students of 15 different nationalities. Also in 2023, the Ernesto Illy Foundation offered financial support to fully or partially cover fees, supporting 15 deserving students from coffee-producing countries.

ELIS - School4life 2.0



The two-year project is based on the collaboration between companies and middle and high schools and provides guidance activities for students in Italian areas with high school drop-out rates.

In 2023, the Foundation financially supported the project, while illycaffè provided a faculty of 22 colleagues, who became teachers for the occasion, sharing professional skills and experience.

During the 2022-2023 two-year period, 32 meetings were organised for over 63 hours of activities in four middle schools and two high schools, for a total of 200 students involved.

Regenerative Society Foundation



The Ernesto Illy Foundation is one of the founding partners of the Regenerative Society Foundation, created in 2020 with the aim of developing and promoting a regenerative socio-economic model. Andrea Illy is its co-chairman together with Professor Jeffrey D. Sachs.

In 2023, the Regenerative Society Foundation acquired six new members and participated in 10 national and international events, including COP28, EU Green Week, the Trento Economy Festival, Ecomondo and Parma Green Week. It also joined the Business and Biodiversity Platform and Innovation Platform of the European Commission. During the year, the foundation's efforts focused on finalising its regenerative model, in particular through the development of the Regenerative Framework, a tool that assesses the regenerative potential of projects and activities.

Virtuous Agriculture®



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

In 2023, the focus was on the advancement of the project focused on the development of a bacterial inoculant for *Coffea Arabica*. Today, all frontier work in this area focuses on the reduction of synthetic active ingredients and pesticides in agriculture.

illycaffè has a long-standing collaboration with ICGEB (International Centre for Genetic Engineering and Biotechnology), which has launched numerous start-ups, including Simbiotica, with which the Ernesto Illy Foundation collaborates with the aim of developing specific bacterial cocktails for the fertilisation of coffee plants. The research project with Simbiotica involves five development phases and it was possible to complete three of them in 2023.





Casa de la Alegría



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

In 2023, 12 facilities were opened (one more than the previous year), which welcomed 520 children starting in September and which employed 3 teachers with the aim of providing an educational service, but also to develop the motor and cognitive skills of children of all ages. With the contribution of the Ernesto Illy Foundation, educational materials were also purchased, broken down by age and educational level, kitchen tools and instruments and a first aid kit.



Seeds for Progress



The Ernesto Illy Foundation and illycaffè contribute to the Cultivating Education program of the Seeds for Progress Foundation, which was created with the aim of preventing the risk of child labour on coffee plantations in Central America. The contributions received are used to open reception centres for the children of the collectors for the entire duration of the harvest (approximately four months), offering them a safe place to spend the day, educational activities and meals.

On 15 November 2023, the Seeds for Progress Gala was held in New York. The Ernesto Illy Foundation and illycaffè were awarded the Seeds for Progress Award for their ongoing support to the opening of reception centres for minors from 2018 to date.



Ngororero Women Cooperative



Since 2019, the Ernesto Illy Foundation has supported the Kahawatu Foundation in the design of the Abahuzamugambi Ba cooperative in Rwanda. Made up of 38 coffee farmers, in 2023 the cooperative benefited from the donation of pigs and goats, also aimed at creating a circular economy model thanks to the self-production of organic fertilizer, generated from animal manure. In addition, through a training course aimed at female empowerment and entrepreneurship, a fund was set up, partly assigned to 11 members and aimed at the development of catering and retail sales of local products.



Methodological note

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

Reporting scope and reference period

The reporting scope of the Management Report includes all the companies consolidated on a line-by-line basis by the illycaffè Group and corresponds to that of the Consolidated Financial Statements for the year ended as at 31 December 2023. With reference to sustainability performance, the indicators reported on the basis of a different scope are reported from time to time. It should be noted that the sustainability performance of the company illy coffee San Francisco Llc, liquidated on 30 November 2023, was consolidated up to that date in the specific indicators indicated in the text, in line with what is reported in the Consolidated Financial Statements.

For more details on the companies included in the reporting scope, please refer to the sociogram represented in the chapter "The illycaffè Group" on pages 12-13.

Drafting process and reference standards

The Management Report is the main tool for reporting illycaffè's economic-financial and sustainability performance, providing an integrated representation of the Group's results on an annual basis.

The quantitative indicators and information contained in the Management Report are compared, where possible, with the two previous years. The indicators refer to measurable quantities, relying to a limited extent on the use of estimates, possibly made on the basis of best practices.

If restatements have been made with respect to the data already reported in previous years, an explicit indication is provided in the relative chapters and in the GRI Content Index on pages 140-145.

The Management Report was prepared in accordance with the GRI Standards 2021, in compliance with the "in accordance with" option, and for the impact materiality analysis also following the guidelines defined by the European Sustainability Reporting Standards (ESRSs). In fact, already in 2021 and on a voluntary basis, the illycaffè Group began a gradual approach to the emerging sustainability reporting requirements issued by the European Commission, in anticipation of the entry into force of the Corporate Sustainability Reporting Directive (CSRD).

References to the GRI Standards are reported in the individual chapters of the Management Report and have been collected in the GRI Content Index.

The principles used to define the contents of the Management Report reflect those indicated by the GRI Standards and are set out below:

- relevance;
- inclusiveness;
- sustainability context;
- completeness;
- balance between positive and negative aspects;
- comparability;
- accuracy;
- timeliness;
- reliability;
- clarity.

In consideration of the growing importance of SASB (Sustainability Accounting Standards Board) reporting for financial stakeholders, on page 139, a reconciliation table was also prepared with the GRI indicators reported to allow an integrated reading of the information reported.

The data and information collection process was coordinated by the Strategy & Investor Relations function and implemented by the various company functions and by the companies included in the reference scope, within which the Data Owners and their approvers were identified.

The document has been subject to a limited assurance audit by KPMG S.p.A., which issued in a separate report a statement regarding the compliance of the information reported according to the criteria established by the ISAE 3000 standard. The audit was carried out in compliance with the procedures indicated in the "Independent Auditors' Report", available on pages 148-151.

The Board of Directors of illycaffè S.p.A. approved this Management Report on 25 March 2023. This document, also compliant with the financial statement disclosure obligations pursuant to art. 2428 of the Italian Civil Code, accompanies the financial statements of illycaffè S.p.A., subject to presentation to the Shareholders' Meeting.

Calculation methods

KPIs	Methodology
Corporate governance	
Economic value	The economic value generated represents the wealth generated by the company in carrying out its activities. A significant part of this value is in turn distributed (distributed economic value), in the form of: operating costs, wages and salaries for employees, payments to lenders and payments to the Public Administration. The undistributed residual portion of economic value generated constitutes the retained economic value. All the components of these indicators are calculated with reference to the individual items of the Consolidated Financial Statements of the illycaffè Group.
People	
Industrial relations	Employees Covered by Collective Bargaining: those employees whose employment is governed by collective contracts or agreements, whether national, industry, company or site.
Gender Pay Gap	The Gender Pay Gap is calculated as the ratio between the basic salary and the remuneration of women compared to that of men for each category of employees.
Turnover rate	Positive: Ratio between the number of new employees during the reporting period and the number of employees at the end of the reporting year. Negative: Ratio between the number of terminations during the reporting period and the number of employees at the end of the reporting year.
Health and safety	TRIR: frequency index of total recordable accidents (work-related injuries with days of absence, medical treatments and cases of work limitation). Numerator: total number of work-related injuries that can be recorded; denominator: hours worked in the same period. Result of the ratio multiplied by 1,000,000. Index of work-related injuries with serious consequences: work-related injuries with days of absence of more than 180 days or involving total or permanent disability. Numerator: number of work-related injuries with serious consequences; denominator: hours worked in the same period. Result of the ratio multiplied by 1,000,000.
Environment	
Energy consumption	The conversion factors used for petrol, diesel and electricity come from the 2023 DEFRA database (Department for Environment, Food and Rural Affairs of the United Kingdom).
Emissions GHG	Scope 1 emissions: these are the emissions directly generated by the Company's assets. Direct GHG emissions include the following gases: CO ₂ , CH ₄ , N ₂ O, HFC, PFC, SF ₆ . The emission factors used for petrol, diesel and natural gas come from the Ecoinvent database v. 3.9. Scope 2 Emissions - Market Based: these are the indirect GHG emissions calculated considering the emissions from electricity that the organisation has chosen through supply contracts. Scope 2 Emissions - Location Based: these are the indirect GHG emissions relating to the generation of electricity and heat purchased from third parties and consumed in the assets of the Group companies. For the calculation, the average emission factors of the various countries in which the company operates are applied. Scope 3 emissions: these are the indirect GHG emissions divided into the 15 categories envisaged by the GHG Protocol, whose guidelines and calculation methodology have been followed.

SASB reconciliation table

GRI and SASB represent the most recognised international standards for the definition of sustainability reporting strategies and systems. In consideration of the growing importance of SASB reporting for investors, the correspondence with the indicators used in the Annual Report 2023 was highlighted in the following reconciliation table.

TOPIC	SASB CODE	ACCOUNTING METRIC	RELATED GRI	PAGE
Greenhouse gas emissions	FB-AG-110a.1	Global gross emissions scope 1.	GRI 305-1	94-96
	FB-AG-110a.2	Discussion of the strategy or long-term and short-term plan for the management of scope 1 emissions, of the emission reduction objectives and of the performance analysis with respect to these objectives.	GRI 3-3 GRI 305-4	94-96
	FB-AG-110a.3	Fuel consumed by the fleet.	GRI 302-1	93-94
Management of energy consumption	FB-AG-130a.1	(1) Operating energy consumed; (2) percentage of network electricity; (3) percentage of renewable energy.	GRI 302-1	93-94
Water resource management	FB-AG-140a.1	(1) Total water withdrawn; (2) total water consumed, percentage of each in regions with high or extremely high baseline water stress.	GRI 303-3	98
	FB-AG-140a.2	Description of water management risks and discussion of strategies and practices to mitigate these risks.	GRI 3-3 GRI 303-2	98
Health and safety of the workforce	FB-AG-320a.1	(1) Total recordable incident rate (TRIR); (2) mortality rate; (3) near-miss frequency rate (NMFR) for (a) direct employees and (b) seasonal and migrant employees.	GRI 403-9 GRI 403-10	111-113
Procurement of raw materials	FB-AG-440a.1	Identification of the main crops and description of the risks and opportunities presented by climate change.	GRI 3-3	96, 114-118
Management of the life cycle of packaging	FB-NB-410a.1	(1) Total weight of packaging; (2) % of recycled and/or renewable materials; (3) % of recyclable, reusable and/or compostable material.	GRI 301-1 GRI 301-2	99-100
Food safety	FB-PF-250a.3	(1) Total number of food safety violation notices received; (2) adjusted percentage.	GRI 416-2	83

GRI Content Index

Declaration of use	illycaffè reported the information cited in this GRI index of contents for the period between 1 January 2023 and 31 December 2023, in compliance with the "in accordance with" method.
Use of GRI 1	GRI 1 - Fundamental Principles - 2021 edition

STANDARD GRI	DISCLOSURE	LOCATION	OMISSION (OMITTED REQUIREMENTS, REASON FOR OMISSION, EXPLANATION)	NOTES
General disclosures				
GRI 2: General disclosures 2021	2-1 Organisational details	pp. 12-13		
	2-2 Entities included in the organisation's sustainability reporting	pp. 12-13		
	2-3 Reporting period, frequency and contact point	pp. 137-138		
	2-4 Restatements of information	pp. 137-138		
	2-5 External assurance	pp. 148-151		
	2-6 Activities, value chain and other business relationships	pp. 62-63, 122-124, 126, 131		
	2-7 Employees	pp. 108-110		
	2-8 Workers who are not employees	pp. 108-110		
	2-9 Governance structure and composition	pp. 76-79		
	2-10 Nomination and selection of the highest governance body	pp. 76-79		
	2-11 Chair of the highest governance body	pp. 76-79		
	2-12 Role of the highest governance body in overseeing the management of impacts	pp. 80-81		
	2-13 Delegation of responsibility for the management of impacts	pp. 80-81		
	2-14 Role of the highest governance body in sustainability reporting	pp. 80-81		
	2-15 Conflicts of interest	pp. 76-79		
	2-16 Communication of critical issues	pp. 82-83		
	2-17 Collective knowledge of the highest governance body	pp. 76-79		
	2-18 Performance assessment of the highest governance body	pp. 76-79		
	2-19 Rules regarding remuneration	pp. 76-79		
	2-20 Remuneration determination procedure	pp. 76-79		
	2-21 Total annual remuneration ratio		The disclosure was not included for confidentiality reasons	

CONTINUED

STANDARD GRI	DISCLOSURE	LOCATION	OMISSION (OMITTED REQUIREMENTS, REASON FOR OMISSION, EXPLANATION)	NOTES
GRI 2: General disclosures 2021	2-22 Statement on sustainable development strategy	pp. 80-81		
	2-23 Policy commitment	pp. 82-83		
	2-24 Integration of impacts in terms of policies	pp. 82-83		
	2-25 Processes aimed at mitigating negative impacts	pp. 82-83		
	2-26 Mechanisms for seeking advice and raising concerns	pp. 82-83		
	2-27 Compliance with laws and regulations	pp. 82-83		
	2-28 Membership of associations	pp. 74-75		
	2-29 Approach to stakeholder engagement	pp. 64-67		
	2-30 Collective agreements	p. 108		
Material topics				
GRI 3: Material topics 2021	3-1 Process to determine material topics	pp. 69-73		
	3-2 List of material topics	pp. 69-73		
	3-3 Management of material topics	pp. 69-73		
Business conduct				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 82-83		
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	p. 68		
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	pp. 122-124		The scope for this indicator is limited to illycaffè S.p.A.
GRI 205: Anti-corruption 2016	205-1 Transactions assessed for risks related to corruption	pp. 82-83		
	205-2 Communication and training on anti-corruption policies and procedures	pp. 82-83		
	205-3 Confirmed incidents of corruption and actions taken	pp. 82-83		

CONTINUED

STANDARD GRI	DISCLOSURE	LOCATION	OMISSION (OMITTED REQUIREMENTS, REASON FOR OMISSION, EXPLANATION)	NOTES
Business conduct				
GRI 207: Taxes 2019	207-1 Approach to taxes	pp. 92-93		
	207-2 Governance relating to taxes, risk control and management	pp. 92-93		
	207-3 Stakeholder engagement and management of tax-related concerns	pp. 92-93		
Circular economy - Inflows of resources				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 101-102		
GRI 301: Materials 2016	301-1 Materials used by weight or volume	pp. 101-102		The scope for this indicator is limited to illycaffè S.p.A. and Magic l'Espresso S.L.
	301-2 Recycled input materials used	pp. 101-102		The scope for this indicator is limited to illycaffè S.p.A. and Magic l'Espresso S.L.
Energy and climate change - Energy				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 95-96		
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	pp. 95-96		
	302-3 Energy intensity	pp. 95-96		
Climate change - Climate change mitigation				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 96-98		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) greenhouse gas emissions	pp. 96-98		
	305-2 Indirect (Scope 2) greenhouse gas emissions	pp. 96-98		
	305-3 Other indirect (Scope 3) greenhouse gas (GHG) emissions	pp. 96-98		
	305-4 GHG emissions intensity	pp. 96-98		
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	pp. 96-98		

CONTINUED

STANDARD GRI	DISCLOSURE	LOCATION	OMISSION (OMITTED REQUIREMENTS, REASON FOR OMISSION, EXPLANATION)	NOTES
Water and Marine Resources - Use of water				
GRI 3: Material topics 2021	3-3 Management of material topics	p. 100		
GRI 303: Water and effluents 2018	303-1 Interactions with water as resource	p. 100		
	303-2 Management of water discharge-related impacts	p. 100		
	303-3 Water withdrawal	p. 100		The scope for this indicator is limited to illycaffè S.p.A. and Magic l'Espresso S.L.
Biodiversity and ecosystems - Direct impact factors on biodiversity loss				
GRI 3: Material topics 2021	3-3 Management of material topics	p. 98		
Circular economy - Outflows of resources				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 104-105		
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	pp. 104-105		
	306-2 Management of significant waste-related impacts	pp. 104-105		
	306-3 Waste produced	pp. 104-105		The scope for this indicator is limited to illycaffè S.p.A. and Magic l'Espresso S.L.
	306-4 Waste not destined for disposal	pp. 104-105		The scope for this indicator is limited to illycaffè S.p.A. and Magic l'Espresso S.L.
	306-5 Waste destined for disposal	pp. 104-105		The scope for this indicator is limited to illycaffè S.p.A. and Magic l'Espresso S.L.

CONTINUED

STANDARD GRI	DISCLOSURE	LOCATION	OMISSION (OMITTED REQUIREMENTS, REASON FOR OMISSION, EXPLANATION)	NOTES
Own workforce - Working conditions				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 108-110		
GRI 401: Employment 2016	401-1 New employees and turnover	pp. 108-110		
	401-2 Benefits provided to full-time employees that are not provided to part-time or temporary employees	p. 112		
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	pp. 113-115		
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 113-115		
	403-3 Occupational health services	pp. 113-115		
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 113-115		
	403-5 Worker training on occupational health and safety	pp. 113-115		
	403-6 Promotion of worker health	pp. 113-115		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 113-115		
	403-8 Employees covered by an occupational health and safety management system	pp. 113-115		
	403-9 Work-related injuries	pp. 113-115		
	403-10 Work-related ill health	pp. 113-115		
Own workforce - Equal treatment and opportunities for all				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 111-112		
GRI 404: Training and education 2016	404-3 Percentage of employees receiving regular performance and professional development reviews	pp. 111-112		
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	pp. 76, 108-110		
	405-2 Ratio between basic salary and remuneration of women and those of men	pp. 111-112		The scope for this indicator is limited to illycaffè S.p.A.
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	pp. 82-83		

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STANDARD GRI	DISCLOSURE	LOCATION	OMISSION (OMITTED REQUIREMENTS, REASON FOR OMISSION, EXPLANATION)	NOTES
Own workforce - Work-related rights				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 108-110		
GRI 416: Customer health and safety 2016	GRI 416-1 Assessment of the health and safety impacts of product and service categories	p. 85		
	GRI 416-2 Incidents of non-compliance related to the health and safety impacts of products and services	p. 85		
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	pp. 112-113		
Workers in the value chain - Equal treatment and opportunities for all				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 116-120		
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	pp. 116-120		
GRI 409: Forced or compulsory labour 20167	409-1 Activities and suppliers with high risk of forced or compulsory labour	pp. 116-120		
Communities concerned - Economic, social and cultural rights of communities				
GRI 3: Material topics 2021	3-3 Management of material topics	pp. 116-120		
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	pp. 116-120		
Consumers and end users - Health and safety, Access to quality information and Responsible marketing practices				
GRI 3 - 2021 Material topics	3-3 Management of material topics	p. 126		

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KPMG S.p.A.
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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report on the sustainability report

To the board of directors of illycaffè S.p.A.

We have been engaged to perform a limited assurance engagement on the 2023 non-financial information of the illycaffè Group (the "group") presented in the "Sustainability performance" section of the management report (the "sustainability report").

Directors' responsibility for the sustainability report

The directors of illycaffè S.p.A. (the "parent") are responsible for the preparation of a sustainability report in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards"), as described in the "Methodological note" section of the sustainability report.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of a sustainability report that is free from material misstatement, whether due to fraud or error.

They are also responsible for defining the group's objectives regarding its sustainability performance and the identification of the stakeholders and the significant aspects to report.

Auditors' independence and quality management

We are independent in compliance with the independence and all other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our company applies International Standard on Quality Management 1 (ISQM Italia 1) and, accordingly, is required to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Limited, società di diritto inglese.

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Società per azioni
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Illycaffè group
Independent auditors' report
31 December 2023

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the sustainability report with the requirements of the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board (IAASB) applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the sustainability report is free from material misstatement.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the sustainability report are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the sustainability report, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we performed the following procedures:

- 1 analysing the reporting of material aspects process, specifically how the reference environment is analysed and understood, how the actual and potential impacts are identified, assessed and prioritised and how the process outcome is validated internally;
- 2 comparing the financial disclosures presented in the sustainability report with those included in the group's consolidated financial statements.
- 3 understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the sustainability report.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the sustainability report.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the sustainability report;
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited the Trieste production site, which we have selected on the basis of its business, contribution to the key performance indicators and location, to meet management and obtain documentary evidence, on a sample basis, supporting the correct application of the procedures and methods used to calculate the indicators.



Illycaffè group
Independent auditors' report
31 December 2023

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2023 sustainability report of the illycaffè Group has not been prepared, in all material respects, in accordance with the requirements of the GRI Standards, as described in the "Methodological note" section of the sustainability report.

Other matters

The 2022 and 2021 comparative figures presented in the sustainability report have not been examined.

Milan, 8 April 2024

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit

Annual Report 2023



CONSOLIDATED FINANCIAL STATEMENTS



Annual Report 2023



Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

Amounts in euro	2023	2022	Notes
Sales revenue	595,143,425	567,655,689	1
Other operating income	7,799,611	6,037,624	2
Total net revenue	602,943,035	573,693,313	
Changes in inventories of finished and semi-finished products	(6,831,679)	6,849,757	3
Consumption of raw, ancillary and consumable materials and goods for resale	(261,335,024)	(264,304,945)	4
Costs for employee benefits	(99,775,600)	(103,145,179)	5
Service costs	(119,338,415)	(117,480,745)	6
Amortisation/depreciation	(42,441,813)	(44,551,025)	7
Impairment losses on non-current assets	(5,517,035)	(947,393)	8
Other operating costs	(26,857,269)	(24,218,295)	9
Total costs	(562,096,835)	(547,797,825)	
Operating result (EBIT)	40,846,200	25,895,487	
Financial expense	(12,411,310)	(13,051,244)	10
Financial income	5,129,737	6,497,246	11
Share of results of equity investments in associates measured using the equity method	0		12
Pre-tax profit/(loss)	33,564,628	19,341,489	
Income taxes	(9,859,900)	(5,159,987)	13
Profit/(loss) deriving from assets held for disposal net of taxation			
Profit/(loss) for the year	23,704,728	14,181,502	
Profit/(loss) attributable to:			
Ordinary shareholders of the Parent Company	23,704,648	14,181,414	
Non-controlling interests	80	89	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in euro	31/12/2023	31/12/2022
Profit/(loss) for the year (A)	23,704,728	14,181,502
Components of comprehensive income that may be reclassified to profit/(loss) in subsequent periods:		
Exchange differences on translation of foreign financial statements	(1,761,541)	1,361,483
Net gain/(loss) on cash flow hedges	1,199,621	1,100,869
Tax impact	(287,909)	(264,209)
Subtotal (B1)	(849,829)	2,198,144
Components of comprehensive income that will not be reclassified to profit/(loss) in subsequent periods:		
Actuarial profits/(losses) recognised in the statement of comprehensive income	91,083	256,470
Tax impact	(22,008)	(62,170)
Subtotal (B2)	69,075	194,300
Total other components of the statement of comprehensive income for the year, net of taxation (B1+B2)	(780,753)	2,392,443
Comprehensive net profit/(loss) for the year (A+B1+B2)	22,923,974	16,573,946
Total comprehensive net profit/(loss) attributable to the:		
Ordinary shareholders of the Parent Company	22,923,872	16,573,823
Non-controlling interests	103	123



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in euro	31/12/2023	31/12/2022	Notes
Non-current assets			
Property, plant and equipment	119,610,763	118,276,484	14
Intangible assets and goodwill	38,525,003	39,795,227	15
Right-of-use assets	21,486,602	25,388,673	16
Non-current financial assets	18,979,393	19,965,245	17
Other non-current assets	833,322	949,388	18
Deferred tax assets	15,129,063	16,389,087	13
Total non-current assets	214,564,147	220,764,105	
Current assets			
Inventories	114,967,220	137,861,248	19
Trade receivables	95,565,568	89,851,771	20
Current tax receivables	7,333,215	7,034,224	21
Current financial assets	12,945,670	8,274,603	22
Other current assets	7,095,520	8,207,258	23
Cash and cash equivalents	31,830,443	16,990,114	24
Total current assets	269,737,636	268,219,217	
Assets held for sale			
Total assets	484,301,782	488,983,322	
Shareholders' equity			
Share capital	50,000,000	50,000,000	
Other reserves	79,354,324	80,270,391	
Retained earnings and result for the period	35,340,611	18,761,593	
Total Group shareholders' equity	164,694,936	149,031,985	
Shareholders' equity pertaining to non-controlling interests	12,303	12,200	
Total shareholders' equity	164,707,239	149,044,185	25
Non-current financial liabilities	57,899,787	114,702,352	26
Non-current lease liabilities	16,381,771	20,529,159	27
Employee benefits	2,643,740	2,882,973	28
Non-current provisions for risks and charges	3,725,252	4,371,119	29
Deferred tax liabilities	3,066,136	1,246,533	13
Total non-current liabilities	83,716,686	143,732,136	
Current financial liabilities	86,813,612	39,546,439	30
Current lease liabilities	6,542,885	7,307,566	27
Trade payables	105,148,225	119,113,156	31
Other current liabilities	32,196,452	23,073,901	32
Current provisions for risks and charges	2,537,261	4,505,412	33
Current contractual liabilities	462,854	237,834	34
Current tax payables	2,176,570	2,422,694	35
Total current liabilities	235,877,858	196,207,001	
Liabilities relating to assets held for sale			
Total liabilities	319,594,544	339,939,137	
Total Liabilities and Shareholders' equity	484,301,782	488,983,322	



