WE WORK TO PRODUCE QUALITY AND SAFETY.

02.2 productive capital
productive
capital

SDGs

SPECIFIC COMMON BENEFIT GOALS

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

OUTCOMES

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

CHALLENGES

• Continuing to draw attention to the hidden value in each cup of coffee.

HIGHLIGHTS

269 points of sale (192 illy Caffès and 77 illy Shops), split into 245 under franchising and 24 under direct management.

39 new single-brand stores opened in 2019 (37 illy Caffès and 2 illy Shops).

SEED:S

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

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

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

The Sustainable Development Goals are the 17 United Nations objectives to which illycaffè contributes in various ways with its activities.
Quality and safety of illy products

illy coffee’s sustainable quality is the result of over eighty years of experience combined with family and entrepreneurial passion capable of integrating cutting-edge technology and sustainable processes. To achieve this goal it is essential to offer, together with a high-quality product, excellent preparation, service and consumption experience.

The company strives to achieve continuous quality improvement in production. This approach is reflected in its commitment to produce safe products, in compliance with the rules and regulations governing the agri-food sector, and to develop sophisticated monitoring systems: 100% of production is carried out in plants that are certified according to internationally recognised food safety management and quality standards.

The British Retail Consortium (BRC), International Food Standard (IFC) and Hazard Analysis and Critical Control Points (HACCP) certifications constitute the guidelines for all the activities that are carried out by the company to guarantee consumer health and safety and are applied to all illycaffè products.

The company checks label compliance and observance of compliance regulations for machines, packaging and material that comes into contact with food, as well as of safety data sheets (SDS) on chemicals, according to REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and RoHS (Restriction of Hazardous Substances Directive).

illycaffè’s Research and Innovation Department – internationally recognised as a centre of excellence – consists of three research laboratories for quality control (one in Trieste, one in São Paulo and one in Miami) and five integrated laboratories for the horizontal transfer of knowledge, in contact with university centres: AromaLab and SensoryLab, BioLab, TechLab and FoodScienceLab.

PARTICIPATION IN WORK GROUPS

- The European Coffee Federation’s (ECF) CONTAM panel to follow the subject of changes to the limit for glyphosate use.
- Single Serve Unit Working Group (SSU WG) within the European Coffee Federation (ECF) for the subject of coffee capsule recycling in Europe.
- The Union Italian Food (formerly AIIPA) on the subject of coffee capsule recycling in Italy.
**Procurement and processing of raw material**

Illycaffé looks for the best beans for its 100% Arabica blend: a scrupulous pre-purchase analysis makes it possible to test the taste and aromas of the sample, discovering any visual and olfactory defects. From the distant countries where it is cultivated to the factory in Trieste, where it undergoes its most important transformations, illy coffee travels a long way to reach consumers’ cups. Every stage has a decisive impact on the quality of the final product. Before purchase, illycaffé’s analysis and quality laboratories examine coffee samples: analyses are carried out to rule out the presence of heavy metals, pesticides, herbicides and insecticides. From the moment the coffee enters the company to the moment it leaves, 135 sample inspections are carried out. After reaching the production plant in Trieste, using the most advanced technologies and thanks to the most extensive expertise, the coffee is selected, blended, roasted, ground and pressurised via the factory’s production lines. The production lines at the Robecchetto con Induno plant transform the coffee into capsules.

**RAW MATERIAL PROCUREMENT:**
the company develops a direct and preferably long-term collaborative relationship with its producers to guarantee product quality. Before purchase, illycaffé’s analysis and quality laboratories analyse coffee samples, both to issue phytosanitary certificates and to certify the absence of heavy metals, pesticides, herbicides and insecticides.

**ROASTING, STORAGE AND BLENDING:**
the coffee is roasted in the company plants, stored in insulated warehouses and blended according to the 100% Arabica blend recipe in order to obtain a consistent, balanced illy taste.

**PACKAGING AND PRESSURISATION:**
espresso is a complex drink that includes 1,500 substances (800 of which are volatile) and 13 chemical and physical variables that affect its correct preparation. illycaffé has patented pressurisation, a process that involves replacing the air inside the packages with pressurised inert gas, trapping the aroma of freshly roasted coffee. This way the aromas are concentrated in the coffee oils, producing a rich, sweet and intense taste, while preserving and even enhancing the fragrance over time.

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2 In 2019, the company did not receive any penalties for non-compliance with laws or regulations concerning quality, food safety, traceability and similar issues.