CONSOLIDATED CASH FLOW STATEMENT

Amounts in euro	Year 2023	Year 2022
Cash flows from operating activities		
Group profit/(loss) for the year	23,704,648	14,181,414
Profit/(loss) for the year pertaining to non-controlling interests	80	88
Income taxes	9,859,900	5,159,987
Financial income and expense	7,264,626	4,949,977
Share pertaining to the result for the year of associates and joint ventures		
(Dividends)	(218,989)	(140,002)
Profit/(loss) on the disposal of property, plant and equipment	(23,586)	236,973
1) Profit/(loss) for the year before income taxes, interest, dividends and capital gains/losses on disposals	40,586,679	24,388,438
Net appropriations for provisions	(2,614,018)	(5,867,421)
Depreciation of property, plant and equipment	26,689,844	26,352,693
Amortisation of intangible assets	8,077,059	8,531,378
Amortisation of right-of-use assets	7,674,910	9,666,955
Write-downs for impairment losses	3,614,035	1,138,075
Write-downs of equity investments	1,893,000	
Net change in employee benefits	(239,233)	(536,165)
Share-based payment transactions settled with equity instruments	596,363	47,382
Value adjustments to financial assets and liabilities of derivative financial instruments that do not involve monetary movements	(1,371,045)	629,811
Other adjustments increase/(decrease) for non-monetary items		3,616,140
2) Cash flow before changes to the NWC	84,907,594	67,967,285
(Increase)/decrease in inventories	22,894,028	(26,661,181)
(Increase)/decrease in trade receivables	(5,597,732)	(2,056,721)
(Increase)/decrease in other non-financial assets	961,033	
(Increase)/decrease in trade payables	(13,964,931)	6,794,465
(Increase)/decrease in other current assets	1,381,557	(2,684,487)
(Increase)/decrease in other current liabilities	4,642,306	1,023,872
Other decreases/(Other increases) in NWC		
3) Cash flow after changes to the NWC	95,223,854	44,383,233
Interest received/(interest paid)	(7,264,626)	(4,949,977)
Income taxes paid	(509,536)	(13,880,520)
Dividends collected	57	402,454

CONTINUED

Amounts in euro

	Year 2023	Year 2022
NET CASH FLOW GENERATED/(ABSORBED) BY OPERATIONS ACTIVITIES (A)	87,449,749	25,955,189
Investments in property, plant and equipment	(31,244,818)	(26,870,709)
Disposals of property, plant and equipment	4,368,216	426,412
Investments in intangible assets	(10,930,974)	(8,187,598)
Divestments of intangible assets	734,513	470,253
Net (investments) in/divestments of non-current financial assets	(2,095,237)	(13,243,530)
(Investments in short-term financial assets)		
Disposal of short-term financial assets		
Acquisition of subsidiaries, net of the liquidity acquired		
Sale of subsidiaries		
NET CASH FLOW ABSORBED BY INVESTMENT ACTIVITIES (B)	(39,168,300)	(47,405,172)
Cash flows from financing activities		
Net increase/(decrease) in current financial liabilities	998,000	(6,441,896)
Undertaking of non-current financial liabilities	28,982,000	41,500,000
Repayment of non-current financial liabilities	(42,856,829)	(22,570,050)
Repayment of principal portion of lease agreements	(11,926,253)	(12,339,369)
Capital increase/(decrease)		
Dividends paid to shareholders of the Parent Company	(8,000,000)	(8,000,000)
NET CASH FLOW GENERATED/(ABSORBED) BY FINANCING ACTIVITIES (C)	(32,803,083)	(7,851,315)
Other changes in shareholders' equity	(638,038)	2,011,481
TOTAL CASH FLOW (D=A+B+C)	14,840,329	(27,289,817)
NET LIQUID FUNDS AT THE BEGINNING OF THE YEAR (E)	16,990,114	44,279,932
NET LIQUID FUNDS AT THE END OF THE YEAR (F=D+E)	31,830,443	16,990,114



STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Translation reserve	FTA reserve	Stock Option Reserve	Reserve for employee benefits
Amounts in euro						
Opening balance at 01/01/2023	50,000,000	8,619,276	(695,986)	(8,371,930)	47,382	(239,086)
Net result for the year						
Net gain/(loss) on expected cash flow hedging transactions						
Change in the translation reserve			(1,761,564)			
Actuarial gains/(losses)						69,075
Total comprehensive income/(loss)	0	0	(1,761,564)	0	0	69,075
Allocation of the result		360,105				
Payment of dividends						
Increase					596,363	
Other changes						
Changes in the scope of consolidation				67,590		
Closing balance at 31/12/2023	50,000,000	8,979,381	(2,457,550)	(8,304,341)	643,745	(170,011)

	Share capital	Legal reserve	Translation reserve	FTA reserve	Stock Option Reserve	Reserve for employee benefits
Amounts in euro						
Opening balance at 01/01/2022	50,000,000	8,059,968	(2,057,434)	(8,371,930)		(433,386)
Net result for the year						
Net gain/(loss) on expected cash flow hedging transactions						
Change in the translation reserve			1,361,449			
Actuarial gains/(losses)						194,300
Total comprehensive income/(loss)	0	0	1,361,449	0	0	194,300
Allocation of the result		559,308				
Payment of dividends						
Increase					47,382	
Other changes						
Closing balance at 31/12/2022	50,000,000	8,619,276	(695,986)	(8,371,930)	47,382	(239,086)

Reserve for expected cash flow hedging transactions	Other reserves	Profit carried forward	Group net result for the year	Total Group shareholders' equity	Shareholders' equity pertaining to non- controlling interests	Net result for the year - non- controlling interests	Total shareholders' equity - non- controlling interests	Total shareholders' equity
785,045	80,125,691	4,580,179	14,181,414	149,031,985	12,112	89	12,200	149,044,185
			23,704,648	23,704,648		80	80	23,704,728
910,374				910,374			0	910,374
				(1,761,564)	23		23	(1,761,541)
				69,075			0	69,075
910,374	0	0	23,704,648	22,922,534	23	80	103	22,922,637
	(1,158,011)	14,979,320	(14,181,414)	0	89	(89)	0	0
		(8,000,000)		(8,000,000)			0	(8,000,000)
				596,363			0	596,363
	(1,338)			0			0	0
		76,464		144,054			0	144,054
1,696,757	78,966,342	11,635,963	23,704,648	164,694,936	12,223	80	12,303	164,707,239

Reserve for expected cash flow hedging transactions	Other reserves	Profit carried forward	Group net result for the year	Total Group shareholders' equity	Shareholders' equity pertaining to non- controlling interests	Net result for the year - non- controlling interests	Total shareholders' equity - non- controlling interests	Total shareholders' equity
(51,616)	77,498,844	3,827,829	11,926,156	140,398,431	12,067	10	12,078	140,410,508
			14,181,414	14,181,414		89	89	14,181,502
836,661				836,661			0	836,661
				1,361,449	34		34	1,361,483
				194,300			0	194,300
836,661	0	0	14,181,414	16,573,823	34	89	123	16,573,946
	2,626,847	8,740,001	(11,926,156)	0	10	(10)	0	0
		(8,000,000)		(8,000,000)			0	(8,000,000)
				47,382			0	47,382
		12,349		12,349			0	12,349
785,045	80,125,691	4,580,179	14,181,414	149,031,985	12,112	89	12,200	149,044,185

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Basis of preparation

Corporate information

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

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

It should be noted that, as from 2019, the Parent Company adopted the status of Benefit Corporation and this constituted a step towards crystallising its guiding principle of doing business: operating as a stakeholder company based on a model of sustainable development that, through the sharing of the value generated (economic sustainability), harmoniously pursues its own growth and a positive impact (social sustainability, environmental sustainability) on the communities in which it operates. Crystallising this process, in 2021 the company became the first Italian coffee company to achieve the B Corp® certification.

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

Pursuant to Italian Legislative Decree No. 127/1991, illycaffè S.p.A. prepares the Group consolidated financial statements without using the exemption option provided for by Article 27.3 of Italian Legislative Decree No. 127/1991. Indeed, it should be noted that illycaffè S.p.A. is directly controlled by Gruppo Illy S.p.A. (69% at 31 December 2023 following the reorganisation carried out in 2023 which entailed, among other things, the division of the Gruppo Illy S.p.A.), in turn owned by RAA S.p.A. with registered office in Milan, Piazza Cavour 3, which prepares the consolidated financial statements of the largest group of companies to which the illycaffè Group belongs.

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

The publication of the consolidated financial statements for the year ended 31 December 2023 was authorised by the Board of Directors on 25 March 2024.

The consolidated financial statements for the year at 31 December 2023 were prepared in compliance with international accounting standards as well as the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38 of 28 February 2005.

These standards include the set of IAS (International Accounting Standards) and IFRS (International Financial Reporting Standards) issued by the International Accounting Standards Board (IASB), as well as the interpretations of the Interpretations Committee (IFRSIC) and the Standing Interpretations Committee (SIC), that have been approved according to the procedure pursuant to Article 6 of Regulation (EC) no. 1606 of 19 July 2002 by 31 December 2023. Any international accounting standards endorsed after that date and before the date of preparation of these financial statements are used in the preparation of the consolidated financial statements only if early adoption is permitted by the endorsement Regulation and the accounting standard subject to endorsement and in the event the Group has made use of this option.

The Group's consolidated financial statements are listed below:

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

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

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



Scope of consolidation

Using the line-by-line consolidation method, the Group's consolidated financial statements include the financial statements of the Parent Company illycaffè S.p.A. at 31 December 2023 and the financial statements, at the same date, of directly or indirectly controlled companies, as detailed in the following table:

Name	City or foreign country	Currency	Share Capital	Shareholders' Equity	Group ownership share	Type of shareholding	Controlling Shareholder
illy caffè North America Inc.	United States	USD	4,970	34,158,848	100.00%	Direct	illycaffè S.p.A.
illycaffè France S.A.S.	France	EUR	1,064,000	3,997,971	100.00%	Direct	illycaffè S.p.A.
illy espresso Canada, Inc.	Canada	CAD	2,000,100	1,024,556	100.00%	Indirect	illy caffè North America Inc.
Magic L'Espresso S.L.	Spain	EUR	285,475	1,462,643	100.00%	Direct	illycaffè S.p.A.
Bar Finance International S.p.A.	Italy	EUR	4,700,000	4,534,719	100.00%	Direct	illycaffè S.p.A.
Experimental Agricola do Brasil Ltda	Brazil	BRL	5,360,653	28,937,846	99.99%	Direct	illycaffè S.p.A.
illycaffè Sud America Comercio, Importacao e Exportacao Ltda	Brazil	BRL	48,635,248	(22,493,393)	100.00%	Direct	illycaffè S.p.A.
illycaffè Shanghai Co. Ltd.	People's Republic of China	CNY	16,081,854	108,927,991	100.00%	Direct	illycaffè S.p.A.
illycaffè UK Ltd.	United Kingdom	GBP	101	1,143,315	100.00%	Direct	illycaffè S.p.A.

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

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

Changes in the scope of consolidation

During the year, the companies Espressamente Retail London Ltd, cancelled from Companies House on 12 September 2023, and illy caffè San Francisco LLC were liquidated on 30 November 2023, thus exiting from the scope of consolidation.

Summary of significant accounting standards

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

Consolidation criteria

The consolidated financial statements include the financial statements of illycaffè S.p.A. and its subsidiaries at 31 December 2023.

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

Subsidiaries

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

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

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

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

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

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

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

Joint arrangements

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

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

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

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

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

Associates

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

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method, based on which the identifiable assets, liabilities and contingent liabilities of the acquired company, which meet the conditions for recognition according to IFRS 3, are recognised at fair value on the date on which the Group actually obtains control of the acquiree.

Deferred taxes are therefore recognised on value adjustments made to previous book values to align them with that value.

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

Goodwill is recognised as the difference between:

a) the sum of:

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

b) the net fair value of the identifiable assets acquired and the identifiable liabilities assumed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Below are the exchange rates applied when converting financial statements in currencies other than the euro for the years ended 31 December 2023 and 31 December 2022:

Currency	2023		2022	
	Average exchange rate	Year-end exchange rate	Average exchange rate	Year-end exchange rate
AED	3.97100	4.05810	3.86730	3.91710
BRL	5.40100	5.36180	5.43990	5.63860
CAD	1.45950	1.46420	1.36950	1.44400
CHF	0.97180	0.92600	1.00470	0.98470
CNY	7.66000	7.85090	7.07880	7.35820
GBP	0.86979	0.86905	0.85276	0.88693
HK\$	8.46500	8.63140	8.24510	8.31630
TWD	33.69830	33.87400	31.32230	32.76030
SGD	1.45230	1.45910	1.45120	1.43000
USD	1.08130	1.10500	1.05300	1.06660

Revenues

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

Revenues from contracts with customers are recognised in accordance with IFRS 15.

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

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

Revenues from sales of coffee are recognised when the control of the goods passes to the customer, generally at the time of delivery, for an amount that reflects the consideration the Group expects to receive in exchange for the sale.

The Group considers whether there are other promises in the contract that represent obligations to perform on which a portion of the transaction consideration is to be allocated, such as in relation to customer loyalty programmes. In determining the price of the coffee sales transaction, the Group considers the effects of variable consideration and consideration to be paid to the customer.

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

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

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

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

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

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

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

Contractual liabilities

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

Public grants

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

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

Recognition of costs

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

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

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

Dividends

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

Financial income and expense

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

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

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

Income taxes and indirect taxation

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

Interest and penalties relating to income taxes are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets as they do not meet the definition of income taxes governed by IAS 12.

Current income taxes

Current tax assets and liabilities for the year are measured at the amount that is expected to be recovered or paid to the tax authorities by applying the rates and tax regulations in force or substantially approved at the reporting date in the countries where the Group operates and generates its taxable income.

Current taxes relating to items recognised directly under shareholders' equity are also recognised under shareholders' equity and not in the profit and loss statement for the year. Management periodically assesses the position adopted in the tax return in cases where tax rules are subject to interpretation in accordance with IFRIC 23 and, where appropriate, makes relative provisions.

Starting from 2005, the Parent Company, acting as the consolidated company, together with Gruppo illy S.p.A. as consolidating company, implemented the national tax consolidation scheme option that enables IRES to be determined on a taxable base corresponding to the algebraic sum of the positive and negative taxable bases of the individual participating companies. Following the reorganisation of the Gruppo illy S.p.A. in 2023, the option for the national tax consolidation regime was renewed with RAA S.p.A., which took over from the Gruppo Illy S.p.A. as consolidating company for the 2023-2026 three-year period.

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

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

Deferred and prepaid income taxes

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are not discounted.

Indirect taxes

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

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

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

Property, plant and equipment

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

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

If an asset is composed of several components with different useful lives, these components (when significant) are accounted for separately and depreciated independently ("component approach", in accordance to IAS 16).

Costs incurred for improvements, modernisation and transformation of an incremental nature of property, plant and equipment are recognised as assets only if they can be recovered through expected future economic benefits and can be reliably estimated. Ordinary maintenance expenses are charged to the income statement in the year in which they are incurred. Any decommissioning costs are estimated and added to the asset as a contra-entry to a provision for decommissioning costs. They are then depreciated over the residual duration of the useful life of the asset of reference.

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

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

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

Assets held for sale (in accordance with the provisions of IFRS 5) are classified separately under non-current assets held for sale and are no longer depreciated, but written down if their fair value is lower than the cost recognised in the financial statements.

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

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

Leases

During the first-time application of the international accounting standards (1 January 2020), the Group chose to apply IFRS 16 retrospectively (modified retrospective method). At the time of signing a contract, the Group assesses whether it is, or contains, a lease. In other words, whether the contract confers the right to control the use of an identified asset for a period of time in exchange for a fee. The Group adopts a single recognition and measurement model for all leases, except for short-term leases and leases involving low-value assets.

At the commencement date of a lease agreement, the Group recognises an asset consisting of the right of use of the underlying asset (right-of-use asset) and a liability relating to the lease payments. Specifically:

- it accounts for a right of use on the lease commencement date (i.e. the date on which the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the amount of recognised lease liabilities, initial direct costs incurred and lease payments made at the commencement date or prior to commencement net of any incentives received. Right-of-use assets are amortised on a straight-line basis from the commencement date to the end of the useful life of the asset consisting of the right of use. If the lease transfers ownership of the underlying asset to the lessee at the end of the lease or if the cost of the right-of-use asset reflects the fact that the lessee will exercise the purchase option, the lessee shall amortise the right-of-use asset from the commencement date until the end of the useful life of the underlying asset. Right-of-use assets are subject to impairment. Assets for operating leases are presented separately under non-current assets, while those for financial leases are included under property, plant and equipment.
- it accounts for a financial liability on the commencement date of the lease. The Group recognises lease liabilities by measuring them at the current value of the lease payments due but not yet paid at that date. Lease payments due include fixed payments (including fixed payments in essence) net of any lease incentives receivable, floating lease payments that depend on an index or rate, and amounts expected to be paid as security for the residual value. Lease payments also include the exercise price of a purchase option, if it is reasonably certain that such an option will be exercised by the Group, and lease termination penalty payments, if the lease duration takes into account the Group's exercise of its lease termination option. Floating lease payments that are not index- or rate-dependent are recognised as costs in the period in which the event or condition giving rise to the payment occurs. In calculating the present value of payments due, the Group uses the marginal borrowing rate at the start date if the implied interest rate cannot be easily determined. After the commencement date, the amount of the lease liability increases to reflect interest on the lease liability and decreases to reflect payments made. In addition, the book value of the lease liability is restated in the event of any changes to the lease or for the review of the contractual terms for the change in payments; it is also restated for changes in the valuation of the option to purchase the underlying asset or for changes in future payments resulting from a change in the index or rate used to determine those payments. Liabilities for operating leases are presented separately, distinguishing between current and non-current; liabilities for financial leases are presented under financial liabilities - payables for loans due to other providers of finance. The Group applies the exemption for the recognition of leases relating to low-value assets such as computers, telephones and tablets, printers and electronic equipment, and to contracts with a duration of 12 months or less that do not contain purchase options (short-term leases). Fees relating to short-term leases and leases of low-value assets are recognised as costs on a straight-line basis over the lease duration.

As required by the standard, the Group has adopted certain elements of professional judgement and the use of assumptions and estimates in relation to lease terms, and the definition of the incremental borrowing rate. The main ones are summarised below:

- renewal clauses, extension options and early termination of contracts are taken into account in determining the term of the contract when their exercise is deemed reasonably certain, i.e. when the Group has the right to exercise them without the need to obtain the consent of the counterparty;
- incremental borrowing rate: the Group has decided to use the incremental borrowing rate as the discount rate for discounting back lease payments. This rate consists of the risk free rate adjusted on the basis of three different credit spreads of the Group, determined on the basis of three different loans taken out by the same, at different times and with different durations.

Intangible assets and goodwill

Intangible assets are resources that are clearly identifiable and controllable by the Group, from which future economic benefits are expected for the Group. They are recognised at purchase cost if acquired separately, and are capitalised at fair value at the acquisition date if acquired through business combinations. Internally generated intangible assets, with the exception of development costs that meet specific requirements as defined in IAS 38, are not capitalised and are recognised in the income statement for the year in which they are incurred.

Both the useful life and the amortisation criterion are reviewed periodically and, if significant changes are found with respect to the assumptions previously adopted, the amortisation charge for the year and subsequent years is adjusted.

Intangible assets with a definite useful life are amortised over their useful life and are tested for impairment whenever there are indications of possible impairment. Amortisation begins when the asset is available for use and ceases when its useful life ends or it is classified as held for sale (or included in a disposal group classified as held for sale). Both the useful life and the amortisation criterion of an intangible asset with a finite useful life are reviewed periodically (at least at the end of each year) and, if significant changes are found with respect to the assumptions previously adopted, the amortisation charge for the year and subsequent years is adjusted.

Amortisation charges for intangible assets with a definite useful life are recognised in the statement of profit or loss for the year in the cost category consistent with the function of the intangible asset.

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

- Development costs	3-5 years
- Industrial patent rights	10 years
- Know-how, intellectual property and internet domain rights	2-10 years
- Concessions, licences, trademarks and similar rights	5-10 years
- Other intangible assets	from 2 to 33 years

Goodwill and fixed assets with an indefinite useful life are not subject to amortisation, but rather to periodic tests (at least annually) to identify any impairment losses ("impairment test"). If the recoverable value is lower than the carrying amount, the recognised asset is appropriately written down.

The assessment of the indefinite useful life is reviewed annually to determine whether this designation continues to be sustainable, otherwise, the change from indefinite to definite useful life is applied on a forward-looking basis.

Research and development costs

Costs for research activities are charged to the income statement for the year in which they are incurred. Development costs incurred in connection with a specific project are recognised as intangible assets only if:

- the project is clearly identified and the related costs are identifiable and reliably measurable;
- the technical feasibility of the project is demonstrated;
- the intention to complete the project and to sell the assets generated by the project has been demonstrated;
- there is a potential market or, in the case of internal use, the usefulness of the intangible asset for the production of the assets generated by the project is demonstrated;
- the technical and financial resources necessary for the completion of the project are available;
- the intangible asset will generate probable future economic benefits.

After initial recognition, the development activities are measured at cost reduced by the amortisation or the accumulated impairment losses. The amortisation of assets begins when development is complete and the asset is available for use. Development activities are amortised over the period of the expected benefits, normally identified as a period of up to 5 years. During the development period, the asset is subject to an annual impairment test.

Impairment on non-financial assets

At each reporting date, the Group assesses whether there are any indicators of impairment of non-financial assets. In the case of goodwill, other intangible assets with an indefinite useful life and intangible assets not yet available for use, this assessment is made at least annually, even in the absence of impairment indicators. In the case of property, plant and equipment as well as equity investments and intangible assets with a finite useful life, the measurement of the recoverable value is carried out whenever the periodic analysis carried out at each reporting date shows trigger events.

The recoverability of the values recorded is verified by comparing the book value recorded in the financial statements with the higher of the fair value of the asset or cash-generating unit, net of disposal costs, and its value in use. If the book value of an asset is greater than its recoverable value, that asset has suffered an impairment loss and is consequently written down to its recoverable value.

Fair value is the price that could be received to sell an asset or pay to transfer a liability in an ordinary transaction between market participants at the measurement date. Therefore, recent transactions on the market are taken into account. If it is not possible to identify such transactions, an appropriate valuation model is used.

The value in use is determined with reference to the present value of estimated future cash flows, which are assumed to result from the continuous use of an asset and its disposal at the end of its useful life, discounted by applying a post-tax discount rate that reflects the current market valuations of the present value of money and the specific risks associated with the asset. If an individual asset does not produce independent cash flows, it is not possible to determine its value in use: in this case, it will be estimated with reference to the cash-generating unit to which the asset belongs.

The Group bases its impairment test on the most recent and up-to-date forecast estimates drawn up and approved by the Finance Department. These forecast estimates generally cover a period of four to five years. To project future cash flows beyond the fourth or fifth year, a long-term growth rate is calculated ("g rate"). The expected future cash flows are therefore discounted (Discounted Cash Flows method) at the Weighted Average Cost of Capital (WACC).

Impairment losses are recognised in the income statement when the book value of the asset is higher than the recoverable value.

With the exception of goodwill, for which impairment losses cannot be reversed, the book value of the asset is increased to the recoverable value when an impairment loss is reversed or is reduced. The value of a previously impaired asset may be reinstated only if there have been changes in the assumptions on which the calculation of the determined recoverable value was based, subsequent to the recognition of the last impairment loss. However, the increased book value of an asset due to a reversal of an impairment loss does not exceed the book value that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised in prior years. Reversals of an asset's value are recognised immediately as income in the income statement unless the asset is recorded at revalued value, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment at least annually, or more frequently if circumstances indicate that the book value may be impaired.

Goodwill impairment is determined by assessing the recoverable value of the cash-generating unit or group of cash-generating units (CGUs) to which the goodwill relates. If the recoverable value of the cash-generating unit is lower than the book value of the cash-generating unit to which the goodwill was allocated, an impairment loss is recognised. Impairment losses of a cash-generating unit or group of cash-generating units are charged firstly as a reduction in the book value of any goodwill allocated to it and then as a reduction in the book values of other assets, in proportion to their book value.

Financial instruments

A financial instrument is any contract which gives rise to a financial asset for an entity and to a financial liability or to an instrument representative of capital for another entity.

The financial instruments held by the Group are included in the following financial statements items:

- "Non-current financial assets": these include non-current loans and receivables;
- "Current financial assets": these include trade receivables, receivables from loan activities, current securities and other current financial assets (including the positive fair value of derivative financial instruments);

- "Cash and cash equivalents": these include bank deposits, units of liquidity funds and other highly marketable securities that can be readily converted into cash and are subject to an insignificant risk of change in value;
- "Financial liabilities": these refer to financial payables, other financial liabilities, the negative fair value of derivative financial instruments, trade payables and other payables.

Financial assets

Recognition, initial and subsequent measurement

Upon initial recognition, financial assets are classified, as appropriate, according to subsequent measurement methods, i.e. at amortised cost, at fair value in the other components of comprehensive income (OCI) and at fair value in the income statement.

The classification of financial assets at the time of initial recognition depends not only on the nature of the instrument, but also on the contractual cash flow characteristics of the financial assets and the business model the Group uses to manage them. With the exception of trade receivables, the Group initially values a financial asset at its fair value plus any transaction costs.

Upon initial recognition, trade receivables, which do not contain a significant financing component, are measured at the transaction price determined in accordance with IFRS 15.

For the purposes of subsequent measurement, financial assets are classified into three categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets measured at fair value through other comprehensive income;
- Financial assets measured at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

The Group measures the financial assets at amortised cost if both the following requirements are met:

- the financial asset is held as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset envisage cash flows at certain dates consisting solely of payments of principal and interest on the principal amount to be repaid.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or revalued.

Financial assets measured at fair value through other comprehensive income

A financial asset must be measured at fair value through other comprehensive income if it is not designated at fair value through profit or loss and both of the following conditions are met:

- the financial asset is held as part of a business model whose objective is achieved both through the collection of contractual cash flows and through the sale of financial assets; and
- the contractual terms of the financial asset envisage cash flows at certain dates consisting solely of payments of principal and interest on the principal amount to be repaid.

These assets are initially recognised in the financial statements at their fair value plus any ancillary costs directly attributable to the transactions that generated them. At the time of subsequent measurement, the valuation carried out at the time of recognition is updated and any changes in fair value are recognised in the statement of comprehensive income.

Financial assets measured at fair value recognised in the income statement

Financial assets that are not classified in any of the previous categories are classified in this category.

Assets falling into this category are recognised at fair value through profit or loss both at the time of their initial recognition and at the time of subsequent measurement as profits or losses deriving from the change in fair value.

Removal from the financial statements

A financial asset or, where applicable, part of a financial asset or part of a group of similar financial assets, is derecognised in the first instance, i.e. removed from the Group's statement of financial position, when:

- the rights to receive cash flows from the asset are extinguished;
- the Group has transferred to a third party the right to receive cash flows from the asset or has assumed a contractual obligation to pay them in full and without delay and (a) has essentially transferred all risks and benefits of ownership of the financial asset, or (b) has neither transferred nor retained essentially all risks and benefits of the asset, but has transferred control of it.

In cases where the Group has transferred the rights to receive cash flows from an asset or has entered into an agreement whereby it retains the contractual rights to receive the cash flows from the financial asset, but undertakes a contractual obligation to pay the cash flows to one or more recipients (pass-through), it assesses whether and to what extent it has retained the risks and benefits inherent in ownership. If it has neither transferred nor retained essentially all of the risks and benefits or has not lost control over it, the asset continues to be recognised in the Group's financial statements to the extent of its continuing involvement in the asset. In this case, the Group also recognises an associated liability. The transferred asset and associated liability are measured to reflect the rights and obligations that remain with the Group.

When the entity's residual involvement is a guarantee on the transferred asset, the involvement is measured at the amount of the asset or the maximum amount of consideration received that the entity could be required to repay, whichever is the lower.

Losses in value on financial assets

The Group recognises a write-down for expected losses (so-called expected credit loss) for all financial assets represented by debt instruments not held at fair value recognised in the income statement. Expected losses are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows the Group expects to receive, discounted back to an approximation of the original effective interest rate. Expected cash flows include cash flows arising from the enforcement of secured guarantees held or other credit guarantees that are an integral part of the contractual terms.

With regard to trade receivables and assets, the Group applies a simplified approach in the calculation of the expected losses, therefore it does not monitor changes in credit risk, but recognises the expected loss in full at each balance sheet date. The Group has defined a matrix system based on historical and market information, revised to consider forward-looking elements with reference to specific types of debtors and their economic environment, as an instrument for determining expected losses.

Financial liabilities

Recognition, initial and subsequent measurement

The Group's financial liabilities include mortgages, loans, derivative financial instruments, and a bond issue. Financial liabilities are classified, at the time of initial recognition, under mortgages and loans, or as derivative instruments designated as hedging instruments. There are no financial liabilities at fair value recognised in the income statement, including therein derivative financial instruments entered into by the Group that are not designated as hedging instruments in a hedging relationship as defined by IFRS 9.

All financial liabilities are initially recognised at fair value plus, in the case of mortgages, loans and payables, directly attributable transaction costs. Subsequently, since they are loans and financing, they are measured at amortised cost. The value of the payables is subsequently reduced for the amounts paid, both as principal and interest.

Financial liabilities at amortised cost (loans and financing)

After initial recognition, loans are measured using the amortised cost approach, applying the effective interest rate method.

With regard to the change in the contractual terms of a financial liability, the Group assesses when such a change can be considered "substantial", thus giving rise to an accounting derecognition of the financial liability. If the change is not substantial in nature ("modification"), the financial liability is not extinguished and the Group recognises the profit or loss deriving from this change in the income statement.

In the case of instruments maturing within twelve months, the nominal value is used as an approximation of the amortised cost.

It follows that if the interest rate of the transaction is not significantly different from the market rate, the payable is initially recorded at a nominal value net of all transaction costs and all premiums, discounts and rebates directly derived from the transaction that generated the payable. These transaction costs, as ancillary costs for obtaining the loans, any commission and any difference between the initial value and the nominal value at maturity are spread over the duration of the payables using the effective interest rate approach.

On the other hand, when it appears that the interest rate of the transaction based on contractual conditions is significantly different from the market rate, the payables (in addition to the corresponding cost in the case of commercial transactions) is initially recognised at a value equal to the present value of future cash flows taking into account any transaction costs. The rate used to discount future cash flows is the market rate.

Amortised cost is calculated by recognising the discount or premium on the acquisition and the fees or costs that form part of the effective interest rate. Amortisation at the effective interest rate is included in financial expense in the statement of profit/loss.

Removal from the financial statements

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or discharged. Where an existing financial liability is exchanged for another financial liability of the same lender under substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability from the accounts, accompanied by the recognition of a new liability, with any differences between the book values recognised in the income statement.

Derivative financial instruments and hedge accounting

Recognition, initial and subsequent measurement

The Group uses derivative financial instruments including currency forwards, interest rate swaps, commodity swap transactions and options to purchase commodities to hedge its exchange rate risks, interest rate risks and the price risks in relation to the raw material green coffee or washed coffee, respectively. The company's policy is to use these instruments within the limits defined by the needs of ordinary operations, and not to take on positions for speculative purposes.

For the purposes of accounting for these derivative financial instruments, the Group adopts the provisions of IFRS 9.

The documentation that formalises the hedging relationship to which hedge accounting is to be applied includes the identification of:

- the hedging instrument;
- the hedged item or transaction;
- the nature of the risk;
- the methods with which the company intends to assess the effectiveness of the hedge in offsetting the exposure to changes in fair value of the hedged item or the cash flows attributable to the hedged risk.

The hedging relationship meets the eligibility criteria for hedge accounting if:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of the credit risk does not override the changes in value resulting from the aforementioned economic relationship;
- a ratio of coverage is determined equal to the ratio between the quantities of derivative financial instruments used and the quantity of items hedged to an extent that does not entail ex ante the ineffectiveness of the hedge.

The verification of the economic relationship is carried out qualitatively, verifying that the supporting elements of the hedging instrument and the hedged element are corresponding or closely aligned, and in a quantitative manner.

On initial recognition, these instruments are measured at fair value. At subsequent reporting dates, the fair value of derivatives must be remeasured and:

- (i) if these instruments do not meet the requirements for hedge accounting, the changes in fair value that arise after initial recognition are charged to the income statement;
- (ii) if these instruments meet the requirements of a fair value hedge, from that date the changes in fair value of the derivative are recognised in the income statement; at the same time, changes in fair value due to the hedged risk are recognised as an adjustment to the book value of the hedged item and, as a balancing entry, to the income statement; any ineffectiveness of the hedge is recognised in the income statement, in a separate item from that in which the changes in fair value of the hedging instrument and the hedged item are classified;
- (iii) if these instruments meet the requirements of a cash flow hedge, starting from that date, the changes in fair value of the derivative are recognised in equity limited to the effective portion of the hedge and in the income statement for the ineffective portion; the changes in fair value of the derivative recognised in equity are reclassified to the income statement in the period in which the hedged transaction affects the income statement; when the object of the hedge is the purchase of a non-financial asset, the changes in fair value of the derivative recognised in equity are reclassified as an adjustment to the purchase cost of the hedged asset;
- (iv) if these instruments meet the requirements of a hedge of a net investment of a foreign operation, starting from that date the changes in fair value of the derivative adjust the "translation difference" limited to the effective portion of the hedge and are allocated to the income statement for the ineffective portion;
- (v) hedging is carried out by the designated instrument, considered as a unit. In the case of options or forward contracts, however, only a part of the derivative is designated as a hedging instrument; the residual component is charged to the income statement. In particular, in the case of options, only changes in fair value due to changes in intrinsic value are designated as hedging instruments; on the other hand, changes in fair value of the option due to changes in time value are recognised in the income statement and are not considered in the measurement of the effectiveness of the hedge. In the case of forward contracts, only changes in fair value due to changes in the spot rate are designated as a hedging instrument; on the other hand, changes in fair value due to changes in forward points are recognised in the income statement and are not considered in the measurement of the effectiveness of the hedge.

If the hedge becomes ineffective or if there is a change in the Group's hedging strategies, hedge accounting is discontinued. Specifically, hedge accounting stops, with prospective effects, when hedging becomes ineffective or when the change in hedging strategies occurs.

If, in a fair value hedge, the hedged item is a financial instrument measured using the effective interest rate method, the adjustments made to the book value of the hedged item are amortised starting from the date on which the fair value hedge accounting is discontinued and therefore the hedged item ceases to be adjusted for changes in fair value attributable to the hedged risk.

Transactions hedging exchange rate risk due to forecasted transactions and firm commitments are recognised in the financial statements according to the cash-flow hedge accounting model.

Derivatives are recognised as assets if the fair value is positive and as liabilities if negative. These balances are shown under current assets or liabilities if they relate to derivatives that do not meet the hedging requirements, while they are classified in line with the hedged item in the other cases.

In particular, if the hedged item is classified under current assets or liabilities, the positive or negative fair value of the hedging instrument is shown under current assets or liabilities; if the hedged item is classified under non-current assets or liabilities, the positive or negative fair value of the hedging instrument is shown under non-current assets or liabilities.

Inventories

Inventories are measured at the lower of purchase or production cost and the net estimated realisable value based on market trends. For raw materials, the acquisition cost is determined using the weighted average cost.

For finished products and goods, the purchase or production cost is determined on the basis of the weighted average costs for the year, including ancillary purchase costs and direct and indirect production costs for the reasonably attributable part.

Obsolete and slow-moving stocks are written down in relation to their possibility of use or sale.

Cash and cash equivalents

Cash and cash equivalents includes liquid financial assets and financial investments with a residual maturity at the date of purchase of less than three months and subject to an insignificant risk of change in their value. The aforementioned financial assets are recognised at their nominal value.

Provisions for risks and charges

Provisions for risks and charges concern costs and charges of a determined nature and of certain or probable existence that at the year-end date cannot be determined with certainty in terms of amount or date of occurrence.

Provisions are recognised when the following conditions are met:

- (i) the Group has a current legal or implied obligation arising from a past event;
- (ii) it is probable that the fulfilment of the obligation will require the use of resources likely to produce economic benefits;
- (iii) the amount of the obligation can be reliably estimated.

The amount allocated in the financial statements represents the best estimate of the amount that the company would rationally pay to settle the obligation or to transfer it to third parties at the reporting date.

When the financial effect of time is significant and the settlement dates of obligations can be reliably estimated, the provision is discounted; when the provision is discounted, the increase in the provision related to the passage of time is charged to the income statement as a financial expense.

Employee benefits

Short-term employee benefits are recognised as an expense when the service that gives rise to these benefits is provided.

The Group recognises a liability for the amount that is expected to be paid when it has a current, legal or implied obligation to make such payments as a result of past events and it is possible to make a reliable estimate of the obligation.

Post-employment benefits are defined on the basis of plans, albeit not formalised, which according to their characteristics are divided into defined contribution plans and defined benefit plans.

In defined contribution plans, the obligation of the company is limited to the payment of the contributions agreed with the employees and is determined on the basis of the contributions due at the end of the period, less any amounts already paid.

In defined benefit plans, the amount recognised as a liability is equal to:

- (a) the present value of the defined benefit obligation at the reporting date;
- (b) plus any actuarial gains (less any actuarial losses);
- (c) less any social security costs relating to past service not yet recognised;
- (d) less the fair value at the reporting date of the assets serving the plan (if any) outside of which the obligations must be extinguished directly.

In defined benefit plans, the cost charged to the income statement is equal to the algebraic sum of the following elements:

- (a) the social security cost relating to current services;
- (b) financial expense deriving from the increase in liabilities as a result of the passage of time;
- (c) the expected return on any assets serving the plan;
- (d) the social security cost relating to past services;
- (e) the effect of any reductions or terminations of the programme.

Actuarial gains and losses are recognised in other comprehensive income.

All net financial expenses on defined benefit plans are recognised under financial income (expense) in the income statement.

Share-based payments

The Group pays some members of senior management and other beneficiaries who hold key positions in the Group incentives consisting of share capital plans.

The value of these share-based payments is measured by reference to the fair value at the assignment date (grant date). Fair value is determined using an appropriate valuation model.

The cost of transactions settled with securities, together with the corresponding increase in shareholders' equity, is recognised in the period starting from the moment in which the conditions relating to the achievement of objectives and/or the provision of the service are met and ends on the date on which the employees concerned have fully accrued the right to receive the remuneration ("vesting date").

The cumulative costs recognised for these transactions at each year-end date until the vesting date are commensurate with the expiry of the vesting period and the best available estimate of the number of equity instruments that will actually vest. The cost or revenue in the income statement represents the change in the cumulative cost recognised at the beginning and end of the period.

Assets and liabilities held for sale

Assets and liabilities held for sale include, respectively, non-current assets (or groups of assets held for sale) and the associated liabilities, the sale of which is highly probable within one year according to a specific plan and the book value of which will therefore be recovered primarily through a sale transaction rather than through continued use. These items are measured at the lower of the net book value at which these assets and liabilities were recognised and the fair value less foreseeable costs of disposal. From the date on which these assets are classified in the category of non-current assets held for sale, the related amortisation/depreciation is suspended. Any losses deriving from this valuation are recognised in a specific item of the income statement.

Change in accounting standards and disclosure

New accounting standards, interpretations and amendments adopted by the Group

The Group has not adopted any other standards, interpretations or amendments in advance that have been issued but are not yet effective.

IFRS standards/Interpretations approved by the IASB and endorsed by the European Union

The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in the European Union and applied for the first time in the current year.

Document title	Issue date	Date of entry into force	Approval date	EU Regulation and publication date
IFRS 17 - Insurance contracts (including amendments published in June 2020)	May-17 Jun-20	1 January 2023	19-Nov-21	(EU) 2021/2036 23-Nov-21
First-time adoption of IFRS 17 and IFRS 9 - Comparative information (Amendments to IFRS 17)	Dec-21	1 January 2023	08-Sep-22	(EU) 2022/1491 09-Sep-22
Definition of accounting estimates (Amendments to IAS 8)	Feb-21	1 January 2023	02-Mar-22	(EU) 2022/357 03-Mar-22
Disclosure on accounting standards (Amendments to IAS 1 ^[1])	Feb-21	1 January 2023	02-Mar-22	(EU) 2022/357 03-Mar-22
Deferred taxes relating to assets and liabilities deriving from a single transaction (Amendments to IAS 12)	May-21	1 January 2023	11-Aug-22	(EU) 2022/1392 12-Aug-22
International Tax Reform - Second pillar standard rules (Amendments to IAS 12)	May-23	1 January 2023	08-Nov-23	(EU) 2023/2468 09-Nov-23

[1] The document published by the IASB includes amendments to the document "IFRS Practice Statements 2 - Making Materiality Judgements" that have not been endorsed by the European Union as they do not relate to an accounting standard or an interpretation.

The amendments to IAS 1 "Presentation of Financial Statements" and "IFRS Practice Statement 2: Disclosure of Accounting Policies" are aimed at improving the disclosure on accounting policies in order to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish changes in accounting estimates from changes in accounting policies.

IFRS 17 "Insurance Contracts" is a new comprehensive accounting standard relating to insurance contracts that covers recognition and measurement, presentation and disclosure and will replace IFRS 4, issued in 2005. This standard applies to all types of insurance contracts regardless of the type of entity issuing them, as well as to certain guarantees and financial instruments with discretionary participation characteristics.

The amendments to IAS 12 "Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction" provide for exceptions to the "initial recognition exemption" envisaged by IAS 12.25 (b) and IAS 12.24. The new provision specifically impacts the calculation of taxes resulting from the "initial recognition".

The amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" allow entities to distinguish between accounting standards and accounting estimates, by introducing a new definition of "accounting estimates".

With reference to the standards and interpretations detailed above, the adoption did not have a material impact on the measurement of the Group's assets, liabilities, costs and revenues.

The following table shows the IFRS/Interpretations approved by the IASB and endorsed for adoption in the European Union the mandatory effective date of which is after 31 December 2023.

Document title	Issue date	Date of entry into force	Approval date	EU Regulation and publication date
Lease liabilities in a sale and leaseback transaction (Amendments to IFRS 16)	Sep-22	1 January 2024	20-Nov-23	(EU) 2023/2579 21 November 2023
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non-current liabilities with clauses (Amendments to IAS 1)	Jul-20 Oct-22	1 January 2024	19-Dec-23	EU 2023/2822 20 December 2023

The amendments to IAS 1 concern the definitions of current and non-current liabilities, and provide a more general approach to the classification of liabilities based on contractual arrangements.

The amendments to IFRS 16 concern the definitions of liabilities deriving from the leaseback and the recognition of any gains or losses deriving from the transaction.

With reference to the standards and interpretations detailed above, the adoption is not expected to have a material impact on the measurement of the Group's assets, liabilities, costs and revenues.

Forthcoming accounting standards and interpretations

IFRS standards/Interpretations approved by the IASB and not endorsed by the European Union

Below are the international accounting standards, interpretations, amendments to existing accounting standards and interpretations, or specific provisions contained in the standards and interpretations approved by the IASB that have not yet been endorsed for adoption in the European Union at 31 December 2023.

Description	Issue date by the IASB	Date of entry into force of the IASB document	Envisaged approval date by the EU
Standards			
IFRS 14 Regulatory deferral accounts	January 2014	1 January 2016	Approval process suspended pending the new accounting standard on "rate-regulated activities".
Amendments			
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	September 2014	Deferred until completion of the IASB project on the equity method.	Approval process suspended pending the conclusion of the IASB project on the "equity method".
Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 9)	May 2023	1 January 2024	to be defined
Lack of Exchangeability (Amendment to IAS 21)	August 2023	1 January 2025	to be defined

In January 2024, the IASB published IFRS 14 Regulatory Deferral Accounts relating to the Rate-regulated activities project. IFRS 14 allows only those who adopt IFRSs for the first time to continue to recognise the amounts relating to the rate regulation according to the previously-adopted accounting standards. In order to improve comparability with entities that already apply IFRSs and do not recognise these amounts, the standard requires that the effect of the rate regulation must be shown separately from the other items. The standard applies from 1 January 2016, but early application is permitted.

With reference to the standards and interpretations detailed above, the adoption is not expected to have a material impact on the measurement of the Group's assets, liabilities, costs and revenues.

Discretionary assessments and significant accounting estimates

The preparation of the financial statements requires the Directors to apply accounting standards and methods which, in certain circumstances, are based on valuations and estimates based on historical experience and assumptions that are considered reasonable and realistic from time to time in relation to the related circumstances.

The application of these estimates and assumptions has an effect on the values of the assets and liabilities, of the costs and revenues recognised in the financial statements and on the disclosure relating to contingent assets and liabilities at the year-end date. The final results could differ from these estimates.

Below is a brief description of the financial statement items that require more subjectivity on the part of the Directors in preparing the estimates than others and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data.

- **Measurement of receivables:** trade receivables are adjusted by the related allowance for doubtful receivables to take into account their actual recoverable value. Determining the amount of the write-downs made requires the Directors to exercise subjective judgement based on the documentation and information available also regarding the customer's solvency, as well as on experience and historical trends.
- **Measurement of goodwill and intangible assets with an indefinite useful life:** in accordance with the accounting standards applied by the Group, goodwill and intangible assets with an indefinite useful life are subject to an impairment test at least annually in order to ascertain whether there is any indication of impairment. This test requires the Directors to make subjective assessments based on the information available within the Group and from the market, as well as on historical experience; they also depend on factors that may vary over time, influencing the valuations and estimates made by the Directors. In addition, if it is determined that a potential impairment may have been generated, the Group proceeds to determine it using valuation techniques deemed appropriate.
- **Provisions for risks:** the identification of the existence or otherwise of a current obligation (legal or implicit) is not easy to determine in some circumstances. The Directors assess these phenomena on a case-by-case basis, together with the estimate of the amount of economic resources required to fulfil the obligation. When the Directors believe that the occurrence of a liability is only possible, the risks are indicated in the specific disclosure section on commitments and risks, without giving rise to any allocation.

- Valuation of closing inventories: the closing inventories of products with obsolescence or slow turnover characteristics are periodically subjected to valuation tests and written down if their recoverable value is lower than the book value. The write-downs made are based on assumptions and estimates by management deriving from its experience and from the historical results achieved.
- Pension plans and other post-employment benefits: Group companies participate in pension plans and other post-employment benefits in various countries. Management uses multiple statistical assumptions and valuation factors with the aim of anticipating future events to calculate the charges, liabilities and assets relating to these plans. The assumptions concern the discount rate, the expected return on assets servicing the plan and rates of future salary increases. In addition, the Group's consulting actuaries also use subjective factors, such as mortality and resignation rates.
- Lease term: determined on the basis of the individual agreement and consisting of the "non-cancellable" period together with the effects of any extensions or early terminations the exercise of which was deemed reasonably certain and considering the terms of the contract itself. Specifically, for properties, this valuation considered the specific circumstances of each asset on a consistent basis with the Group's long-term plans. With regard to other categories of assets, the Group has generally considered it unlikely that any extension or early termination clauses would be exercised in consideration of the approach usually followed by the Group.
- Discount rate of leases falling under IFRS 16 (incremental borrowing rate): the Group cannot easily determine the implicit interest rate of the operating lease and therefore uses the incremental borrowing rate to measure the lease liability. The incremental borrowing rate is the interest rate that the lessee would have to pay for a loan, with a similar duration and with similar collateral, required to obtain an asset of similar value to the right-of-use asset in a similar economic context. The Group has estimated the incremental borrowing rate using observable data, such as, for example, market interest rates for the various durations of the lease agreements.
- Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets, recognised on the basis of the estimate of the residual useful life and their recoverable value. The estimate of the useful lives, also with reference to any capital gains allocated at the time of business combinations, is made by management on the basis of generally applicable valuation practices, based on industry experience and knowledge, and is critically reviewed at each period end.
- Taxes: income taxes are recognised on the basis of the best estimate of the rate expected for the entire year. Deferred tax assets are recognised to the extent that it is probable that there will be a taxable profit in the future that will allow the utilisation of the losses. Significant estimation by management is required to determine the amount of tax assets that can be recognised based on the level of future taxable profits, the timing of their occurrence and the applicable tax planning strategies.

Measurement of fair values

Various accounting standards and some disclosure obligations require the Group to measure the fair value of financial and non-financial assets and liabilities.

In measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. The fair values are divided into various hierarchical levels based on the input data used in the valuation techniques, as illustrated below.

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: input data other than the quoted prices referred to in Level 1 that are observable for the asset or liability, both directly (prices) and indirectly (derived from prices);
- Level 3: input data relating to the asset or liability that are not based on observable market data.