3 The most widely used herbicide in the world, which is the subject of international debate and discussion about its potentially damaging effects on health. On 1 October 2019, the European Court of Justice ruled that “There are no grounds for invalidating the legitimacy of the use of glyphosate”, however the debate remains open.
To guarantee the quality of the supply chain, a series of national and international voluntary standards have been adopted for which, during 2019, maintenance and recertification activities were carried out:

### MANAGEMENT SYSTEM

<table>
<thead>
<tr>
<th>Description</th>
<th>Standard</th>
<th>Certified by illycaffè S.p.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOR ISO 9001 QUALITY</strong></td>
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<tr>
<td>Defines how an effective quality management system should be developed, assuring end customers that services and products placed on the market correspond to specifications stated by the company. illycaffè was the first company in the European coffee sector to receive this certification for its quality management system. The system is applied by illycaffè S.p.A. and Experimental Agricola do Brasil Ltda.</td>
<td>ISO 9001</td>
<td></td>
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<tr>
<td><strong>ENERGY ISO 50001</strong></td>
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<tr>
<td>Defines how an effective energy management system should be developed. The system is implemented with a view to continuous improvement through systematic energy management and reduction of energy costs.</td>
<td>ISO 50001</td>
<td></td>
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<tr>
<td><strong>ENVIRONMENTAL ISO 14001</strong></td>
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<tr>
<td>Defines how an effective environmental management system should be developed to implement a dynamic and cyclical process which, through the pursuit of continuous improvement, allows the company to manage its environmental risk.</td>
<td>ISO 14001</td>
<td></td>
</tr>
<tr>
<td><strong>HEALTH AND SAFETY ISO 45001</strong></td>
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<tr>
<td>Defines how an effective worker health and safety management system should be developed, which, compared to current standards, can provide unambiguous guidelines in the context of the international market.</td>
<td>ISO 45001</td>
<td></td>
</tr>
</tbody>
</table>

### EMAS REGISTRATION

EMAS (Eco-Management and Audit Scheme) registration indicates illycaffè S.p.A.’s compliance with the provisions of EU Regulation 2018/2026 of 19 December 2018, which amends Annex IV of EC Regulation no. 1221/2009 aimed at promoting rational management of environmental aspects based not only on compliance with the limits of the law, but also on continuous improvement of its environmental performance, active participation of employees and transparency with the institutions and the public. Registration of illycaffè S.p.A.

### SUSTAINABILITY

**SUSTAINABLE PROCUREMENT PROCESS**

illycaffè is the first company in the world to adopt the DNV-GL SPP standard, which attests to the integration of responsibility and sustainable development principles in the procurement and supply chain management processes and the creation of value for all stakeholders.

Scheme applied by illycaffè S.p.A.

**AEO (Authorised Economic Operator) status**

Certificate issued by the Customs Agency. Certifies illycaffè’s reliability in relation to customs authorities, guaranteeing strict compliance with regulations and product safety.
BUREAU VERITAS CERTIFICATION FRANCE

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

Certification adopted by illycaffè S.p.A.

HALAL

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

Certification adopted by illycaffè S.p.A.

KOSHER

Certifies compliance with Jewish dietary rules.

Certification adopted by illycaffè S.p.A.

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

Schemes applied by illycaffè S.p.A.
The illy blend is marketed in 144 countries on 5 continents and served in over 100,000 public establishments. The company also operates through single-brand shops: 192 illy Caffès in the most important cities in 34 countries. They are located in airports, the busiest streets, high-end shopping centres, museums and cultural locations in order to bring illy’s taste and quality to as many people as possible.

In 2019, 39 points of sale were opened:
- 37 illy Caffès.
- 2 illy Shops, including 1 in Shanghai.

The new openings were particularly focused on:
- The EMEA area (Europe, Middle East and Africa), where 14 illy Caffès were opened.
- Asia, where 13 new illy Caffès and 2 illy Shops were opened (in China and South Korea).
- North America, where 10 illy Caffès were opened.

2019 saw the continuation of the process to upgrade the network – inspections based on the principles of quality, identity and profitability –, which led to 29 points of sale leaving the network, of which 24 illy Caffès and 5 illy Shops.

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For further details, please refer to the “Value creation in the B2C channel” paragraph in the Relational Capital section.
illicaffè’s headquarters and branches worldwide

- Shanghai, China
- New York, U.S.A.
- 's-Gravendeel, Netherlands
- Munich, Germany
- Milano, Italy
- Trieste, Italy
- Paris, France
- Vienna, Austria
- Barcelona, Spain
- London, United Kingdom
- San Paolo, Brazil
- productive capital