If the input data used to measure the fair value of an asset or liability can be classified in the different levels of the fair value hierarchy, the entire measurement is included in the same hierarchy level as the lowest level input that it is significant for the entire assessment. The Group recognises the transfers between the various levels of the fair value hierarchy at the end of the period in which the transfer took place.

Segment information

The Parent Company does not have any securities traded or that may soon be issued for trading on financial markets and is therefore exempt from the obligation to report segment financial information, as required by IFRS 8.

Earnings per share

The Group has no ordinary shares or potential ordinary shares traded or that may soon be issued for trading in the financial markets; therefore, it does not apply the IAS 33 standard, which governs the disclosure of earnings per share.

Financial risk management criteria and objectives

The Group constantly monitors its exposure to financial risks with the aim of stabilising cash flows and ensuring the alignment of the operating result with what was planned in the budget.

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

Commodity price risk

The Group is exposed to the risk of changes in commodity prices, given the extremely volatile nature of the coffee market, which is influenced by macroeconomic factors (supply and demand) and financial factors (e.g. index funds, hedge funds, etc.).

The objective of commodity risk management is to stabilise the purchase cost of the raw material in order to ensure alignment with the values defined in the forecast and multi-year plan as far as is possible. In addition to defining pre-defined price agreements with producers, derivative financial instruments are used with banks specialised in the agricultural sector, with a time horizon that is at most equal to the multi-year plan, always following the guidelines defined in the Financial Risk Policy.

In 2023, the Group entered into derivative contracts for the purchase of green coffee, which hedge around 11% of the estimated coffee purchases for 2024. Predefined price agreements with green coffee producers account for around 26% of the estimated coffee purchases for 2024.

Exchange rate risk

The Group operates in an international context in which transactions are also conducted in currencies other than the euro, essentially US dollars, exposing it to the risk of fluctuating exchange rates. The exchange rate risk is managed (deriving from changes in the euro values of cash flows in foreign currencies due to an exchange rate that is different from what was defined in the budget) and partly also the accounting exchange risk to reduce the impact of changes in the exchange rate between the date of invoicing and the date of collection. The centralisation in the Parent Company of activities related to the management of such risk allows – where possible - natural hedging between the incoming and outgoing forecast flows. If the net balance is higher than €5 hundred thousand per annum, any hedging transactions are decided in accordance with the provisions of the budget/multi-year plan and using the financial instruments defined in the Financial Risk Policy.

The translation risk associated with the translation of the assets/liabilities of consolidated companies that prepare their financial statements in currencies other than the euro is not managed.

Foreign exchange derivative transactions outstanding at 31 December 2023 are described in Note 22.

The following table shows the sensitivity to a reasonably possible change in the exchange rate of the US dollar and the Brazilian real, with all other variables held constant. The effect on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities outstanding at year end, including derivatives in foreign currency, while that on shareholders' equity pre-taxation also includes the effect of the conversion of the net assets/liabilities of the American consolidated companies. The Group's exposure to exchange rate changes for all other foreign currencies is not significant.

Appreciation/depreciation of the exchange rate	Increase/decrease in the pre-tax profit	Increase/decrease pre-taxation on the shareholders' equity
5% EUR vs. USD	(692,485)	(2,165,379)
-5% EUR vs. USD	765,378	2,393,314
5% EUR vs. BRL	(581,455)	(157,882)
-5% EUR vs. BRL	642,661	632,824

Interest rate risk

Borrowing from banks exposes the Group to the risk of changes in interest rates. Specifically, loans at floating rates determine the risk of an increase in financial expenses, whereas fixed-rate loans (including the bond loan issued in 2015) entail a potential change in the fair value of the loans.

Interest rate risk, in terms of increase in financial expense, is managed by the Financial Risk Policy where the use of financial hedging instruments is envisaged.

At 31 December, there were two Interest Rate Swap agreements in place, the characteristics of which are more fully described in Note 17, where the Group agrees to exchange, at defined intervals, the difference in amount between the fixed rate and the floating rate calculated making reference to an agreed notional principal amount. These swaps are designated to hedge the underlying debt. At 31 December 2023, after taking into account the effect of the IRSs, approximately 45% of the Group's loans are fixed-rate (2022: 56%).

The following table illustrates the sensitivity to a reasonably possible change in interest rates on that portion of debt and loans, after the effects of hedge accounting. With all other variables held constant, and thus based on the value of the financial debt/credit at the end of the year, the Group's profit before of taxes is affected by the impact on floating-rate loans as follows:

Increase/decrease in the basis points	Increase/decrease in the pre-tax profit
+100 BPS	(548,918)
-100 BPS	548,918

Credit risk

Credit exposure is divided among a high number of counterparties and customers. The Group strives to reduce the risk resulting from the insolvency of customers through rules ensuring that sales are made to reliable and solvent customers, especially in Italy. These rules, based on the available information on customer solvency and historic data statistical series, combined with exposure limits per individual customer, reduce credit concentration and minimise the relative risk. In the event of changes in the payment terms, guarantee measures are put in place to protect payments. Positions involving significant amounts for which the Group identifies situations of objective, total or partial, non-recoverability, taking into consideration any guarantees obtained and the costs and expenses of recovery, are written down individually.

Also, the Group makes appropriate provisions for receivables that have not been written down individually on the basis of the expected losses. The write-down percentages are determined on the basis of that which the reference standard suggests, estimating the probability of default on the historical basis of past losses and collection experience in the previous twenty-four months.

In particular, the write-down percentages in the previous twenty-four months are based on the days past due for each class of customers grouped in the various segments that show similar historical loss trends (by geographical area and by past due class).

Disclosure on the credit risk exposure on the trade receivables is illustrated in Note 20.

Liquidity risk

This risk could be manifested in inability on the part of the Group to find, at optimal financing conditions and adequate timing, the financial resources needed to sustain operations. The Group's cash flows, borrowing requirements and liquidity are constantly monitored centrally by the Finance and Treasury function in order to ensure the effective and efficient management of financial resources; these include bank overdrafts, medium/long-term bank loans, a bond issue and financial lease agreements.

The Group's capacity for generating operating cash flows, structuring its financial debt maturities and the confidence that the banking system has in it, with the consequent availability to access sources of funding, mean that the liquidity risk is regarded as well-controlled.

Capital management

For the purpose of the Group's capital management, it has been defined to include the issued share capital, the share premium reserve and all other reserves, including retained earnings (Group shareholders' equity).

The main objective of capital management is chiefly related to obtaining a strong credit rating, in order to support operations and maximise shareholder value.

The Group monitors capital by following the trend of the debt ratio, which is derived from the comparison between the value of the net financial position and consolidated shareholders' equity. In the net financial position the Group includes loans and funding, including financial lease payables (but not operating lease payables), derivative contracts, liquid funds and cash equivalents.

	31/12/2023	31/12/2022
Short and medium-term net financial debt	166,787,160	179,805,041
Net value of derivative contracts	(2,405,759)	(1,034,713)
Cash and other current financial assets	(42,184,810)	(24,481,064)
Net financial position	122,196,591	154,289,264
Group shareholders' equity	164,694,936	149,031,985
NFP/Group shareholders' equity ratio	74%	104%

The Group's capital management aims, among other things, to ensure that covenants related to interest-bearing loans and the like (excluding operating leases), which define capital structure requirements, are met. Breaches of the covenants would allow banks to demand immediate repayment of loans and financing. In the current year, there were no breaches of covenants related to interest-bearing loans and the like.

There were no changes to objectives, policies or processes during the years ending 31 December 2023 and 31 December 2022, nor were there any significant capital transactions during the two periods, with the exception of the distribution of dividends.

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Explanatory Notes

Note 1 - Sales revenue

Revenue at 31 December 2023 amounted to €595,143.4 thousand and mainly refers to sales of coffee products. A more detailed table is provided below:

amounts in thousands of euro

Sales revenue by geographical area	Year 2023	%	Year 2022	%
Italy	185,288	31.1%	181,436	31.9%
EMEA	221,660	37.3%	212,072	37.4%
Americas	120,253	20.2%	107,305	18.9%
Asia and Rest of the World	67,942	11.4%	66,843	11.8%
TOTAL	595,143	100%	567,656	100%

The Group's revenue performance was characterised by a continuous growth trend, recording an increase of 4.8% compared to the previous year thanks to the good performance in the primary markets in which the Group is present. The Group consolidated its leadership position in Italy in the super-premium segment of the market, recording an increase of 2.1% compared to 2022, a result mainly driven by the Out-of-Home channel (mainly Ho.Re.Ca. and Retail) and the online channel.

EMEA (excluding Italy) was also up 4.5% compared to 2022, driven by the positive performance of its main target markets, such as Spain, France, the United Kingdom and Greece, and strengthened presence in the Middle East, mainly in the UAE and Turkey.

The Americas recorded growth of 12.1% compared to 2022 (+15.1% at constant exchange rates) due to positive performance in both Out-of-Home and Home channels. In particular, the online channel experienced a double-digit growth (+16% compared to 2022) thanks to the consolidation of the partnership with Amazon, which supported the business organic growth, accelerating the rate of acquisition of new customers.

The Asian market, up 1.6% compared to 2022, benefited from the excellent performances of Australia (+71.5% compared to 2022) and South Korea (+6.6% compared to 2022).

In 2023, the Group finalised its go-to-market strategy in China, where an exclusive distribution agreement was signed with the Hangzhou Onechance Tech (Chancemate) group to establish a presence in the Home channels, in particular on the main e-tailers. The transition to the new business model - which envisages the aforementioned collaboration with the local distributor - led the Chinese subsidiary to close the year down compared to 2022. A return to growth is expected in 2024, leveraging the partnership with Chancemate, successfully launched in the last quarter of 2023.

amounts in thousands of euro

Sales revenue by Products	Year 2023	%	Year 2022	%
Coffee products	525,371	88.3%	502,725	88.6%
Espresso machines	27,295	4.6%	29,710	5.2%
Other products	42,477	7.1%	35,221	6.2%
TOTAL	595,143	100%	567,656	100%

In line with channel trends, marked by the presence of both the Home channel and by growth in the Out-of-Home channel, in 2023 coffee product revenues increased by 4.5% compared to 2022. The increase in sales of the item Other Products is attributable to the increase in sales of coffee-based products (illycrema, instant coffee, cold-brew).

Note 2 - Other operating income

Description	Year 2023	Year 2022	Change
Net capital gains on disposal of property, plant and equipment and intangible assets	235,511	135,828	99,683
Public grants	2,204,160	1,837,440	366,720
Contract termination penalties	156,117	165,108	(8,991)
Reimbursement of transport expenses	1,733,407	1,429,045	304,362
Other operating income	3,470,415	2,470,203	1,000,212
TOTAL	7,799,611	6,037,624	1,761,987

The item "Other operating income" amounted to €7,799.6 thousand in 2023 (€6,037.6 thousand in 2022) and is made up as follows:

- "Other operating income" for €3,470.4 thousand (€2,470.2 thousand in the previous year) mainly attributable to other income for €747.9 thousand related to collaborations with commercial partners (€1,326.7 thousand in the previous year), sundry damage compensation for €158.0 thousand (€97.9 thousand in the previous year), the release of the allowance for doubtful receivables for €91.7 thousand, the provision for risks for €1,117.3 thousand and the provision for returns for goods for €58.9 thousand;
- "Public grants" amounting to €2,204.2 thousand (€1,837.4 thousand in the previous year), include the operating grants received by the Parent Company for €2,053.0 thousand (€1,621.8 thousand in the previous year) and grants received by illycaffè France S.A.S. as state grants for professional training in support of new resources in the company;
- "Reimbursement of transport expenses" amounting to €1,733.4 thousand (€1,429.0 thousand in the previous year), consisting mainly of reimbursements of transport expenses recognised in the financial statements by the US affiliated company for €575.6 thousand at 31 December 2023 (€568.7 thousand at 31 December 2022), and by the Parent Company for €1,041.3 thousand at 31 December 2023 (€719.5 thousand at 31 December 2022);
- "Contract termination penalties" amounting to €156.1 thousand (€165.1 thousand in the previous year) includes the amounts charged to customers as penalties in the event of early termination of the contract;
- "Net capital gains on disposal of property, plant and equipment and intangible assets" of €235.5 thousand (€135.8 thousand in the previous year) includes the capital gains recognised during the year following the disposal of some property, plant and equipment and intangible assets.

Note 3 - Change in inventories of finished and semi-finished products

Description	Year 2023	Year 2022	Change
Changes in inventories of finished and semi-finished products	(6,831,679)	6,849,757	(13,681,436)
TOTAL	(6,831,679)	6,849,757	(13,681,436)

The change in inventories of finished and semi-finished products had a negative effect on the income statement amounting to €6,831.7 thousand in 2023 (positive for €6,849.8 thousand in 2022). The change in the period underwent a significant decrease compared to the previous year mainly due to increased production placed on the market at year-end. Please refer to Note 19 for an analysis of the change in inventories.

Note 4 - Consumption of raw, ancillary and consumable materials and goods for resale

Description	Year 2023	Year 2022	Change
Change in inventories of raw, ancillary and consumable materials and goods for resale	13,086,699	(22,221,975)	35,308,674
Raw materials and sundry items	145,627,200	164,680,465	(19,053,265)
Charges on purchases of coffee	3,302,229	4,950,665	(1,648,437)
Espresso machines, packaging, advertising materials	93,241,962	110,197,877	(16,955,915)
Sundry and other purchases	6,076,934	6,697,912	(620,978)
TOTAL	261,335,024	264,304,945	(2,969,921)

"Costs for the purchase of raw, ancillary and consumable materials and goods for resale" amounted to €261,335.0 thousand in 2023 (€264,305.0 thousand in 2022), a decrease of €2,970.0 thousand compared to the previous year. This change is mainly attributable to the item "Raw materials and sundry items" for €19,053.3 thousand and to the item "Espresso machines, packaging, advertising materials" for €16,956.0 thousand, changes offset by the consumption of raw materials in stock as can be seen from the item "Change in inventories of raw, ancillary and consumable materials and goods for resale" for €35,305.7 thousand.

During the year, hedging transactions for €532.8 thousand were carried out by the Parent Company on coffee commodities for purchases made during the year, compared to 2022 when no such transactions were carried out.

Note 5 - Costs for employee benefits

Description	Year 2023	Year 2022	Change
Salaries and wages	69,274,172	70,555,209	(1,281,037)
Social security contributions	18,720,198	18,700,860	19,339
Benefits subsequent to the termination of the employment relationship	3,008,827	3,148,793	(139,967)
Other personnel costs	4,509,551	5,960,031	(1,450,480)
Temporary employment	4,262,853	4,780,286	(517,434)
TOTAL	99,775,600	103,145,179	(3,369,578)

The item "Costs for employee benefits" amounted to €99,775.6 thousand in 2023 (€103,145.2 thousand in 2022), a decrease of €3,369.6 thousand compared to the previous year.

The item includes all personnel costs, including promotions, changes of category, paid holidays accrued but not taken and provisions required by law and collective employment contracts. This item also includes "Other personnel costs" relating, directly or indirectly, to employees for €4,509.6 thousand in 2023 (€5,960.0 thousand in 2022), as well as costs for "Temporary employment" for €4,262.9 thousand in 2023 (€4,780.3 thousand in 2022).

The item also includes non-recurring costs linked to the reorganisation plan for €2.4 million.

The following table shows the number of employees of the company by category, broken down between those on the payroll at 31 December 2023 and 31 December 2022 and the average number over the two years:

	2023	2022	Current year average	Previous year average
Senior managers	49	50	50	54
White-collar workers and middle managers	830	875	853	884
Production workers	309	305	307	330
TOTAL	1,188	1,230	1,209	1,268

Note 6 - Costs for services

Description	Year 2023	Year 2022	Change
Maintenance and repair costs	4,871,108	4,532,599	338,510
Consultancy fees	6,889,504	7,834,742	(945,239)
Insurance costs	1,376,140	1,577,011	(200,871)
Energy, similar and telephone expenses	7,338,515	11,463,221	(4,124,706)
Marketing and communication expenses	22,465,757	18,032,803	4,432,954
Sales organisation expenses	10,818,677	9,531,657	1,287,020
Travel expenses	3,339,106	2,751,399	587,707
Transport and shuttle expenses	25,848,679	27,697,651	(1,848,972)
Outsourced processing	7,792,221	6,436,479	1,355,742
Storage costs	5,592,204	5,345,463	246,741
Compensation to directors	5,795,977	6,196,409	(400,432)
Compensation to auditors	291,037	304,420	(13,383)
Industrial costs	5,390,276	5,458,065	(67,788)
Supervisory body fee	70,000	75,322	(5,322)
Canteen management costs	734,331	705,354	28,977
Staff training	339,716	297,032	42,684
Cleaning and reception services	1,760,502	2,018,590	(258,088)
Other costs for services	8,624,667	7,222,530	1,402,136
TOTAL	119,338,415	117,480,745	1,857,670

The item "Costs for services" amounted to €119,338.4 thousand in 2023 (€117,480.7 thousand in 2022). This item generally shows an increase of around 1.6% compared to the previous year, mainly due to the increase in marketing and communication expenses offset by the continuous cost control by the Group in an extremely uncertain environment with sharp increases in the price of goods and services and energy sources worldwide in addition to inflationary pressure. "Marketing and communication expenses" include advertising and marketing activities conceived and developed for the year. In 2023, there was a substantial increase compared to the previous year due to the management costs of the global communication campaign, broadcast on TV and through the main digital and print channels in Italy, the United States and Greece.

"Energy, similar and telephone expenses" recorded a decrease mainly attributable to greater control of these expense items together with better bargaining with mobile phone and energy providers, as well as the downward trend in energy costs compared to the inflationary trend of 2022.

"Transport and shuttling expenses" recorded a significant decrease mainly due to the reduction in the Parent Company's sea freight expenses, which increased significantly in 2022 and then recovered in 2023, and thanks to a better management of the relationship with suppliers.

"Outsourced processing" expenses refer to work orders with subcontractors.

The item "Other costs for services" includes costs for non-recurring services linked to consulting on projects of an extraordinary nature for €0.2 million.

Shown below are the total compensations due to the Directors and Statutory Auditors for the performance of their duties, both at the Parent Company and at the companies within the scope of consolidation, as well as the fees due to the independent auditors (KPMG) appointed to audit the consolidated financial statements (the latter including fees for the audit of the subsidiaries carried out by the same auditing company, by the Parent Company auditor's network or by other auditing companies not part of the KPMG network, as well as fees for non-audit services and tax and legal advisory services).

Description	Remuneration
Directors	5,795,977
Board of Statutory Auditors	291,037
Official audit of the Parent Company	120,141
Accounts audit of the subsidiaries and branches carried out by the network of the Parent Company and other auditing firms	553,563
Other audit services provided by the Parent Company's external auditor	40,000

Note 7 - Amortisation and depreciation

Description	Year 2023	Year 2022	Change
Depreciation of property, plant and machinery	26,689,844	26,352,693	337,152
Amortisation of intangible assets	8,077,059	8,531,378	(454,319)
Amortisation of right-of-use assets	7,674,910	9,666,955	(1,992,045)
TOTAL	42,441,813	44,551,025	(2,109,212)

Depreciation of property, plant and equipment amounted to €26,689.8 thousand in 2023 (€26,352.7 thousand in 2022).

Amortisation of intangible assets amounted to €8,096.5 thousand in 2023 (€8,531.4 thousand in 2022).

Amortisation of right-of-use assets amounted to €7,674.9 thousand (€9,667.0 thousand in 2022). The decrease is mainly due to the termination of some property lease agreements for the management of direct stores.

Note 8 - Impairment loss on non-current assets

Description	Year 2023	Year 2022	Change
With a definite useful life	3,614,035	947,393	2,666,642
With an indefinite useful life	1,903,000		1,903,000
TOTAL	5,517,035	947,393	4,569,642

The item "Impairment loss on non-current assets" amounted to €5,517.0 thousand in 2023 (€947.4 thousand in 2022). The item "With a definite useful life" includes the write-downs of advances on fixed assets following the settlement agreement concluded with a supplier for the design of coffee machines and for the write-down of coffee equipment on free loan.

In addition, the item "With an indefinite useful life" includes the write-down of the goodwill of the illycaffè UK Ltd. business for €1.9 million following the impairment test as detailed in Note 15.

Note 9 - Other operating costs

Description	Year 2023	Year 2022	Change
Costs for leases and rentals	4,948,553	2,939,065	2,009,488
Losses on receivables	1,803,490	1,738,293	65,197
Provisions for risks	2,753,011	637,789	2,115,222
Net capital losses on disposal of property, plant and equipment and intangible assets	211,925	576,755	(364,830)
Indirect taxes and levies	4,463,052	5,084,891	(621,839)
Entertainment expenses and external relations	6,213,144	3,975,821	2,237,323
Annuity and patent management	397,799	429,293	(31,494)
Royalty payments	438,184	351,180	87,004
Membership fees	634,681	580,785	53,896
Environmental contributions (CONAI and WEEE)	1,916,973	1,245,636	671,337
Other operating costs	3,076,456	6,658,788	(3,582,331)
TOTAL	26,857,269	24,218,295	2,638,973

The increase in this item, compared to the previous year, is mainly due to the increase in "Expenses for use of third-party assets", "Entertainment expenses and external relations" and the item "Provisions for risks".

The increase in "Lease and rental expenses" is mainly attributable to the renewal of contracts for software fees.

The item "Entertainment expenses and external relations" recorded an increase compared to the previous year due to the participation in fairs and organised events, in particular, the organisation of the Ernesto Illy international award, as well as the costs of the communication campaign on the American market by illy caffè North America Inc. in the amount of €1.3 million.

The increase in "Provisions for risks" mainly relates to provisions for tax risks and risks inherent to the sales network as detailed in Note 29, of which €1.4 million is non-recurring.

The remaining item "Other operating costs" consists mainly of other operating expenses of €2,249.6 thousand, including, for example, costs for compensatory contributions for €216.6 thousand, costs for prize-winning contest operations for €924.0 thousand, social utility expenses for €637.1 thousand and contingent liabilities of €96.5 thousand.

Note 10 - Financial expense

Description	Year 2023	Year 2022	Change
Interest on bank loans and charged by other providers of finance	5,585,215	3,103,159	2,482,056
Interest on other amounts due to banks	950,981	156,168	794,813
Realised exchange losses	2,685,904	5,919,984	(3,234,080)
Unrealised exchange losses	598,637	996,010	(397,374)
Exchange losses on miscellaneous transactions		88,631	(88,631)
Interest expense on lease agreements	855,911	1,025,245	(169,334)
Write-down of derivatives and other financial assets	122,005	190,681	(68,676)
Other expense	1,612,657	1,571,365	41,292
TOTAL	12,411,310	13,051,244	(639,934)

"Financial expense" for the period amounted to €12,411.3 thousand, down by €640.0 thousand compared to the previous year, mainly due to the positive effect of realised and unrealised exchange losses (€3,284.5 thousand in 2023 compared to €6,916.0 thousand in 2022) offset by the negative effect of interest on bank loans and interest on other payables to banks (€6,536.2 thousand in 2023 compared to €3,259.3 thousand in 2022).

The item "Other expense" consists almost entirely of the amount of the item "Bank charges and fees" in the amount of €1,528.0 thousand (€1,445.3 thousand in 2022).

The item "Write-down of derivatives and other financial assets" includes the write-down of financial receivables for €122.0 thousand, which it is estimated will no longer be recoverable.

Note 11 - Financial income

Description	Year 2023	Year 2022	Change
Unrealised exchange gains	693,744	628,133	65,611
Realised exchange gains	2,573,850	4,809,291	(2,235,440)
Interest income on loans	500	5,500	(5,000)
Revaluation of derivatives	173,184		173,184
Other income	1,688,459	1,054,322	634,137
TOTAL	5,129,737	6,497,246	(1,367,508)

The item "Financial income", equal to €5,129.7 thousand in 2023, recorded a decrease of €1,367.5 thousand compared to the previous year (€6,497.2 thousand), mainly due to the negative effect of realised and unrealised exchange gains.

The item "Other income" mainly consists of:

- "Dividends from other companies" for €219.0 thousand as a dividend from Kafea Terra Food & Drink SA;
- "Interest income on sundry receivables" for €160.8 thousand;
- "Financial income from securities recognised under current assets" for €682.8 thousand.

Note 12 - Profit (loss) deriving from associated companies, other companies and joint ventures

As in the previous year, there were no profits/losses from associated companies, other companies and joint ventures.

Note 13 - Income taxes

Description	Year 2023	Year 2022	Change
Current taxes for the year	6,117,679	6,390,669	(272,990)
Current taxes relating to previous years	472,408	(207,060)	679,468
Deferred taxes	3,269,813	(1,023,622)	4,293,435
TOTAL	9,859,900	5,159,987	4,699,913

The tax burden for 2023 totalled €9,859.9 thousand, as a result of the net effect of:

- current taxes for €6,117.7 thousand;
- the negative effect of deferred taxes for €3,269.8 thousand;
- current taxes related to previous years, which had a negative impact of €472.4 thousand, deriving from the tax burden restated on the basis of the tax returns submitted with respect to the payment of taxes made at the time of preparation of the financial statements for the previous year.

With reference to current taxes, the tax charge is determined on the basis of the taxable income deriving from the result for the year, applying the nominal tax rates in force in the reference countries (for the Italian companies of the Group, respectively 24% for IRES and the 3.9% for IRAP).

The breakdown of income taxes is as follows:

Description	Year 2023	Year 2022	Change
IRES	3,436,556	4,188,789	(752,233)
IRAP	950,353	911,633	38,720
Other current taxes	1,730,770	1,290,247	440,523
Current taxes	6,117,679	6,390,669	(272,990)
IRES	342,154	723,963	(381,809)
IRAP	73,536	8,721	64,814
Other deferred (prepaid) taxes	2,854,124	(1,756,306)	4,610,430
Deferred (prepaid) taxes	3,269,813	(1,023,622)	4,293,435
Taxes from previous years	472,408	(207,060)	679,468
Taxes from previous years	472,408	(207,060)	679,468
TOTAL INCOME TAXES	9,859,900	5,159,987	4,699,913

The total tax burden with respect to the pre-tax result stood at 29.4% compared to 27.6% in the previous year, with an increase of 2.7% compared to the previous year due to the combined effect of the increase in pre-tax profit (+73.5% compared to 2022) mitigated by initiatives, both of an extraordinary nature and linked, in particular, to Patent Box (€1.2 million) and to BAPA (Bilateral Advance Price Agreement) in the United States (€1.6 million), both of a recurring nature and linked to the improvement of the transfer pricing policy.

Deferred tax assets

The following table shows the breakdown of deferred tax assets.

Description	31/12/2023		31/12/2022	
	Amount of temporary difference	Tax Effect	Amount of temporary difference	Tax Effect
Allowance for doubtful receivables	1,711,304	410,713	1,969,673	472,722
Trademark amortisation	1,242,926	346,776	1,286,132	358,831
Goodwill amortisation	1,356,566	378,482	1,495,213	417,165
Unrealised negative exchange rate differences	2,250,731	540,175	1,722,993	413,518
Other provisions and write-downs of intangible assets and property, plant and equipment	15,125,339	4,135,248	16,013,461	4,374,404
Directors' remuneration	1,504,886	361,173	1,402,766	336,664
Amount of deferred tax assets deriving from the consolidation of subsidiaries		8,956,496		10,015,784
Total deferred tax assets		15,129,063		16,389,087

Deferred tax liabilities

The following table shows the breakdown of deferred tax liabilities.

Description	31/12/2023		31/12/2022	
	Amount of temporary difference	Tax effect	Amount of temporary difference	Tax effect
Dividends recorded on an accruals basis	221,883	53,253	2,950	708
Unrealised exchange gains	1,161,473	278,754	623,018	149,524
Derivative financial instruments	2,232,571	535,817	1,034,713	248,331
Amount of deferred taxes deriving from fully consolidated companies		2,198,312		847,970
Total provision for taxation, including deferred taxes		3,066,136		1,246,533

It should be noted that the change in the provision for deferred tax liabilities relating to derivative financial instruments, totalling €287.5 thousand, did not affect the deferred tax charge in the income statement, but was recognised directly as an adjustment of shareholders' equity item "Reserve for expected cash flow of hedging transactions", as it is linked to derivative financial instruments qualified as hedges and, consequently, recognised directly under shareholders' equity.

Note 14 - Property, plant and equipment

Description	Year 2023	Year 2022	Change
Land and buildings	40,254,269	41,704,268	(1,449,998)
Plant and machinery	28,615,346	31,491,445	(2,876,100)
Industrial and commercial equipment	35,847,997	32,462,703	3,385,293
Leasehold improvements	2,506,895	2,909,659	(402,764)
Other property, plant and equipment	6,775,629	5,906,497	869,132
Asset construction in progress and advance payments	5,610,628	3,801,912	1,808,716
TOTAL	119,610,763	118,276,484	1,334,279

The item "Property, plant and equipment" amounted to €119,610.8 thousand at 31 December 2023 (€118,276.5 thousand at 31 December 2022) and is made up as follows:

- "Land and buildings", equal to €40,254.3 thousand at 31 December 2023, with a decrease of €1,450.0 thousand compared to the previous year. The change in the year is mainly attributable to the depreciation for the period, partially offset by the increases in the year;
- "Plant and machinery", equal to €28,615.3 thousand at 31 December 2023, with a decrease of €2,876.1 thousand. The change in the period is mainly due to the effect of depreciation for €7,266.0 thousand in addition to disposals for a net value of €107.9 thousand and investments for €3,204.2 thousand, the latter mainly referring to costs incurred by the Parent Company for the construction of production plants, in particular investments were made to optimise a new grinding island in the 250-gram can department and to increase the efficiency of departments, investments also aimed at complying with the commitment made to reduce consumption also by installing many suitable electrical systems;
- "Industrial and commercial equipment", which amounted to €35,848.0 thousand at 31 December 2023, with an increase of €3,385.3 thousand mainly due to the purchase of professional coffee equipment granted on free loan and/or leased to customers, and due to the purchase and renovation of printing systems used for the production of Iperespresso system products;
- The item "Leasehold improvements" for €2,506.9 thousand at 31 December 2023 (€2,909.7 thousand at 31 December 2022) is mainly attributable to the restoration works of directly operated stores;
- "Other property, plant and equipment", equal to €6,775.6 thousand (€5,906.5 thousand at 31 December 2022), refer to investments made by the Group companies mainly for electronic equipment, office furniture and furnishings, laboratory equipment, furnishings for fairs and events, light constructions, illy bar furnishings and for the purchase of vehicles;
- "Asset construction in progress and advance payments" refers to the construction of works not yet completed, with particular reference to research and innovation in the field of cutting-edge professional machines and the creation of sustainable products that meet the requirements of the circular economy such as the reduction of packaging and complete recyclability. In addition, the plant line referring to compostable capsules is recognised as asset construction in progress.

Decreases reflect the reclassification made during the year to the specific reference property, plant and equipment.

The table below shows the details of the changes, which highlight the reduction in both the historical cost and the related accumulated depreciation and provision for write-downs, if any, mainly as a result of the physical inventory activity carried out by the Parent Company during the year, which involved the entire production site in Trieste.

	Land and buildings	Plant and machinery	Equipment	Other assets	Leasehold improvements	Assets in progress and payments on account to suppliers	Total property, plant and equipment
Historical cost 01/01/2022	68,636,522	141,902,054	156,592,906	44,225,187	8,629,278	5,256,612	425,242,559
Increase	317,308	3,959,520	15,742,341	1,686,842	1,355,952	3,808,824	26,870,788
Decrease		(7,533,557)	(3,960,451)	(1,116,635)	(1,782,187)	(1,239)	(14,394,068)
Exchange differences		(10,197)	730,282	152,637	83,114		955,835
Other changes	(99,125)	2,347,261	(316,984)	105,276	251,883	(2,409,633)	(121,322)
Historical cost 31/12/2022	68,854,705	140,665,082	168,788,094	45,053,307	8,538,040	6,654,564	438,553,792
Accumulated depreciation 01/01/2022	(25,452,461)	(108,368,981)	(125,018,352)	(38,145,650)	(5,485,286)		(302,470,729)
Increase	(1,698,113)	(7,732,742)	(13,430,670)	(1,937,289)	(1,636,102)		(26,434,916)
Decrease		7,377,329	3,674,522	1,036,922	1,551,163		13,639,937
Exchange differences		10,171	(234,281)	(110,668)	(5,688)		(340,466)
Other changes	137	(11,294)	81,891	60,868	(52,469)		79,133
Accumulated depreciation 31/12/2022	(27,150,437)	(108,725,517)	(134,926,889)	(39,095,817)	(5,628,381)		(315,527,041)
Provision for write-downs		(448,119)	(570,811)	(50,993)		(2,852,653)	(3,922,576)
Decrease			132,935				132,935
Exchange differences			(13,232)				(13,232)
Write-downs			(947,393)				(947,393)
Provision for write-downs		(448,119)	(1,398,502)	(50,993)		(2,852,653)	(4,750,267)
Net book value 31/12/2022	41,704,268	31,491,445	32,462,703	5,906,497	2,909,659	3,801,912	118,276,484
Historical cost 01/01/2023	68,854,705	140,665,082	168,788,094	45,053,307	8,538,040	6,654,564	438,553,792
Increase	202,687	3,204,179	20,843,409	2,274,402	285,980	4,419,488	31,230,145
Decrease	(263,674)	(29,614,330)	(5,844,166)	(14,279,998)	(1,720,905)	(1,915,428)	(53,638,502)
Exchange differences		(1,470)	(452,731)	(59,848)	(78,129)		(592,179)
Other changes	124,597	1,201,575	(199,868)	246,677	370,963	(2,075,772)	(331,829)
Historical cost 31/12/2023	68,918,314	115,455,035	183,134,909	33,234,540	7,395,949	7,082,852	415,221,599
Accumulated depreciation 01/01/2023	(27,150,437)	(108,725,517)	(134,926,889)	(39,095,817)	(5,628,381)		(315,527,041)
Increase	(1,683,944)	(7,265,928)	(15,289,480)	(1,569,773)	(880,720)		(26,689,844)
Decrease	170,337	29,506,450	4,115,996	14,152,257	1,635,888		49,580,928
Exchange differences		1,128	338,412	63,754	67,596		470,890
Other changes		64,866	669,653	(9,333)	(83,437)		641,750
Accumulated depreciation 31/12/2023	(28,664,044)	(86,419,001)	(145,092,308)	(26,458,911)	(4,889,054)		(291,523,317)
Provision for write-downs		(448,119)	(1,398,502)	(50,993)		(2,852,653)	(4,750,267)
Decrease	93,338	121,432	518,590	60,968		1,915,428	2,709,755
Exchange differences			70,401				70,401
Write-downs	(93,338)	(94,001)	(1,385,094)	(9,975)		(535,000)	(2,117,408)
Provision for write-downs		(420,688)	(2,194,605)			(1,472,224)	(4,087,518)
Net book value 31/12/2023	40,254,269	28,615,346	35,847,997	6,775,629	2,506,895	5,610,628	119,610,763

Note 15 - Intangible assets

Description	Year 2023	Year 2022	Change
Goodwill	12,336,094	14,419,907	(2,083,812)
Development costs	4,193,303	1,325,085	2,868,218
Concessions, licences, software, trademarks and similar rights	2,805,378	3,258,899	(453,521)
Other intangible assets	8,954,833	8,490,435	464,398
Assets in process of formation and advance payments	10,235,394	12,300,902	(2,065,507)
TOTAL	38,525,003	39,795,227	(1,270,225)

The item "Intangible assets" amounted to €38,525.0 thousand at 31 December 2023 (€39,795.2 thousand at 31 December 2022) and is made up as follows:

- "Development costs" total €4,193.3 thousand at 31 December 2023 (€1,325.1 thousand at 31 December 2022) which include the capitalisation of costs to develop new espresso machine prototypes and new projects aimed at pursuing disposal of capsules in line with ethical rules and their complex life cycle while respecting the environment and nature.
- "Concessions, licences, software, trademarks and similar rights" which include trademark rights, as well as licences for the use of software. The item also increased during the year mainly in relation to rights recognised to new artists for decorations created on illy Art Collection espresso cups as well as for new designs for espresso machines.



The table with a breakdown of the changes is presented below:

	Goodwill	Development costs	Concessions, licences, software, trademarks and similar rights	Other intangible assets	Assets in process of formation and advance payments	Total other intangible assets
Historical cost 01/01/2022	14,641,633	16,837,329	23,055,224	62,120,265	9,413,200	126,067,652
Increase		192,744	489,699	3,424,754	4,006,257	8,113,454
Decrease		(371,747)	(20,015)	(379,581)	(95,785)	(867,129)
Exchange differences	(91,424)		(6,646)	603,631	18,867	524,427
Other changes	(130,302)	75,018	152,479	568,018	(780,797)	(115,584)
Historical cost 31/12/2022	14,419,907	16,733,344	23,670,741	66,337,087	12,561,742	133,722,821
Accumulated amortisation 01/01/2022	0	(14,700,471)	(18,745,681)	(51,150,397)		(84,596,549)
Increase		(1,078,164)	(1,549,285)	(5,793,333)		(8,420,782)
Decrease		370,377	18,363	37,645		426,384
Exchange differences			4,823	(558,758)		(553,935)
Other changes		(1)	(140,062)	(7,851)		(147,914)
Accumulated amortisation 31/12/2022	0	(15,408,259)	(20,411,842)	(57,472,694)		(93,292,795)
Provision for write-downs 01/01/2022				(373,958)	(260,840)	(634,798)
Provision for write-downs 31/12/2022				(373,958)	(260,840)	(634,798)
Net book value 31/12/2022	14,419,907	1,325,085	3,258,899	8,490,435	12,300,902	39,795,227
Historical cost 01/01/2023	14,419,907	16,733,344	23,670,741	66,337,087	12,561,742	133,722,821
Increase	5,519	1,717,689	782,463	4,456,219	3,974,603	10,936,492
Decrease	(77,650)			(349,813)	33,986	(393,477)
Impairment test	(1,893,000)					(1,893,000)
Exchange differences	23,172		683	(362,485)	(7,904)	(346,535)
Other changes	(141,853)	2,628,227	100,800	5,848,039	(4,569,565)	3,865,648
Historical cost 31/12/2023	12,336,094	21,079,261	24,554,687	75,929,047	11,992,861	145,891,950
Accumulated amortisation 01/01/2023	0	(15,408,259)	(20,411,842)	(57,472,694)		(93,292,795)
Increase		(1,477,698)	(1,337,599)	(5,261,715)		(8,077,012)
Decrease				317,479		317,479
Exchange differences			(68)	349,616		349,548
Other changes			200	(4,532,941)		(4,532,741)
Accumulated amortisation 31/12/2023	0	(16,885,957)	(21,749,309)	(66,600,256)		(105,235,522)
Provision for write-downs 01/01/2023				(373,958)	(260,840)	(634,798)
Write-downs					(1,496,627)	(1,496,627)
Other changes						0
Provision for write-downs 31/12/2023	0			(373,958)	(1,757,467)	(2,131,425)
Net book value 31/12/2023	12,336,094	4,193,303	2,805,378	8,954,833	10,235,394	38,525,003

The increases in the item "Other intangible assets" mainly refer to the investments made by the Parent Company in updating the integrated information system (ERP).

The increase in the item "Assets in progress and advance payments" mainly represents the costs relating to projects to update the current Oracle JD Edwards integrated information system used by the Group and ongoing technological innovations on espresso machines. Also included are costs for the new website-design, for improvements made to directly managed sales outlets and implementation of systems for digital document storage, invoice management, expense reports and personnel management.

Goodwill and intangible assets with indefinite useful life

Description	Year 2023	Year 2022	Change
Goodwill	12,336,094	14,419,907	(2,083,812)
Total assets with an indefinite useful life	12,336,094	14,419,907	(2,083,812)

The item mainly refers to the values determined at the time of acquisition of the Mitaca S.r.l. business and of illycaffè UK Ltd. The remaining balances are mainly associated with minor acquisitions made by the Parent Company's branches.

Goodwill is considered to be an asset with an indefinite useful life and is therefore not subject to amortisation, but is at least annually subjected to an impairment test as at the balance sheet date.

The Group has therefore subjected the Net Invested Capital (NIC), including goodwill, to an impairment test, for each cash-generating unit (CGU), understood as an entity with respect to which management monitors its flows.

With reference to the illycaffè UK Ltd. business, the impairment test was carried out with reference to the reference CGU identified in the company illycaffè UK Ltd., a company operating in the distribution of coffee-based products in the UK market. With reference to the goodwill deriving from the acquisition of the Mitaca business, it should be noted that in 2022 the company Mitaca S.r.l., with a view to simplifying and reorganising the management of the group, was merged into illycaffè S.p.A. and therefore for the purposes of the impairment test, illycaffè S.p.A. was considered as the reference CGU. The recoverable value of the CGUs was determined by means of the value in use, determined by applying the discounted future cash flows model, considering the cash flows forecast by management in the business plan up to 2028 (submitted to the Board of Directors during its meeting on 30 November 2023), plus the terminal value, calculated as the present value of the perpetual annuity. For the purposes of calculating the terminal value, the normalised cash flow for the last year of the explicit forecast period was considered, based on a growth rate ("g") consistent with the CGU's reference market equal to 2%.

For discounting purposes, management has identified a WACC rate of 8.9% which weights the cost of debt with that of shareholders' equity, considering the characteristics of the markets in which the CGUs operate. The following considerations were made to determine the WACC:

- the cost of equity capital considering a risk-free rate;
- a market share risk premium and an additional risk premium;
- an unlevered beta coefficient;
- the cost of gross debt, including the spread;
- the reference tax rate of the individual CGU;
- the debt to equity ratio.

The impairment test highlighted the need to proceed with a write-down of €1,893.0 thousand. The additional difference with respect to 31 December 2022 relates to exchange rate differences.

Note 16 - Right-of-use assets

	Store & Buildings	Means of transport	Industrial and commercial equipment	Other right-of-use assets	Total
Historical cost 01/01/2022	36,349,473	4,809,752	1,112,896	1,791,788	44,063,910
Increase	5,591,743	1,667,431	147,470	1,121,595	8,528,239
Decrease	(7,649,904)	(1,316,692)	(31,260)	(446,535)	(9,444,392)
Other changes	802,996				802,996
Exchange differences	256,577	(1,999)		16,259	270,838
Historical Cost 31/12/2022	35,350,886	5,158,492	1,229,105	2,483,108	44,221,591
Increase	4,880,518	1,920,803	13,848	213,516	7,028,685
Decrease	(6,629,026)	(1,855,485)	(206,991)	(545,083)	(9,236,585)
Exchange differences	(197,821)	5,157		(11,427)	(204,091)
Historical cost 31/12/2023	33,404,558	5,228,967	1,035,962	2,140,113	41,809,600
Accumulated amortisation 01/01/2022	(10,076,778)	(2,519,933)	(502,681)	(837,487)	(13,936,879)
Increase	(7,069,057)	(1,614,043)	(252,573)	(744,182)	(9,679,854)
Decrease	3,257,568	1,038,268	31,260	445,499	4,772,596
Exchange differences	15,105	1,481		(5,366)	11,220
Accumulated amortisation 31/12/2022	(13,873,162)	(3,094,226)	(723,993)	(1,141,536)	(18,832,917)
Increase	(5,392,738)	(1,426,731)	(239,744)	(615,697)	(7,674,910)
Decrease	3,619,560	1,693,773	206,991	511,314	6,031,638
Exchange differences	151,159	(4,248)		6,280	153,192
Accumulated amortisation 31/12/2023	(15,495,181)	(2,831,432)	(756,747)	(1,239,638)	(20,322,997)
NET BOOK VALUE 31/12/2022	21,477,724	2,064,266	505,112	1,341,572	25,388,673
NET BOOK VALUE 31/12/2023	17,909,377	2,397,535	279,215	900,475	21,486,602

The Group companies, as lessees, have presented rights of use separately in the statement of financial position referring only to operating leases, while financial leases have been included in the same items in which the corresponding underlying assets would be shown if they were owned. This is mainly in order to isolate current and non-current liabilities related to operating leases with respect to financial leases. Amortisation was determined on the basis of the estimated duration of each contract, carried out taking into account the renewal clauses that can be exercised by the Group without the need to obtain the consent of the counterparty.

The increases in right-of-use assets acquired during the year relate to the renewal of existing lease agreements, in particular relating to new directly managed stores or industrial factories.

The decreases relate to the reduction in the duration of some leases in addition to the location replacement of some office leases and the closure of stores.

Note 17 - Non-current financial assets

	31/12/2023	31/12/2022
Other financial receivables	1,860,287	2,510,099
Other equity investments	16,794,268	16,794,268
Derivative financial assets	324,837	660,877
Total non-current financial assets	18,979,393	19,965,245

The item "Non-current financial assets" amounted to €18,979.4 thousand at 31 December 2023 (€19,965.2 thousand at 31 December 2022) and consists of:

- "Other financial receivables" for €1,860.3 thousand, which includes the financial receivables of the financing activities carried out by Bar Finance International S.p.A.;
- "Other equity investments" for €16,794.3 thousand, which includes the equity investment of the Parent Company equal to 100% of the capital of illycaffè AG, based in Switzerland in Thalwil, which does not qualify as a controlling interest by virtue of the recognition of the usufruct right to the previous shareholders for a defined period of time as agreed in the share purchase transaction;
- "Derivative financial assets" amounting to €324.8 thousand at 31 December 2023 (€660.9 thousand at 31 December 2022), relating to the two "Interest Rate Swap" contracts commented on below.

The changes in equity investments in other companies during the year are shown below:

	Purchase cost 31/12/2022	Provision for write-downs 31/12/2022	Initial net value 31/12/2022	Increase	Decrease	Purchase cost 31/12/2023	Provision for write-downs 31/12/2023	Final net value 31/12/2023
CAAF Interreg. Dipendenti S.r.l.	5		5			5		5
Kafea Terra Food & Drinks S.A.	247,000		247,000			247,000		247,000
OCM S.r.l.	2,169		2,169			2,169		2,169
CONAI	1,605		1,605			1,605		1,605
ERP Italia Srl - WEEE	4,010		4,010			4,010		4,010
Illycaffè Thalwil AG	15,959,946		15,959,946			15,959,946		15,959,946
Consorzio E.S.E.	3,533		3,533			3,533		3,533
Little Italy Espresso Machines SL	120,202	(120,202)	0			120,202	(120,202)	0
Trieste Convention Center	576,000		576,000			576,000		576,000
TOTAL	16,914,471	(120,202)	16,794,268	0	0	16,914,471	(120,202)	16,794,268

Interest rate transactions

At 31 December 2023 the Group has two "Interest Rate Swap" contracts with positive fair value, the main characteristics of which and the book value corresponding to their fair value at that date are shown in the following table.

Type of contract	Start date	Settlement date	Currency	Notional at 31/12/2023	Fair value at 31/12/2023	Fixed Rate (Paid)	Floating Rate (Collected)	Floor
IRS	Apr-20	Apr-25	EUR	7,500,000	278,102	(0.100%)	6M Euribor	0
IRS	Nov-20	Nov-25	EUR	1,510,386	46,735	(0.300%)	3M Euribor	-0.012
				9,010,386	324,837			

These are contracts signed by the Parent Company to hedge interest rate risk and through which the company is able to "convert" part of its debt from floating rate to fixed rate. The fair value of these instruments is determined through the use of valuation models based on market inputs (source: Bloomberg).

At 31 December 2022 the Group had two "Interest Rate Swap" contracts with positive fair value, the main characteristics of which and the book value corresponding to their fair value at that date are shown in the following table.

Type of contract	Start date	Settlement date	Currency	Notional at 31/12/2023	Fair value at 31/12/2023	Fixed Rate (Paid)	Floating Rate (Collected)	Floor
IRS	Apr-20	Apr-25	EUR	12,500,000	557,775	(0.100%)	6M Euribor	Hedge
IRS	Nov-20	Nov-25	EUR	2,257,771	103,102	(0.300%)	3M Euribor	Hedge
				14,757,771	660,877			

Note 18 - Other non-current assets

	31/12/2023	31/12/2022
Guarantee deposits	833,322	949,388
Total other non-current assets	833,322	949,388

The item "Other non-current assets" amounted to €833.3 thousand at 31 December 2023 and consists entirely of guarantee deposits.

Note 19 - Inventories

	31/12/2023	31/12/2022
Raw, ancillary and consumable materials	60,809,994	72,146,037
Work in progress	1,729,919	1,580,421
Finished products	52,167,691	63,513,726
Payments on account	259,616	621,064
Total Inventories	114,967,220	137,861,248

The item "Inventories" amounted to €114,967.2 thousand at 31 December 2023 (€137,861.2 thousand at 31 December 2022). The decrease compared to the previous year of €22,894.0 thousand is mainly attributable to the decrease in raw material and finished product inventories in stock at the end of the year care of the Group companies. Inventories are stated net of the provision for write-downs amounting to €8,652.3 thousand.

The changes in the provision for write-downs are shown below:

	2023	2022
Starting balance	(7,344,853)	(6,648,355)
Provision	(2,968,800)	(3,898,725)
Uses and releases	1,591,995	3,111,098
Other changes		202,933
Exchange differences	69,357	(111,804)
End balance	(8,652,301)	(7,344,853)

Note 20 - Trade receivables

	31/12/2023	31/12/2022
Receivables from customers	102,866,948	97,014,290
Receivables from the parent company	21,683	3,860
Receivables from subsidiaries of the parent company		18,180
TOTAL	102,888,632	97,036,330

The item "Trade receivables", gross of the allowance for doubtful receivables, amounted to €102,888.6 thousand at 31 December 2023 (€97,036.3 thousand at 31 December 2022) and consists of:

- "Receivables from customers", whose increase compared to the previous year is mainly related to the increase in turnover recorded during the year as well as an increase in average collection days compared to the previous year, also by virtue of some changed sales conditions mainly referring to the Export channel;
- "Receivables from the parent company", includes trade receivables from Gruppo illy S.p.A.;
- "Receivables from other related parties", which includes trade receivables from subsidiaries of the holding parent company. Following the corporate reorganisation that took place in 2023 with the sale of the majority interest in Polo del Gusto S.r.l. by Gruppo Illy S.p.A., the related trade receivables are now included in the item "Receivables from customers".

Trade receivables are shown net of the allowance for doubtful receivables of €7,323.1 thousand at 31 December 2023 (€7,184.6 thousand at 31 December 2022), allocated on the basis of an estimate model that takes into account, in addition to the estimated loss on non-performing loans, also the expected losses on currently performing loans, in compliance with IFRS 9 and the Expected Credit Loss concept.

The changes in the allowance for doubtful receivables are shown below:

	Year 2023	Year 2022	Change
Balance at the start of the year	(7,184,560)	(7,611,975)	427,415
Provisions	(1,699,410)	(1,689,634)	(9,776)
Uses and releases	1,524,255	2,201,775	(848,718)
Exchange differences	36,652	(25,971)	62,624
Changes in the scope of consolidation		(58,754)	58,754
Balance at the end of the year	(7,323,063)	(7,184,560)	(138,504)

During the year, the allowance for doubtful receivables increased by €1,699.4 thousand by way of allocation and decreased by €1,524.3 thousand by way of use or release.

The credit quality of customers is assessed on the basis of an assessment of creditworthiness, and individual credit limits are established. Outstanding receivables from customers and assets arising from contracts are regularly monitored. At each reporting date, an impairment analysis is carried out on receivables, using a matrix to measure expected losses. Impairment rates are determined on the basis of days past due and by grouping customer receivables that are characterised by similar causes of impairment (geographical area and past due brackets).

The calculation is based both on the probability of recovery of the receivable and on a historical analysis of the losses on receivables, which have never been of a significant amount.

In addition, non-performing trade receivables are subject to specific write-downs if brought to litigation.

The provision made during the year was affected by the allocation made against the adjustment of expected losses on receivables that are still performing and on the various past due brackets not subject to specific write-downs.

The following table shows the distribution of trade receivables by geographical area, which does not take into account the allowance for doubtful receivables:

Description	31/12/2023	31/12/2022
Italy	42,680,030	42,988,105
EU	27,495,236	23,090,828
Outside EU	32,713,365	30,957,397
Total trade receivables	102,888,632	97,036,330

Trade receivables, net of the allowance for doubtful receivables, are shown in the table below:

	31/12/2023	31/12/2022
Trade receivables	102,888,632	97,036,330
Allowance for doubtful receivables	(7,323,063)	(7,184,560)
TOTAL	95,565,568	89,851,771

Note 21 - Current tax receivables

These receivables are compared with those of the previous year as shown in the following table.

	31/12/2023	31/12/2022
Current tax receivables	7,333,215	7,034,224
TOTAL	7,333,215	7,034,224

Note 22 - Current financial assets

	31/12/2023	31/12/2022
Other financial receivables	510,382	409,817
Derivative financial assets	2,080,922	373,836
Other securities	10,354,367	7,490,950
Total current financial assets	12,945,670	8,274,603

The item "Current financial assets" amounted to €12,945.7 thousand at 31 December 2023 (€8,274.6 thousand at 31 December 2022). This item includes €10,354.4 thousand in investments in readily convertible bank cash equivalents by Experimental Agrícola do Brasil Ltda (€4,913.0 thousand), illy Sud America comercio, importacao e exportacao Ltda (€537.5 thousand) and illycaffè Shanghai Co. Ltd. (€4,903.9 thousand).

The balance of the item "Current financial assets" at 31 December 2023 also consists of the positive value of €2,081.0 thousand (€373.8 thousand in 2022) relating to some derivative financial instruments in place at that date. The tables below show the derivative financial assets outstanding at 31 December 2023 (coffee commodity, exchange rate and foreign exchange derivatives) and at the end of the previous year (coffee commodity and interest rate derivatives), their main characteristics and the carrying amount corresponding to the fair value at these dates, calculated using the elements provided by the Bloomberg Mars application.

Transactions on coffee purchases

At 31 December 2023, the company had transactions in place to hedge coffee purchases for a total of approximately 3,589 tonnes. The instruments used by the Company are called "Commodity Swap Transactions". The positive value of the "Commodity Swap Transactions" at 31 December 2023 was €2,327.8 thousand.

At the maturity date of the derivative, Swap contracts envisage the settlement of the spread between the purchase price defined at the date of the derivative's opening and that of the underlying commodity, recorded on the New York coffee stock exchange.

As these are cash flow hedging transactions carried out with the aim of limiting exposure to the risk of fluctuations in cash flows attributable to highly probable transactions, the Company recognised the fair value of the hedging instruments in the Statement of Financial Position, by offsetting the equity item "Reserve for expected cash flow hedging transactions", in compliance with the provisions of OIC 32.

Type of contract	Start date	Settlement date	Underlying Value in EUR	Fair value at 31/12/2023
SWAP	Aug-23	Feb-24	8,471,946	1,774,995
SWAP	Aug-23	Apr-24	953,281	552,770
			9,425,226	2,327,766

At 31 December 2022, this item consisted of the positive value of the following derivative hedging contracts for coffee:

Type of contract	Start date	Settlement date	Underlying value in EUR	Fair value at 31/12/2022
COLLAR	Nov-22	Aug-23	8,859,929	153,116
COLLAR	Nov-22	Nov-23	11,391,337	220,721
			20,251,266	373,836

Exchange rate transactions

At 31 December 2023, the company had no hedging transactions in place on exchange rates that show a positive fair value, just as at 31 December 2022.

Note 23 - Other current assets

	31/12/2023	31/12/2022
Guarantee deposits	14,648	15,629
Consolidated tax receivables	3,400,450	3,195,153
Receivables for advance payments	699,959	949,609
Receivables for reimbursements to be received	384,396	578,831
Employee travel advances	14,705	87,293
Accrued income and prepaid expenses	2,073,704	1,706,287
Other receivables	507,657	1,674,457
TOTAL	7,095,520	8,207,258

This item includes "Other current assets" and at year-end consisted mainly of:

- "Guarantee deposits" for €14.6 thousand at 31 December 2023 (€15.6 thousand at 31 December 2022);
- the "Consolidated tax receivable" includes the receivable of the companies participating in the tax consolidation together with the parent company R.A.A. S.p.A. and derives from the calculation of the taxes relating to the current year, net of the advances paid in the period;
- "Accrued income and prepaid expenses" for €2,073.7 thousand at 31 December 2023 (€1,706.3 thousand at 31 December 2022), which measure income and expenses whose accrual comes before or after their actual cash payment;
- "Other receivables" for €507.7 thousand at 31 December 2023 (€1,674.5 thousand at 31 December 2022), which mainly includes some receivables for insurance reimbursements of the Parent Company.

Note 24 - Cash and cash equivalents

	31/12/2023	31/12/2022
Cash and equivalents on hand	211,538	205,711
Bank and post office deposits	31,618,905	16,784,403
TOTAL	31,830,443	16,990,114

The item in question mainly consists of the liquidity of the Group companies deposited with leading banks and remunerated at market conditions.

The increase compared to 2022 is mainly represented by significant collections which took place near the end of the year. Please refer to the cash flow statement for a detailed analysis.

Note 25 - Shareholders' equity

At 31 December 2023, consolidated "Shareholders' equity" totalled €164,707.2 thousand (€149,044.2 thousand at 31 December 2022).

Share capital

The share capital at 31 December 2023, fully subscribed and paid in, consists of 4,500,000 ordinary shares, with no par value, as per the resolution of the Shareholders' Meeting of 19 February 2021, which cancelled the treasury shares in the portfolio at 31 December 2020 (500,000 shares), equal to 10% of its share capital, keeping the share capital unchanged.

Other reserves

These items break down as follows:

	Balance at 31/12/2023	Balance at 31/12/2022	Change
Extraordinary reserve	75,443,752	71,143,179	4,300,574
Reserve for capital grants	797,731	797,731	
Translation reserve	(2,457,550)	(695,986)	(1,761,564)
Consolidation reserve	1,795,223	1,795,223	
Merger surplus	80,595	80,595	
FTA reserve	(8,304,341)	(8,371,930)	67,590
Stock Options Reserve	643,745	47,382	596,363
Benefit plan reserve	(170,011)	(239,086)	69,075
Other reserves	849,041	6,308,963	(5,459,922)
Legal reserve	8,979,381	8,619,276	360,105
Reserve for expected cash flow hedging transactions	1,696,757	785,045	911,712
Total Other Reserves	79,354,324	80,270,391	(916,067)

The item "Other reserves" includes:

- the extraordinary reserve of €75,443.8 thousand, which increased by the net value of €4,300.6 thousand given by the reclassification from Other reserves to the Extraordinary reserve for €5,460.0 thousand net of the reduction of €1,158.0 thousand following the allocation of the profit for the previous year;
- the reserve for capital grants pursuant to Article 55 of Italian Presidential Decree no. 917, equal to €797.8 thousand, represents 50% of the contributions disbursed in previous years, in accordance with the provisions of Article 55 of the Income Tax Consolidation Act (TUIR) in force at that time, on capital grants;
- the translation reserve, negative in the amount of €2,457.6 thousand, is based on the effect of exchange rates arising from the translation of foreign companies' financial statements prepared in local currencies. During the year, the translation reserve decreased by €1,761.6 thousand, mainly as a result of the strengthening of the US dollar against the euro in the period;
- the consolidation reserve amounted to €1,795.2;
- the merger surplus reserve was equal to €80.6 thousand;
- the IFRS first-time adoption reserve arising from the effects of the transition to the IFRS with respect to Italian accounting standards, reflected in the opening shareholders' equity at the transition date (1 January 2020), net of the tax effect. The change in the year is due to the liquidation of two Group companies;
- the stock option reserve of €643.7 thousand, which includes the effect on equity resulting from the assignment of the stock option plans promoted in favour of management during 2022 and the adjustment of the relative reserve at 31 December 2023;
- the benefit plan reserve, equal to €170.0 thousand, which includes the effect on equity of the application of IAS 19;
- other reserves equal to €849.0 thousand;
- the legal reserve recognised by the Parent Company at 31 December 2023 was €8,979.4 thousand, which changed during 2023 at the time of the allocation of the profit for the previous year. This reserve is fed by the mandatory allocation of a sum of not less than one twentieth of the annual net profits, up to an amount equal to one fifth of the share capital;
- the reserve for expected cash flow hedging transaction includes the changes in fair value of the effective component of derivative financial instruments hedging cash flows. This reserve is recorded net of the prepaid/deferred tax effect. The following table shows the changes of the reserve in question during the 2023 financial year.

Description	31/12/2022	Increase	Decrease	Other changes	31/12/2023
Reserve for expected cash flow hedging transactions	785,045	910,374		1,338	1,696,757
TOTAL	785,045	910,374	0	1,338	1,696,757

Distributions made and proposed

During the year, based on the Shareholders' Meeting held on 28 April 2023, dividends were distributed for €8,000.0 thousand.

The dividends proposed on ordinary shares for the year ending 31 December 2023 amounted to €25,000.0 thousand. These dividends are subject to approval by the Shareholders' Meeting and are not recognised as a liability at 31 December.

Management incentive plan - Management Equity Plan 2022-2029

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

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

The Board of Directors of the Parent Company may make any changes to the regulations that may be necessary and/or appropriate in relation, in particular, to the case of a change in the applicable legislation.

The determination of the fair value of the plan, which takes into account the current value of the share at the grant date, the volatility, the flow of expected dividends, the duration of the option and the risk-free rate, was entrusted to an independent external expert and was carried out by applying a Black-Scholes type closed formula method (a methodology universally used for the valuation of financial instruments of an optional nature).

The costs relating to this plan amounted to €596.4 thousand in 2023.

	Number of options
Options that can be assigned from the plan	600,000
Options assigned in 2022	294,996
Options to be assigned at 31 December 2023	305,004

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

Below we provide a table reconciling the Parent Company's shareholders' equity and net profit for the year.

	2023		2022	
	Shareholders' Equity	Income Statement	Shareholders' Equity	Income Statement
Parent Company ITA GAAP	150,289,746	12,442,489	144,936,883	7,202,094
- Effect of applying IFRS	(4,949,434)	1,971,848	(7,575,645)	548,788
Parent Company IFRS GAAP	145,340,312	14,414,338	137,361,237	7,750,882
- Share of shareholders' equity and profit of consolidated companies, net of the equity investments' book value	16,529,138	10,361,256	8,960,318	3,548,096
- Elimination of write-downs net of revaluations of equity investments and receivables from consolidated companies		(1,397,782)		2,110,637
- Consolidation difference emerging from the reversal of consolidated equity investments	6,767,601	(376,948)	7,111,306	1,387,419
- Effect of financial leases of the consolidated companies	1,081,894	55,818	1,026,076	(3,863)
- Elimination of intercompany asset sales	(22,603)		(22,603)	
- Elimination of profits on sales to subsidiaries included in inventories, net of the related tax effect	(5,021,322)	852,348	(5,873,670)	(447,717)
- Elimination of intercompany receivables and payables	39,600	2,780	533,106	17,190
- Elimination of intercompany costs and revenues	(7,383)	(207,082)	(51,586)	(181,141)
Shareholders' Equity and net profit as reported in the consolidated financial statements (including non-controlling interests)	164,707,239	23,704,728	149,044,185	14,181,502
Non-controlling interests	(12,303)	(80)	(12,200)	(89)
Group share of Shareholders' Equity and net profit	164,694,936	23,704,648	149,031,985	14,181,414

Note 26 - Non-current financial liabilities

	31/12/2023	31/12/2022
Payables for loans to other providers of finance	10,398,062	1,720,024
Payables for bank loans	5,501,725	56,982,327
Bond issues	42,000,000	56,000,000
TOTAL	57,899,787	114,702,352

"Payables for bank loans" of €5,501.7 thousand at 31 December 2023 (€56,982.3 thousand at 31 December 2022) express the actual payable for principal, interest and ancillary charges accrued and payable for the non-current portion. The decrease of €51,480.6 thousand compared to the period ended 31 December 2022 refers to the reclassification of the short-term portion of bank borrowings to current financial liabilities.

The table below summarises the maturity profile of payables for loans to other providers of finance, payables for bank loans and bond issues.

	Maturity in years		Total at 31/12/2023	Total at 31/12/2022
	From 1 to 5 years	Beyond 5 years		
Payables for bank loans	5,501,725		5,501,725	56,982,327
Bond issues	42,000,000		42,000,000	56,000,000
Payables for loans to other providers of finance	5,408,062	4,990,000	10,398,062	1,720,024
Total	52,909,787	4,990,000	57,899,787	114,702,352

The content of the Group's loans is specified below:

■ Parent Company:

Medium/Long-term loans	Fair Value	Nominal value	Start date	Maturity date	Pre- amortisation	Instalments
Loan 2	10,000,000	10,000,000	10/11/2022	09/05/2024		bullet at maturity
Loan 6	2,100,000	2,100,000	28/07/2010	30/06/2028	30 months	Half-yearly
Loan 7	6,000,000	6,000,000	05/07/2018	05/07/2024	6 months	Half-yearly
Loan 9	1,361,110	1,361,110	15/12/2017	30/09/2025	9 months	Quarterly
Loan 11	3,333,333	3,333,333	10/07/2019	10/07/2024	42 months	Half-yearly
Loan 12	7,500,000	7,500,000	02/04/2020	02/04/2025	24 months	Half-yearly
Loan 15	10,000,000	10,000,000	29/07/2020	26/07/2024		bullet at maturity
Loan 16	1,534,522	1,534,522	24/11/2020	24/11/2025		Quarterly
Loan 17	15,000,000	15,000,000	12/10/2022	12/04/2024		bullet at maturity
Loan 18	20,000,000	20,000,000	09/06/2023	30/09/2024	9 months	Quarterly
TOTAL	76,828,965	76,828,965				

Loan 6 is backed by a second mortgage on the real estate complex of the Distripark logistics hub, while loan 18, disbursed in 2023 for €20,000.0 thousand with 9 months of pre-amortisation, is backed by a guarantee from SACE for 90% of its value.

During the year, the Group took out new loans for a total of €29,980.0 thousand, while the amount of repayments for loans still in place came to €25,065.7 thousand.

■ Companies included in the scope of consolidation:

Medium/Long-term loans	Currency	Residual amount	Equivalent value in euro	Start date	Maturity date	Pre- amortisation	Instalments
Loan 1	BRL	954,194	177,962	30/12/2020	27/12/2024	6 months	Monthly

Some loans, which have been finalised over the years, include contractual clauses that require compliance with certain economic/financial parameters (covenants) based on the results of the separate and/or consolidated financial statements at 31 December of each year. In the event of non-compliance, banks may exercise their right to demand early repayment, for the residual portion, of the loans disbursed.

Based on the figures of the Parent Company's financial statements and the consolidated financial statements at 31 December 2023, the balance sheet and income statement ratios stipulated in the loan agreements, referring to financial statements prepared on the basis of Italian national accounting standards, have been met.

With reference to loans, the ratios of financial covenants complied with by the Group are shown below:

Ratio	Threshold
NFP/SE ratio	1.70
NFP/EBITDA ratio	4.00

The item "Bond issues" includes the bond loan taken out on 30 July 2015 by the Parent Company, fully subscribed by the institutional investor Prudential Management Investment, for a total value of USD 140 million, of which €70 million already disbursed during the same year.

The option to reach USD 140 million expired in 2018 and no extension was renegotiated.

The bond loan has the following characteristics:

- maturity date 30 July 2027;
- pre-amortisation until 30 July 2023;
- fixed rate of 3.35%;
- interest payments on 30 January and 30 July of each year.

Lastly, the bond issue agreement called for compliance with certain economic/financial parameters (covenants) based on the results of the consolidated financial statements at 30 June and 31 December of each year. Based on the figures of the consolidated financial statements at 31 December 2023, on the basis of Italian national accounting standards, there was full compliance with the balance sheet and income statement ratios specified in the agreement.

The financial covenants for the bond loan complied with by the Parent Company are shown below:

Ratio	Maximum threshold
Net worth ratio (NFP/Equity)	1.70
Maximum Leverage ratio (NFP/EBITDA)	4.00

At 31 December 2023, based on the expectations of management (the Group's plan until 2028 submitted to the Board of Directors of the Parent Company on 30 November 2023), no circumstances are envisaged that would suggest non-compliance with the covenants for the entire period of the plan.

“Payables for loans to other providers of finance”

In 2023, the Frie Loan 00050005449 for €9,980.0 thousand was disbursed; the loan was stipulated in November 2020, with a duration of 10 years, a pre-amortisation period, secured by a mortgage subsequent to the third on Distripark and a lien on equipment covered by the programme.

Medium/long-term loans	Residual amount	Start date	Maturity date	Pre-amortisation	Instalments
FRIE No. 00050005449	9,980,000	04/07/2023	01/07/2033		Half-yearly
TOTAL	9,980,000				

This item includes financial payables relating to capital goods subject to financial leases for the non-current portion amounting to €1,416.1 thousand.

Interest rate transactions

At 31 December 2022, the company has no Interest Rate Swap contracts that show a negative fair value, just as at 31 December 2023.

Exchange rate transaction

At 31 December 2023, the company had no exchange rate transactions in place that show a negative fair value, just as at 31 December 2022.

Transactions on coffee purchases

During the year, against the green coffee price fixings, hedges of coffee purchases planned for 2024 were sold. For their characteristics, purposes and accounting methods, please refer to the previous explanatory note relating to “Financial assets that do not constitute fixed assets”.

The negative value of the “Commodity Swap Transactions” in place at 31 December 2023 was €420.03 thousand and concerned a total of approximately 1,735 tonnes of green coffee.

The tables below show the derivative financial liabilities outstanding as at 31 December 2023.

Type of contract	Start date	Settlement date	Underlying value in euro	Fair value at 31/12/2023
SWAP	Aug-23	Feb-24	7,800,679	(418,891)
SWAP	Aug-23	Apr-24	1,357	(1,137)
			7,802,036	(420,028)

At 31 December 2022, the company had no hedging transactions in place for coffee purchases that show a negative fair value.

Note 27 - Liabilities for current and non-current leases

Financial liabilities for current and non-current leases refer to the payable that arose as a result of the application of IFRS 16 as from 1 January 2020 (FTA - First Time Adoption) and refer to the contracts in place for the rental of buildings, hire of equipment and vehicles, used in operating units. The liability recognised corresponds to that arising from the non-cancellable period of the contract, together with the best estimate of the effects related to the extension or early termination clauses the exercise of which was deemed reasonably certain.

In addition, the Group has a number of leases for machinery and vehicles whose duration is equal to or less than 12 months and office equipment whose value is modest. The Group has chosen to apply the exemptions envisaged by IFRS 16 regarding short-term or low-value leases for these contracts.

The following provides information on the financial statement values of lease liabilities and their changes during the period:

	Store & building	Means of transport	Industrial and commercial equipment	Other right-of-use assets	Total
Opening balance at 01/01/2022	27,790,876	2,252,204	628,152	882,688	31,553,919
New contracts	5,662,215	1,585,326	147,470	1,121,595	8,516,606
Interest	842,608	65,309	14,506	43,221	965,645
Payments	(10,481,236)	(1,849,692)	(267,063)	(714,307)	(13,312,299)
Reclassification	(38,798)				(38,798)
Exchange differences	143,465	(2,353)		10,539	151,651
Closing balance at 31/12/2022	23,919,131	2,050,795	523,064	1,343,735	27,836,725
New contracts	4,857,993	1,928,827	13,848	213,516	7,014,183
Interest	659,246	89,282	11,433	37,942	797,904
Payments	(10,106,612)	(1,659,058)	(254,328)	(664,538)	(12,684,536)
Other changes					0
Reclassification	5,869				5,869
Exchange differences	(39,870)	668		(6,287)	(45,489)
Closing balance at 31/12/2023	19,295,756	2,410,514	294,017	924,369	22,924,656

	31/12/2023	31/12/2022
Current lease liabilities	6,542,885	7,307,566
Store & building	4,784,860	5,428,225
Means of transport	1,162,071	1,094,011
Industrial and commercial equipment	195,619	237,780
Other right-of-use assets	400,335	547,550
Non-current lease liabilities	16,381,771	20,529,159
Store & building	14,510,896	18,490,906
Means of transport	1,248,443	956,784
Industrial and commercial equipment	98,398	285,284
Other right-of-use assets	524,034	796,185

Below is a breakdown of the effects recognised in the income statement:

	31/12/2023	31/12/2022
Amortisation of right-of-use assets	7,674,910	9,666,955
Interest expense on lease agreements	855,911	1,025,245
Total amount in income statement	8,530,821	10,692,200

Note 28 - Employee benefits

The changes in the item are detailed below:

Future benefit plan	
Defined benefit obligations at 01/01/2022	3,597,679
Benefits paid	(690,659)
Service cost	132,262
Financial expense	79,718
Actuarial gains and losses	(256,470)
Defined benefit obligations at 31/12/2022	2,862,529
Benefits paid	(323,136)
Service cost	102,112
Financial expense	75,608
Actuarial gains and losses	(91,083)
Defined benefit obligations at 31/12/2023	2,626,031

The item mainly includes the payable for post-employment benefits of the Italian companies and post-employment benefits of the subsidiaries. It should be noted that the increase in interest rates led to a decrease in the present value of the provisions compared to the previous period.

The way in which these benefits are guaranteed varies according to the legal, tax and economic conditions of each country in which the Group operates.

The valuation of the liability for termination benefits (TFR) for IAS/IFRS purposes follows the method of projecting the present value of the defined benefit obligation with the estimated benefits accrued by employees.

Following the amendments introduced by Italian Law no. 296 of 27 December 2006 ("2007 Finance Act") and subsequent implementing decrees and regulations, the portions of employee severance indemnity accrued until 31 December 2006 will continue to remain in the company, configuring a defined benefit plan (obligation for accrued benefits subject to actuarial valuation), while the portions accruing from 1 January 2007, as a result of the choices made by employees during the year, will be allocated to supplementary pension schemes or transferred by the company to the treasury fund managed by INPS, starting from the moment the decision is made by the employee, as defined contribution plans (no longer subject to actuarial valuation). The determination of the employee severance indemnity is therefore the result of the application of an actuarial model based on various assumptions, both demographic and economic.

The economic and technical bases used are shown in the table below:

	31/12/2023	31/12/2022
Annual discount rate	3.20% - 3.71%	3.19% - 3.70%
Annual inflation rate	2.00%	2.00%
Advance rate	0.91% - 3.06%	0.91% - 3.06%
Staff turnover rate	6.00% - 12.57%	5.49% - 8.70%

Specifically, it is noted how the annual discount rate used to determine the present value of the obligation was derived, consistent with paragraph 83 of IAS 19, by reference to market yields, as of the year-end date, of bonds of leading companies referring to Italian and French companies.

Note 29 - Non-current provisions for risks and charges

	31/12/2023	31/12/2022
Provisions for risks and charges	3,725,252	4,371,119
TOTAL	3,725,252	4,371,119

"Non-current provisions for risks and charges", equal to a total of €3,725.3 thousand, are mainly represented by allocations made for legal and tax disputes for €1,509.8 thousand and for trade disputes for €1,150.0 thousand.

In 2016, the Parent Company received notification of two notices of assessment issued by the FVG Regional Revenue Directorate for IRES and IRAP purposes for the 2011 tax period, concerning higher revenues hypothesised on intragroup trade transactions and other minor items for IRAP purposes. The appropriate documentation prepared by the company has allowed the removal of the sanctions. With the judgement 32/2019 delivered on 20 November 2018 and filed on 5 February 2019, Section 1 of the Trieste Provincial Tax Commission (CTP) upheld both appeals and cancelled the assessment notices. In August 2019, the FVG Regional Revenue Directorate appealed this ruling to the Regional Tax Commission (CTR) and filed an injunction with an appeal served at the end of October of the same year. As a result of postponement, the hearing before the FVG 2nd instance Tax Court has been set for 3 April 2023. With the ruling of 17 July 2023, the Tax Court confirmed the first instance ruling in favour of the company. At present, the terms for the final decision have not yet expired.

During the year 2017, the Parent Company received notification of an assessment notice issued by the FVG Regional Revenue Directorate for the 2013 tax period, which disputes the exemption from withholding tax as per Directive 2003/49/EC applied by the company to the interest expense paid to a Dutch subsidiary on an intragroup loan outstanding in that tax period. The Parent Company promptly appealed to the Provincial Tax Commission (CTP) of Trieste, which ruled in favour of the appeal, annulling the notice of assessment and ordering the tax authority Office to pay the costs of litigation. The FVG Regional Revenue Directorate appealed this ruling in January 2020 and the company proceeded with the timely filing of this second instance in order to have the Provincial Tax Commission's ruling confirmed. In March 2019, the FVG Regional Revenue Directorate also served two further notices of assessment on the same case (exemption from withholding tax pursuant to Directive 2003/49/EC on interest paid to the Dutch

subsidiary) for the 2014 and 2015 tax periods. In May, the company filed the relevant appeals with the CTP of Trieste, and at the hearing held on 13 October 2020 the Commission ruled in favour of the appeal, annulling the notice of assessment and ordering the tax authority Office to pay the costs of litigation. Following an appeal by the FVG Regional Revenue Directorate and the appearance in court by the company, the three years referring to the dispute on withholdings were discussed before the FVG 2nd instance Tax Court on 3 April 2023. The Tax Court accepted the appeal filed by the Revenue Agency for both disputes; therefore, the company settled both disputes by applying the advantages of Italian Law 197/2022.

On 5 February 2020, the FVG Regional Revenue Directorate initiated a general tax audit for the 2017 tax period, which was suspended after a short time due to the intervening Covid-19 emergency. Audits resumed in February 2023. On 27 July 2023, the Regional Revenue Directorate issued a notice for a formal notice of assessment (PVC) through which the Office recalculated the higher IRES due for the year 2017 and informed the company that some checks on the documentation provided were still ongoing. The company partially accepted the findings covered by the PVC and paid higher taxes in addition to penalties and interest. In connection with this PVC, the company has allocated a special provision for risks.

Note 30 - Current financial liabilities

	31/12/2023	31/12/2022
Payables for bond loans	14,000,000	14,000,000
Payables for bank loans	71,511,650	25,249,729
Payables for loans to other providers of finance	1,301,962	296,710
TOTAL	86,813,612	39,546,439

The balance of this item consists of:

- "Payables for bond loans" represent the short-term portion of the bond loan explained in Note 26;
- "Payables for bank loans" for €71,511.7 thousand (€25,249.7 thousand at 31 December 2022);
- "Payables for loans to other providers of finance" for €1,302.0 thousand (€296.7 thousand at 31 December 2022) represent the short-term payable of financial leases.

Refinancing of maturing debt with a pool of leading banking institutions is being finalized by the Group.

Note 31 - Trade payables

	31/12/2023	31/12/2022
Payables to suppliers	105,148,225	118,568,737
Payables to the parent company		5,470
Payables to other related parties		538,949
TOTAL	105,148,225	119,113,156

"Payables to suppliers" are recognised net of trade discounts, do not provide for the payment of interest and are settled on average at 60 days.

Following the corporate reorganisation of Gruppo Illy S.p.A. in 2023, trade payables to companies belonging to Polo del Gusto S.r.l. were reclassified under payables to suppliers, whose values are shown in the table of transactions with related parties.

Note 32 - Other current liabilities

	31/12/2023	31/12/2022
Indirect tax payables	907,606	441,679
Other current tax payables	1,861,480	2,231,662
Payables to social security and pension organisations	5,386,725	5,404,824
Payables to employees and directors	12,290,584	10,340,826
Other current liabilities	11,750,057	4,654,910
TOTAL	32,196,452	23,073,901

"Indirect tax payables" mainly include VAT payables for €854.0 thousand.

"Other current tax payables" mainly consist of withholding agent payables for withholding taxes on salaries in the amount of €1,728.8 thousand and "coffee tax payables" of the German branch in the amount of €132.7 thousand.

The item "Payables to social security and pension organisations" refers to payables due at the end of the year to these institutions for the portions payable by the Group companies and employees relating to wages and salaries for the month of December 2023, in addition to the payable for social security contributions relating to the Parent Company's sales network.

"Payables to employees and directors" relate to salaries accrued at the year-end date, as well as holidays accrued and not taken at the same date.

The item "Other current liabilities" includes deferred income for the parent company's portion of plant subsidies relating to investments falling under the benefits of Industria 4.0 and the payable to RAA S.p.A. as the balance for the national tax consolidation.

Note 33 - Current provisions for risks and charges

	31/12/2023	31/12/2022
Agents' leaving indemnity provision	2,104,677	2,059,048
Product guarantee fund	432,584	446,364
Other provisions		2,000,000
TOTAL	2,537,261	4,505,412

The "Agents' leaving indemnity provision" of €2,104,7 thousand is allocated against the indemnity that the Group companies are required to pay to agents in the event that the termination of the agency relationship takes place at the initiative of the Group companies, or in the event of death, permanent disability or retirement of the agent. This indemnity is not however due if the agency relationship is terminated on the agent's initiative, or for just cause. The item "Other provisions" as at 31 December 2022 included the provision made in 2022 for redundancy incentives.

The amount was fully utilised in this year. The provision is made in accordance with collective financial agreements and mentioned in agency contracts stipulated with the agents.

The main assumptions used in the actuarial estimate of the agents' leaving indemnity provision are as follows:

	Italy	
	Year 2023	Year 2022
Economic assumptions		
Discount rate	3.82%	3.18%
Demographic assumptions		
Probability of mortality	Separate ISTAT 22 mortality tables by gender and reduced to 85%	Separate ISTAT 21 mortality tables by gender and reduced to 85%
Probability of disability	INPS tables reduced to 70%	INPS tables reduced to 70%
Probability of termination of service	0.10% with just cause 8.73% without just cause	0% with just cause 10.40% without just cause

The "Product guarantee fund" for €432.6 thousand represents the amount set aside under this heading for sales of espresso machines under warranty. The amount of the provision reflects the best estimate of the possible interventions to be carried out over the years of the guarantee term. During the year it was increased by €300.0 thousand and used for the amount of €313.8 thousand against the interventions carried out.

Note 34 - Current contractual liabilities

	31/12/2023	31/12/2022
Provision for returned goods	52,264	58,894
Prize-winning contest provision	410,589	178,940
TOTAL	462,854	237,834

The "Provision for returned goods" of €52.3 thousand represents the best estimate of the returns of products delivered in 2023.

The "Prize-winning contest provision" of €410.6 thousand is related to existing loyalty programmes that allow customers to accumulate points that can be redeemed for free with products, discounts or promo codes. Loyalty points entail an obligation to perform separate from the sale of products made at the same time to customers as they provide a further material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers on the basis of the related stand-alone sales price and recognised as an obligation to perform as long as the points are used. Consequently, a reduction in sales revenue is estimated in the presence of a current contractual liability. Revenue is recognised when the products are redeemed by the customer.

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

The increase compared to the previous year is a consequence of the opening of a new programme towards the end of the previous year.

Note 35 - Current tax payables

	31/12/2023	31/12/2022
Current tax payables	2,176,570	2,422,694
TOTAL	2,176,570	2,422,694

"Current tax payables" include payables for IRAP for €944.5 of the Parent Company in addition to payables for income taxes of the other companies included in the scope of consolidation.

Note 36 - Financial assets and liabilities measured at fair value

The following table shows the breakdown of the Group's assets and liabilities at 31 December 2023 measured at fair value (positive/negative in euro) and their hierarchical level is indicated.

Derivative contracts	Level 1 Level 1 (prices quoted on an active market)	Level 2 (observable significant inputs)	Level 3 (unobservable significant inputs)
Interest rate swaps		324,837	
Foreign currency forward sales agreements			
Commodity swap transaction on raw materials			
Call options on raw materials		1,907,738	
Total		2,232,575	

The assets and liabilities of the Group at 31 December 2022 measured at fair value and the hierarchical level to which they belong were as follows:

Derivative contracts	Level 1 Level 1 (prices quoted on an active market)	Level 2 (observable significant inputs)	Level 3 (unobservable significant inputs)
Interest rate swaps		660,877	
Foreign currency forward sales agreements			
Commodity swap transaction on raw materials			
Call options on raw materials		373,836	
Total		1,034,713	

During the 2023 financial year, there were no transfers between the levels.

Note 37 - Commitments, guarantees and contingent liabilities

Guarantees

At the end of the year, the Group had the following direct and indirect sureties given to third parties for a total of €19,665.4 thousand, detailed below:

Guarantor	Party guaranteed	Amount
UniCredit Banca	Ministry of Economic Development – cumulative guarantees	250,000
BNL	illy Shop Porta Nuova, Milan	201,910
BNL	illy Shop ARP, Rome	51,000
BNL	Trieste Chamber of Commerce - illy Shop Trieste	40,147
UniCredit	Porta di Roma shopping gallery	127,000
BNL	Albergo Nazionale Srl - illy Montecitorio	10,950
BNL	Bloomfleet - Telepass	39,000
BNL	Reale Immobile S.p.A. - Milan Offices	80,000
BNL	Venice Gardens Foundation non-profit - illy Venice	220,000
BNL	Generali Reale Estate - Ponterosso	20,000
BNL	Finnapo Srl - illy Montenapoleone	314,989
BNL	Illycaffè UK/Monbana - Stand by	250,000
UniCredit Banca	Generali Reale Estate - Citylife	28,019
BNL	Singapore Airlines Ltd Singapore	32,401
SACE	UniCredit Banca	18,000,000
TOTAL		19,665,415

Commitments

At 31 December 2023, there were no commitments not shown in the financial statements.

Contingent liabilities

The Group is not currently subject to particular risks, uncertainties or legal disputes exceeding the amounts already allocated in the financial statements. There are the usual tax audits that are part of the periodic monitoring activities and currently no significant findings have emerged and in any case the Group is confident in the correctness of its actions.

Note 38 - Disclosure on related parties

Transactions carried out with related parties, including intercompany transactions, cannot be classified as atypical or unusual and fall within the ordinary course of business of the Group companies. These transactions are regulated at market conditions, taking into account the characteristics of the goods and services provided.

Relations with the parent company and other related parties are reported below:

	Trade receivables	Current financial assets	Other current assets	Trade receivables	Other current liabilities	Revenues from sales and services	Cost of production	Purchases of fixed assets	Interest income and other financial income
Dealings with Parent Company									
Gruppo Illy S.p.A.	21,122		3,360,258			41,918			
RAA S.p.A.	561				3,341,438	460			
Dealings with associates									
Kafea Terra Food & Drinks S.A.	6,751,187	218,933				27,531,512			
Illycafé Thalwil AG	280,274					427,413			
Dealings with other related parties									
Domori S.r.l.	193,182			225,552		417,613	248,267	466,679	2,030
Damman Freres S.A.S.				668,881		3,098	3,355,244		5,913
Agrimontana S.p.A.						261,216	576,840		
Ernesto Illy Foundation							380,000		
Polo del Gusto S.r.l.	4,379					4,932			
Marasu's Petits Fours Ltd						1,473			
Pintaudi S.r.l.				6,623			83,967		
Rococo Chocolatier Ltd	380					339			
TOTAL	7,251,086	218,933	3,360,258	901,056	3,341,438	28,689,975	4,644,319	466,679	7,943

The credit and debit relationships with the parent company Gruppo Illy S.p.A. and RAA S.p.A. derive mainly from adherence to national tax consolidation.

Transactions with other related parties mainly refer to commercial transactions for the sale and purchase of goods.

Events after the reporting date

Refinancing of maturing debt with a pool of leading banking institutions is being finalized by the Group.

illycaffè S.p.A.

Chairman of the Board of Directors

Andrea Illy

A handwritten signature in black ink, appearing to be 'A. Illy', written in a cursive style.

Annual Report 2023



Independent Auditors' Report



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(This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
illycaffè S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the illycaffè Group (the "group"), which comprise the statement of financial position as at 31 December 2023, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the illycaffè Group as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of illycaffè S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Illycaffè group
Independent auditors' report
31 December 2023

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Illycaffè group
Independent auditors' report
31 December 2023

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The parent's directors are responsible for the preparation of the group's management report at 31 December 2023 and for the consistency of such report with the related consolidated financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the management report with the group's consolidated financial statements at 31 December 2023 and its compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the management report is consistent with the group's consolidated financial statements at 31 December 2023 and has been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, 8 April 2024

KPMG S.p.A.

(signed on the original)

Paola Maiorana
Director of Audit

Annual Report 2023



IMPACT REPORT



“We have decided to include in the company's articles of association the commitment to perpetuate the business model of the *stakeholder company* to reaffirm our business philosophy, which is that of being a social institution that pursues its stakeholders' quality of life.”

Andrea Illy, Chairman of illycaffè



Introduction and objectives of the document

In 2019 the adoption of the status of "Benefit Corporation" (as per Italian Law No. 208 of 28/12/2015, paragraphs 376-384) was a step to crystallise the guiding principle of doing business of illycaffè: operating as a stakeholder company based on a model of sustainable development that, through the sharing of the value generated (economic sustainability), harmoniously pursues its own growth and a positive impact on the communities it operates in (social sustainability, environmental sustainability).

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



Benefit Corporations have two fundamental characteristics:

- a. protect and align the mission: they express their attention to all stakeholders in the corporate purpose of their articles of association, balancing the interests of shareholders and the interests of the community;
- b. measure what matters: they measure their results in terms of positive impact on society and the environment with the same completeness and with the same rigour used for economic and financial results. They report annually on their activities through an impact report, which describes both the actions taken and their plans and commitments for the future.

Consistent with this approach, illycaffè has identified its "Impact Manager", a person responsible for the pursuit of the functions and tasks aimed at pursuing the purposes of common benefit, as per the regulatory provision of Article 380 of Italian Law No. 208 dated 28 December 2015 (2016 Stability Law). Besides performing preliminary, proposal and advisory functions in favour of the Board of Directors in relation to sustainability assessments and decisions, the Sustainability Committee approves the common benefit goals and monitors the projects during the year.

The common benefit goals reported below arise from compliance with the aforementioned Italian Law 208/2015 on Benefit Corporations, and specifically paragraph 382: "[...] the benefit corporation prepares an annual report concerning the pursuit of common benefits, to be annexed to the company financial statements [...]". The Impact Report includes a description of the specific objectives achieved during the year and the new objectives to be pursued in the following year. The document concludes with a section dedicated to representing the score that illycaffè, B Corp® since 2021, obtained by measuring itself against the standard used by certified B Corporation® companies.

The purposes of common benefit

As a Benefit Corporation, illycaffè operates in a responsible, sustainable, inclusive and transparent manner towards people, local communities and the environment, cultural and social assets and activities, entities and associations. It produces social and environmental shared benefits, which contribute to the growth of economic value for stakeholders, through the search for well-being, the circular economy and the regeneration of the biosphere.

The guiding principles of its work are:

- the interdependence of environmental, economic and social sustainability;
- the need for the ecological transition towards a regenerative model, which involves the transition to renewable energy, agro-ecology and circular economy;
- innovation and continuous improvement as a process of change.

In accordance with these principles, the areas of intervention incorporated in the articles of association and on which the company focuses its efforts are as follows:

- Creation of economic value for stakeholders;
- Pursuit of well-being, understood as health and happiness;

- Circular economy and regeneration of the biosphere.

In their declination, these three areas of action are integrated with the company's path towards a progressive reduction of climate-altering gas emissions and testify how the transition to Benefit Corporation was the natural evolution of the approach adopted by the company so far. As proof of this, illycaffè adheres to CO2alizione Italia, the first work and sharing platform in Italy for companies committed to climate neutrality, based on an innovative model of stable collaboration.

The companies participating in this initiative are committed to making the pursuit of climate neutrality objectives in line with the European targets integral to their Articles of Association, thus undertaking this purpose over time with a priority equal to that given to profit. This integration confirms the shareholders' intention to establish a clear and unequivocal direction to preserve the climate balance, assigning a new and innovative mandate to current and future management.

Again in 2023, illycaffè is committed to describe how, through its practices and actions, it contributed to the achievement of its own common benefit purposes and how, in 2024, it will act in accordance with the new purposes described above.



Creation of economic value for stakeholders

Goal 1

Contribute to reducing the risks of the coffee supply chain, promoting actions for the adaptation of coffee cultivation to climate change.

Climate change is one of the main risks in coffee growing. For this reason, the company is strongly committed to developing a model that makes it possible to assess the real impacts of the various supply chains on the biosphere and a strategy that, starting from the results of the aforementioned model, allows to reduce emissions deriving from the agricultural phase of the value chain.

Development of a model for assessing the impacts of coffee-growing supply chains on climate change

In 2022, illycaffè worked on the evolution of the tool used by its technicians to conduct audits on growers' land. Specifically, this was equipped with a module in preparation for modelling the emission impacts of coffee growers.

This integration of the data collection tool for the calculation of green coffee emissions/removals¹ took place in accordance with the following standards:

- GHG Protocol² Land Sector and Removals for rules to be respected regarding the quantification of carbon emissions and removals from the agri-food sector;
- ISO 14064 - Carbon Footprint of Products for accounting rules regarding the product Carbon Footprint.

Once the tool was finalised, data collection activities were launched, starting from the Brazilian supply chains. This exercise allowed illycaffè to achieve a scope 3 modelling devised on primary and non-inventory data. Furthermore, the definition of a calculation methodology and the identification of a clear baseline allow illycaffè to:

- scientifically record the results of the emission reduction plan;
- validate the effectiveness of regenerative practices identified by the company and considered more scalable from an agronomic point of view and sustainable from an environmental viewpoint.



(1) Capacity to remove and store carbon from the atmosphere.

(2) International standard for the accounting of greenhouse gases.

Development of a decarbonisation strategy for the agricultural phase based on regenerative practices

Regenerative agriculture is considered a promising model for the adaptation of crops to systems more resilient to climate change. This approach focuses on promoting soil health, biodiversity and the sustainable use of natural resources.

- Improving soil health: regenerative agriculture places a significant emphasis on soil health. Keeping the soil covered with cover crops and minimising tillage contribute to improving its structure, its ability to retain water and its fertility.
- Increasing biodiversity: by integrating different crops and encouraging the presence of wild plants, flowers and natural habitats, regenerative agriculture promotes biodiversity. This diversity can contribute to creating more robust and less disease-prone ecosystems.
- Water conservation: practices such as rainwater management can help reduce soil erosion and improve the soil's ability to retain water. This is particularly important in environments affected by climate change, where extreme weather events, such as heavy rains or periods of drought, can occur.
- Reduced dependence on chemical fertilisers and pesticides: by promoting the use of compost and organic fertilisers, regenerative agriculture promotes more sustainable and ecological agricultural practices.
- Increased crop resilience: crop diversification, such as grassing of the space between coffee rows with different essences, can increase crop resilience to environmental stresses. Crops can better adapt to unforeseen climate changes, such as temperature changes, irregular rainfall or extreme weather events.

- Carbon sequestration: regenerative agriculture can contribute to carbon sequestration in the soil, thus contributing to efforts to contrast the accumulation of greenhouse gases in the atmosphere. Well-managed soil can act as a carbon reservoir. For example, the application of compost and the replacement of synthetic crop protection products with organic products contribute to both reducing greenhouse gas emissions and increasing carbon stock in the soil.

illycaffè believes that this is the model to be pursued in the ecological transition that the company is stimulating along all its supply chains. For this reason, a dedicated team of agronomists is continuously working on the development of regenerative models aiming to create agricultural systems that are more sustainable, resilient and adaptable to climate change challenges in the medium and long term.



In 2023, key activities were completed for the decarbonisation of the agricultural phase of the value chain:

- field data collection of the Brazilian supply chains: an emission abatement plan must be based on a model that describes real impacts. Simple inventory data does not make it possible to identify decarbonisation actions that focus on real emission hotspots, whether in relation to the supply chain or the company production process. This activity made it possible to achieve a modelling based on the supply chains primary data in this geographical area.
- farm clustering by archetypes: given the number of players included in the coffee supply chains, it would be unthinkable to develop ad hoc decarbonisation strategies for each of them. Therefore, a simplification is necessary. Specifically, illycaffè has created growers

clusters (archetypes) that share characteristics and emission hotspots, and will design the most appropriate decarbonisation strategies on their basis.

This activity led to an excellent result, demonstrating that illycaffè's Brazilian supply chains have a much lower emission profile than that calculated using inventory data.

Having validated the effectiveness of this activity, in 2024 the methodology will be scaled up on the supply chains in Central America.

In parallel, the collection of primary data in Brazil on Tier 1 and 2 suppliers³ will be intensified. This targeted approach is essential to implement the calculation model in a more precise and detailed manner and obtain an even more comprehensive and accurate view of carbon emissions.

2023 results

Action	Target	Result
Modelling of green coffee supply chains by CO ₂ -equivalent emission classes.	Validation of the model on the Brazilian supply chain.	Goal achieved: <ul style="list-style-type: none"> ■ updated Brazilian emission factor (EF); ■ clustered farms with uniform footprints.

2024 goals

Action	Target
Modelling of green coffee supply chains by CO ₂ -equivalent emission classes.	Scale up of the model on the supply chains in South America.

(3) Green coffee ready for export.

Goal 2

Contribute to the mitigation of climate change through socio-economically sustainable investments.

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

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

This approach is the expression of a holistic model that strengthens the economic sustainability that underlies the green coffee purchasing strategy and, at the same time, carries out awareness-raising and training actions along the supply chain during each visit from technicians and agronomists.

The transfer of knowledge through the activities of the Università del Caffè and the constant visits to the plantations from illy buyers, agronomists

and technicians to motivate farmers to produce sustainable quality is one of the pillars supporting the system of direct relations with the stakeholders of the supply chains developed by illycaffè.

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

In 2023, illycaffè intensified its commitment to stakeholders through extensive training activities. The company has paid particular attention to specific issues, including regenerative agriculture, recognised as a crucial element for the reduction of greenhouse gases generated in agricultural phases and for preserving the biodiversity of the ecosystems in which coffee is grown. This initiative actively involved over 750 participants, including members of the coffee supply chains, representatives of national and international institutions, universities, as well as professionals from the public and private sector, in different geographical areas, including Brazil, Central America, Colombia, India, Rwanda and Vietnam.





In 2024, illycaffè's plan envisages the continuation of training activities, with an increasingly stronger focus on regenerative agriculture and the reduction of carbon emissions. These topics require greater research in the field and

wider dissemination, carefully considering the peculiarities of each context. The company aims to significantly contribute to a greater awareness and implementation of sustainable practices in this strategic phase of the value chain.

2023 results

Action	Target	Result
Training and engagement of supply chains on regenerative agriculture and carbon reduction.	Involvement of coffee supply chains and public and/or private institutions in Brazil and Central America.	Goal achieved. Involved supply chains both in stakeholder engagement activities and direct training in the field on issues relating to regenerative agriculture as a fundamental tool for reducing emissions.

2024 goals

Action	Target
Training and engagement of supply chains on regenerative agriculture and carbon reduction.	Involvement of coffee supply chains and public and/or private institutions in Brazil and Central America.

Goal 3

Promote initiatives and global partnerships to improve sustainability, through research and knowledge transfer.

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

Precisely for this reason, the company has always been committed to encouraging and stimulating the development of global partnerships to promote sustainability and international awareness in this regard.

MASTER IN COFFEE ECONOMICS AND SCIENCE - ERNESTO ILLY

illycaffè supports the Master in Coffee Economics and Science - Ernesto Illy of the Ernesto Illy Foundation. The inter-university Master's program dedicated to the world of coffee was established by a group of partners of excellence in training: the University of Trieste, the University of Udine and SISSA (Scuola Internazionale Superiore di Studi Avanzati - International School for Advanced Studies of Trieste). It aims to offer in-depth and multidisciplinary training to graduates interested in working in the world of coffee along the entire production chain, from cultivation to catering and retail, including logistics, trading and the industrial process. The goal for 2024 is to continue to support the Master.

ASIC

illycaffè has always been on the Board of ASIC (Association for Science and Information on Coffee). Co-founded by Ernesto Illy at the beginning of the 1960s, ASIC organises a scientific Congress every two years that brings together all the most important scientists dedicated to coffee in the various areas (agronomy, chemistry, biological activities, etc.) and industry experts, both

academics and industrialists, from both producing and consuming countries. The "mission" of ASIC conferences is:

- to be the world's leading conference on coffee science and technology;
- to evaluate existing and emerging scientific knowledge and techniques on coffee;
- to be an incubator for future research and innovation on coffee science and technology;
- to promote an interdisciplinary and international exchange and networking on coffee science and technology;
- to bring together stakeholders and coffee scientists, creating a platform for interdisciplinary dialogue and problem solving.

The last three editions were held in China, the United States and France. The 29th edition of the ASIC Congress was held in Hanoi (Vietnam) from 11 to 14 September 2023 and illycaffè participated as an operational player.

PRE-COMPETITIVE RESEARCH PROJECTS

illycaffè participates in important European pre-competitive research projects with global repercussions such as, for example, the following projects:

- Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks), which aims to fine-tune the agronomic graft technique to make coffee production more sustainable and at the same time to study plant-soil interactions and the root system of coffee. This project has a four-year duration. illycaffè is committed to provide support to the project for its entire duration. The goal is confirmed also for 2024.

- EVOQUE, which has the main objective of developing a new sensory system based on photonics with the potential to exceed current standards and meet the most demanding monitoring requirements for agriculture, food, environmental pollution and industrial emissions. The project will start in 2024 and illycaffè will participate in it as a promoter and operating actor.



2023 results

Action	Target	Result
Master in Coffee Economics and Science - Ernesto Illy.	Participation as promoter and operating actor.	Goal achieved. Role of initiative promoter and operating actor confirmed.
Association for Science and Information on Coffee.	Actively contribute to the organisation of the 29th edition, which will be held in Vietnam.	Goal achieved. The 29th edition of the ASIC Congress was held in Hanoi (Vietnam) from 11 to 14 September 2023.
Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks).	Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks).	Goal achieved. Role of initiative promoter confirmed.

2024 goals

Action	Target
Master in Coffee Economics and Science - Ernesto Illy.	Participation as promoter and operating actor.
Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks).	Participation as promoter and operating actor.
EVOQUE project.	Participation as promoter and operating actor.

Pursuit of well-being, understood as health and happiness

Goal 4

Promote a healthy lifestyle by enhancing the health benefits of coffee.

illycaffè is part of the Board of ISIC (Institute for Scientific Information on Coffee), a non-profit organisation founded in 1990. ISIC is dedicated to the study and dissemination of issues relating to coffee and human health through:

- scientific in-depth studies into coffee, health and the environment;
- evaluation of studies and scientific information on coffee, health and the environment;
- support of independent scientific research on coffee, health and the environment;
- dissemination of scientific information on coffee, health and the environment.

Through its own website, ISIC makes it possible to share the main scientific studies on issues ranging from cardiovascular and neurodegenerative diseases to type-2 diabetes and other liver diseases

and to inform the public, enhancing the benefits of coffee for health. Support for the initiatives undertaken by the institute has been confirmed again for 2024.



2023 results

Action	Target	Result
ISIC (Institute for Scientific Information on Coffee).	Confirm its role as a partner of the institute by supporting it on studies relating to the benefits of coffee both for health and for the environment.	Goal achieved. illycaffè provided support to both project streams.

2024 goals

Action	Target
ISIC (Institute for Scientific Information on Coffee).	Confirm its role as a partner of the institute by supporting it on studies relating to the benefits of coffee both for health and for the environment.

Goal 5

Promote the improvement of quality of life, through social sustainability, work environment and coffee culture.

Through the Ernesto Illy Foundation, since 2017 illycaffè has been a partner and supporter of the World Happiness Report. Compiled and published annually by the United Nations Sustainable Development Solutions Network, the survey measures global happiness and ranks 156 countries according to the "happiness perceived" by their citizens, with a view to promoting well-being and improving the quality of life.

Also in 2023, illycaffè and the Ernesto Illy Foundation supported the realisation of the World Happiness Report.

illycaffè recognises the central role of people in building a healthy and sound company. The development of human resources is based on respect for workers' rights, on their full enhancement, but also on the protection of their pursuit of happiness as a primary component of the identity of every person.

In accordance with this, in 2022 the company started the implementation of a structured and global process for the mapping and management of talent, with a view to building a functional tool for highly meritocratic and equitable growth paths. Ensuring equal employment opportunities and professional growth to all employees on the basis of merit, professional skills and performance, without any discrimination and in full respect of the rights of the individual is, in fact, a material topic for illycaffè. This project culminated in 2023, when a first phase of talent assessment was followed by the development of a multi-year resource management plan.

illycaffè's strategic path towards full implementation of inclusion and equal opportunities principles continued and reached a new goal in 2023 with the UNI/PdR 125:2022 certification on gender equality, issued by DNV, an independent body that provides assurance and risk management services at global level.

In 2023, the company launched a new subscription system dedicated to consumers wanting to drink coffee in a bar. This program envisages that, for each subscription sold, in addition to the offer of a coffee, illy undertakes to donate €1 to a social sustainability project. The initiative funded in this way in 2023 was "IEO Second Opinion", a project created with the aim of providing remote counselling to Italian and international patients wanting a second opinion regarding a diagnosis already received or treatment already prescribed.

The same philosophy led the company to actively collaborate with Food For Soul, a non-profit organisation founded by chef Massimo Bottura, for the next four years. Specifically, illycaffè undertakes to make a multi-year donation both in financial terms and in terms of technical support, providing coffee, related products and services. As a supporter of Food For Soul, illycaffè organisationally support its non-profit projects, including:

- expansion and discovery of the Refettori (Refectories) project;
- support, education and commitment to the sustainability of the food system;
- in-kind support for the Refettori project for coffee products, supplies and training.

Common objectives are:

- promoting the sustainability of the food system, social inclusion and well-being;
- promoting fair and just livelihoods for all;
- sharing their respective knowledge and practical applications to improve consumer habits and responsible consumption.

Finally, since 2023, the protection of the individual and their aspiration to happiness as a primary component of the identity of every person has driven illycaffè to provide concrete help to the San Patrignano therapeutic community for drug addicts in Italy. Through financial support, the company will help the dental department within the medical centre. This is a fundamental section

in their process, given the damage that drugs cause to the oral cavity as well as the resulting chewing problems deriving from this.

An essential support not only for young people who have to take care of their oral system, but also for those involved in the dental laboratory, a fundamental training resource aimed at the young people attending the dental technician course at the community study centre. Since 2012, the year the course was launched, 23 people have obtained a dental technician diploma, one of which in the last year. In addition, in the laboratory some of the guests acquire basic skills to become dental assistants.

illycaffè is committed to confirming their support also for 2024.

2023 results

Action	Target	Result
Creation and implementation of the Talent Management System.	Finalisation of talent mapping and preparation of a multi-year resource management plan.	Goal achieved.
Launch of the new illydieci subscription program and support for a social sustainability project.	Support for IEO Second Opinion.	Goal achieved.
Support for Food For Soul, a non-profit organisation founded by Chef Massimo Bottura.	Ensure commitment both in terms of economic and technical support.	Goal achieved.

2024 goals

Action	Target
Support for Food For Soul, a non-profit organisation founded by Chef Massimo Bottura.	Ensure commitment both in terms of economic and technical support.
Support the activities of the dental department of the San Patrignano community	Ensure support in economic terms.

Goal 6

Promote social development in coffee growing areas, fuelling the virtuous cycle between well-being for those who consume it and economic value for those who produce it.

Stakeholders' engagement on issues related to gender inclusion is a fundamental activity for the promotion and dissemination of an inclusive and sustainable corporate culture. Only through open and continuous dialogue it is possible to stimulate the adoption of concrete measures for the promotion of gender equality and diversity, essential elements for innovation and long-term business success.

From this point of view, the involvement of coffee supply chains is of fundamental importance. To ensure a positive impact along the entire production chain, it is essential to establish collaboration with all the players that make it up, starting with producers.

In 2023, illycaffè supplemented its training offer to its suppliers with topics related to gender equity. In the same year, analytical work was undertaken on how best to implement the practices identified in this module to promote real gender inclusion along

coffee supply chains. In Brazil, where this initiative was launched, there was an increase in female participation in training activities with a presence of 28% of women producers compared to 18% in 2019. Even more consistent was the participation in the running of the panels for the proposed training activities, run by 60% of women, representatives of the most diverse sectors: from coffee producers to heads of national institutions, university researchers and company managers.

In 2024, illycaffè is committed to determinately pursuing the objective of promoting the development of social projects aimed at education and health in coffee-growing communities, focusing in particular on Guatemala and Costa Rica. This initiative reflects illycaffè's commitment to actively contribute to the improvement of living conditions and training opportunities in the communities involved with the aim of generating a positive impact.

2023 results

Action	Target	Result
Stakeholder engagement dedicated to gender inclusion.	Trial gender inclusion activities with learning-by-doing methodology starting from the Brazilian supply chain.	Goal achieved.

2024 goals

Action	Target
Promote the development of social projects aimed at the education and health of coffee-growing communities.	Implementation of actions aimed at education and health support in Guatemala and Costa Rica.

Circular economy and regeneration of the biosphere

Goal 7

Minimising consumption of natural resources through production efficiency and the transformation of renewable or recyclable raw materials.

illycaffè has always paid great attention to monitoring and reducing its environmental impact. Environmental value and the safeguard of natural resources are key factors within the company's overall approach, aimed at the protection and sustainable development of the area in which it operates, while respecting the rights of communities and future generations.

In line with this objective, since 2003 the company has implemented an environmental management system compliant with the ISO 14001 standard. The main objective is to limit environmental impact and continuously improve its environmental

management system in order to enhance overall environmental performance.

In 2023, illycaffè built an LPG plant as an additional methane gas energy vector for roasting. In addition, it continued with the replacement of traditional lighting fixtures with low-consumption LEDs, introducing an automatic lighting control system with motion sensors in the Trieste plant. The introduction of home automation control systems has also begun in the management offices in Milan and in some parking areas in Trieste. Finally, the work to replace vacuum pumps with more efficient new generation models continues.





The year 2024 will be dedicated to energy transition with the construction of photovoltaic plants in the Italian production sites. During the year, the foundations will be laid for the construction of the new roasting plant at the main site, efficiency improvement actions will continue with the replacement of vacuum pumps, windows and roofs in the Trieste plant, and the relamping operation with low-consumption LED lamps will continue.

2023 results

Action	Target	Result
Efficiency and current environmental performance improved.	Electric mobility: installation of electric recharging stations (Via Malaspina and Via Caboto, Trieste headquarters).	Goal achieved. Installation of recharging stations completed.
Energy transition.	Tri-generation from methane gas (eventually from renewable sources): implementation of the executive project.	The goal is postponed due to the scarcity risk and the uncontrolled increase in the price of the raw material.

2024 goals

Action	Target
Energy transition.	Construction of the LPG system at the Trieste site.
Energy transition.	Construction of a 500.17 kWp photovoltaic system at the Robecchetto site.

Goal 8

Counteracting all types of residues, such as greenhouse gases, pollution, scraps and waste, by promoting regenerative agronomic practices and balancing production and disposal processes.

As part of illycaffè's sustainability strategy, the constant commitment to reducing any type of residue is expressed in every phase of its value chain. Below are some of the activities set up by the company in 2023 and the projects planned for 2024:

Agriculture. In 2023, intense training activities on European directives regarding environmental sustainability involved over 420 people in different Tiers (exporters, large/medium-sized producers, cooperatives, producer associations, small producer groups) in the coffee supply chains in Brazil, Central America, Colombia, India, Ethiopia, Rwanda and Vietnam. These activities involved the public sector of various countries, national and international institutions and, in some cases, the private sector. The issues addressed concerned the new European regulation (EU) 2023/1115 on deforestation and the practices to be adopted to mitigate this risk.

In 2024, illycaffè intends to continue training activities in line with the issues promoted by the European Union's Green Deal, focusing specifically on the Farm to Fork strategy. This will result in a focus on issues related to the correct use of agrochemicals and their possible replacement with lower impact products.

Procurement (Suppliers of goods and services).

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

The creation of a responsible supply chain plays a fundamental role in the pursuit of illycaffè's strategic and sustainability objectives. Goals such as climate neutrality can only be achieved through effective collaboration and co-evolution.

To this end, a multi-year project was launched in 2022, aimed at further strengthening the role played by ESG issues in the selection and assessment of its partners. In particular, the following activities were completed in 2023:

- Supplier ESG performance assessment (80% of suppliers are involved on a cost basis): integration of sustainability in supplier qualification and assessment modules through the adoption of the Synesgy platform;
- Decarbonisation (80% of suppliers are involved on an emissions impact basis on Scope 3 cat. Purchased Goods & Services [green coffee excl.] of illycaffè):
 - development of a module dedicated to the quantification of the supplier pool's emission impacts through the use of primary data;
 - training of suppliers on the concepts that revolve around the issue of reducing the quantity of climate-altering gases in the atmosphere and the co-creation of improvement plans that act in line with this objective.

The year 2024 will continue on the same trajectory, stimulating suppliers to continuously improve, training them on sustainability issues and launching, together, a path to improve performance.

- Eco-design of products: with a view to reducing any type of residue, the principles of circular economy and of LCA (Life Cycle Assessment),

focused on a design based on the efficient use of resources and materials, guide the strategic choices along all phases of the illycaffè supply chain, from the procurement of materials to their disposal. Below are some projects, direct translation of the principles mentioned above and classified as follows:

■ Circularity of products:

- MPS & MPS.M capsule: in 2023, the "compostable industrial" version of capsules pertaining to the portioned system intended for offices was scheduled to be introduced in the product portfolio dedicated to this channel. Unfortunately, due to some delays in the certification on compostability, the launch was postponed to 2024;

- 3g format instant coffee: revision of the current packaging material and transition from plastic to compostable paper;
- "Latte Selection" version instant coffee: product launch with recyclable packaging;
- Keurig capsule for USA capsule development in compostable version.

■ Capsule recycling programs:

- The "Alliance for the recycling of aluminium capsules", founded by Nespresso in 2021 in partnership with illy, saw the inclusion of Starbucks by Nespresso as a new member of the circular economy project.
- ReCap, an experimental project in the Friuli-Venezia Giulia region for the collection and subsequent recycling of plastic capsules,



continues. The initiative was developed with the collaboration of the Region, the Regional Environmental Agency (Arpa Fvg), Nestlé Italiana S.p.A. and three companies that manage municipal waste in the region (Net S.p.A., A&T2000 S.p.A. and AcegasApsAmga S.p.A.). With the aim of starting to activate the service in other Italian provinces, again in 2023, the search began for an industrial partner that can manage recycling on a large scale. At the same time, illycaffè continues to be an active party in the promotion and creation of an Italian consortium for the widespread management of this program.

- Circularcaps, a new system for recycling plastic and aluminium capsules that offers a network of 4,000+ collection points throughout Spain, was added to the already operating recycling projects.

■ Company waste disposal practices

- In 2022, illycaffè conducted a study on the feasibility of using by-products deriving from coffee processing at the Trieste production plant as organic fertilisers. This research produced positive outcomes. Thanks to these results, it was possible to convert almost all of illycaffè's organic waste into fertilisers for agriculture.
- The tests mentioned above have also shown how organic coffee waste could have other greater value-added uses. For this reason, in 2023 the exploration started of further possible options (e.g. cosmetics, nutraceuticals, design, etc.). These results have been so positive that it is assumed that these solutions will be applied in practice as early as 2024.



2023 results

Action	Target	Result
Training of the green coffee supply chains on environmental sustainability issues.	Engagement of supply chains on the new European directives on environmental sustainability that have an impact on coffee supply chains.	Goal achieved. Over 420 people were involved from different coffee supply chains in Brazil, Central America, Colombia, India, Ethiopia, Rwanda and Vietnam.
Implementation of a new module for the qualification and assessment of suppliers of goods and services according to ESG criteria.	Module applied to 50%+ of suppliers on a cost basis.	Goal achieved. Suppliers engaged through the Synesgy platform.
Introduction, in the portioned office range, of two capsules, MPS and MPS.M, in "compostable" version.	Product launch by 2023.	Goal not achieved. Launch postponed to 2024 due to delays in the certification of compostability.
Extension of the ReCap Project launched in Friuli-Venezia Giulia.	Establishment of a consortium with other players to extend the project.	Goal not achieved. In light of the packaging regulation currently under discussion in the European Union, this activity's timetable is subject to the outcome of the vote on the regulation.
Adoption, in Spain, of a new system for the recycling of plastic and aluminium capsules (Circularcaps).	Adopted.	Goal achieved. Program activated in Q1 2023.
Extension of circular economy projects of the illycaffè plant also to high value-added chains.	Implementation of at least one project by 2023.	Goal achieved. Almost all of illycaffè's organic waste is now converted into agricultural fertilisers.

2024 goals

Action	Target
Introduction, in the portioned office range, of two capsules, MPS and MPS.M, in "compostable" version.	Product launch by 2024.
3g format instant coffee: revision of the current packaging material and transition from plastic to compostable paper.	Product launch by 2024.
"Latte Selection" version instant coffee: product launch with recyclable packaging.	Product launch by 2024.
Keurig capsule for USA capsule development in compostable version.	Product development by 2024.
Upcycling of the by-product deriving from coffee processing in the illycaffè plant, allocating it to a supply chain bridging cosmetics, nutraceuticals or design.	Implementation of at least one project by 2024.

Goal 9

To promote the conservation of biodiversity and carbon sequestration through regenerative agronomic practices and the renewal of ecosystems.

Respect for the environment, and in particular safeguard of the soil and biodiversity through the adoption of the principle of regenerative agriculture, represents the basis of illycaffè's approach to coffee cultivation. Within this philosophy, an essential component is the continuous search for new cultivation methods and techniques, aimed at ensuring sustainable production from an environmental and social point of view.

The main objective is to identify the most promising regenerative practices both from an environmental and social point of view, promoting their dissemination and trying to facilitate the transition of companies from conventional practices to regenerative practices on a larger scale. To achieve this objective, it is essential to define a calculation methodology for the quantification of the impacts of these practices, estimating the potential reductions and elimination of emissions and assessing their benefits also with regard to the economic and social context.

In 2023, agronomic projects were launched with producers affiliated with illycaffè's supply chain,

with a particular focus on Brazil. These initiatives have made it possible to collect the first results on the most promising regenerative practices, such as the application of compost, grassing of the space between rows with different species and the replacement of synthetic pesticides with useful insects. Tests conducted in Central America showed the importance of applying humic and fulvic acids to the topsoil, especially in impoverished soils, to improve nutrient absorption and increase plant growth and productivity. In addition, the crucial role of genetics in the absorption of nutrients was highlighted, with varieties that require lower quantities of fertilisers while maintaining same production levels.

Although important, these results underline the need to adopt personalised approaches, considering the specific characteristics of each geographical area and grower. For this reason, it is imperative to expand the number of solutions to address the same agronomic problems, allowing each farmer to find the solution that best suits their needs.

2023 results

Action	Target	Result
Screening of supply chain environmental improvement projects and creation of an inventory of the most effective and scalable practices.	Verify the validity of innovative practices through an analysis of the health of the fruits.	Goal achieved. The most applicable regenerative practices in different agronomic contexts have been identified.

2024 goals

Action	Target
Assessment of the impacts of the selected regenerative models.	Validate the regenerative practices identified, verify possible scalability and identify any additional practices.

Climate neutrality

As already reported under Goal 1, the main objective for 2023 was to achieve a modelling of green coffee supply chains by climate-changing gas classes and to define a scope 3 baseline devised on primary and non-inventory data. As this is the area with the greatest emission impact, it was crucial for illycaffè to have a solid and scientific tool for both reporting and designing an emission reduction plan based on activities with demonstrable effectiveness.

The vast amount of information generated thanks to the collection of primary data from all illycaffè suppliers has enabled the company to improve its awareness of the areas in the value chain that require priority intervention and, within these, identify individual activities with higher emission intensity. Thanks to this, in 2024, illycaffè plans a targeted update of its decarbonisation roadmap, further focusing on investments and priorities.

At the same time, in order to consolidate illycaffè's ongoing commitment to the fight against climate change and reward the efforts made by the company's management in this direction, in 2024 their incentive structure will be supplemented with a KPI dedicated to decarbonisation. Valuing and incentivising each department's commitment to sustainability is fundamental to ensuring a healthy balance between economic, environmental and social sustainability.



Finally, the results of CO₂ equivalent emissions reporting for the year 2023 are shown below.

GREENHOUSE GAS EMISSIONS (t CO₂eq)

	2023	2022*
Total Scope 1 emissions	7,047.7	8,229.0
Natural gas used for the production process	4,581.3	5,440.1
Heating fuels	684.6	812.9
Fugitive emissions	205.9	239.0
Company fleet emissions	1,576.0	1,737.0
Total Scope 2 emissions	1,203.5	3,100.0
Emissions deriving from electricity consumption (market-based)	1,203.5	3,100.0
Emissions deriving from electricity consumption (location-based)	6,205.8	6,670.0
Total Scope 3 emissions	233,758.2	244,337.2
Upstream:	204,659.9	212,895.7
Goods and services purchased	172,122.1	179,681.3
Activities related to fuels and energy not included in Scope 1 and 2	2,172.3	2,823.0
Upstream transport and distribution	26,016.6	26,052.5
Waste generated by operations	1,100.5	916.8
Business travel	527.9	300.0
Commuting by employees	2,720.4	3,122.1
Downstream:	29,098.2	31,441.5
Downstream transport and distribution	5,946.2	7,888.6
Use of products sold	5,499.1	7,115.0
End-of-life treatment of products sold	17,086.6	15,959.8
Downstream leased assets	566.4	478.0
Total	242,009.5	255,666.2

(*) In 2023, illycaffè signed an undertaking to reduce its emissions, joining the Science Based Targets initiative (SBTi), which requires compliance with the methodology defined by the GHG Protocol for calculating corporate carbon footprint. In light of the requirements defined, it should be noted that the values reported in the 2022 Management Report were aligned with the aforementioned methodology.

2023 results

Action	Target	Result
Modelling of green coffee supply chains by CO ₂ -equivalent emission classes.	Validation of the model on the Brazilian supply chain.	Goal achieved: <ul style="list-style-type: none"> ■ updated Brazilian emission factor (EF); ■ clustered farms with uniform footprints.

2024 goals

Action	Target
Update of the decarbonisation roadmap.	Completion by 2024.
Integration of top management incentive scheme with specific target on decarbonisation.	Inclusion of KPI on carbon intensity.

Assessment of the impact generated

In compliance with Italian Law 208/2015 on Benefit Corporations and, specifically, for the purposes referred to in paragraphs 376 to 384, in the report they prepare annually, Benefit Corporations include the assessment of the impact generated using an external assessment standard. The score obtained by illycaffè using the standard developed by the B Lab body and recognised by the aforementioned law is 90.4 with reference to the assessment areas identified by the same standard, namely: Governance, Workers, Community, Environment, Customers.

This score was validated by B Lab following a rigorous verification process confirming the achievement of the BCorp® recertification, which takes place every three years.

This recognition is exclusively awarded to organisations that are committed to high standards of social and environmental performance, transparency and accountability, and which operate in a way that optimises their positive impact toward employees, target communities and the environment.

The concept of “business as a force for good” is emerging as a priority for all companies and B Corps® are leaders in translating this concept into practice through the rigorous measurement of the value they create.

B Lab score

90.4

Conclusions

With this Report, illycaffè wanted to transparently report on the company's operations as a stakeholder company, sharing the values, goals, results achieved and objectives for the coming years, oriented towards the pursuit, as a Benefit Corporation, of the specific common benefit purposes expressed in the articles of association.



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Economic and Administrative Index 21080

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