

SEED:S

Social
Environmental
Economic
Development
Sustainability



WE ALWAYS TAKE
A VERY PERSONAL
APPROACH.

02.4 human capital

02.4

HIGHLIGHTS

1,405
employees
as at 31/12/19 at a
consolidated level

92.6%
of staff with
a permanent
contract

25.1%
recruitment rate

human capital

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

SDGs



SPECIFIC COMMON BENEFIT GOALS

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

OUTCOMES

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

CHALLENGES

- Staying connected and continuing to share the same values even against a background of corporate growth.

SEED:S

Social
Environmental
Economic
Development
Sustainability

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

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

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

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

■ 02.4.1 illycaffè people

A healthy and solid company takes care of its employees: they are its engine, the driving force that carries out its work.

To this end, illycaffè is committed to guaranteeing uniform development between business growth and human growth, conscious that neither is possible without the other.

Its employee management is based on the principles of transparency, respect for rights, loyalty and trust, and on the application of the conduct set out in the Code of Ethics. The company constantly promotes the improvement of its employees' quality of life, offering a comfortable and safe working environment, encouraging personal skills and interests, and promoting the

right balance between work life and personal life. Only by contributing to people's happiness and well-being is it possible to have qualified staff who are able to express professionalism, passion and pride.

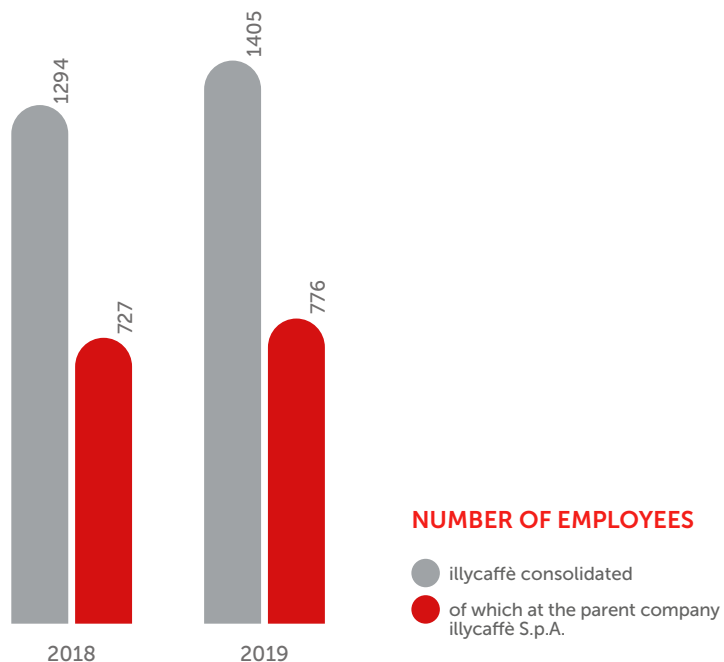
In 2019, the company paid particular attention to **leadership** and **corporate culture**, two of the cornerstones of its unique identity. Focus group analysis, discussions and co-creation at plenary sessions involved all workers at different times of year.

¹ Please refer to the Code of Ethics, which can be downloaded from www.illy.com

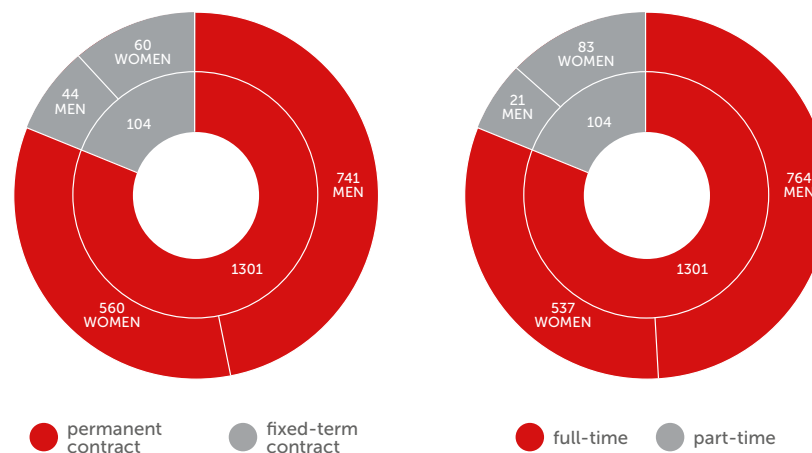


■ 02.4.2 Employment²

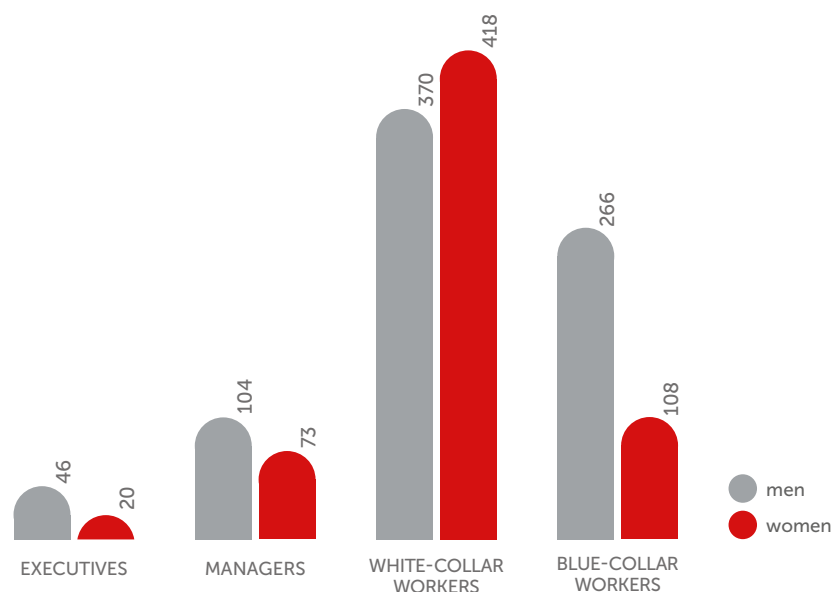
The growth trend recorded in recent years continued in 2019: the number of employees at consolidated level is 1,405, of which 776 in Italy.



92.6% of employees in Italy and abroad have a permanent contract, in line with the company policy aimed at stabilising precarious workers. Of these, most have full-time contracts. To meet the needs of employees, there has been an increase in the number of part-time contracts, which are essential to ensure a work-family balance and have been adopted by 104 employees in Italy and abroad.



Considering all companies within the reporting scope, women account for 44.1% of the total and, based on the breakdown by age bracket, employees aged between 30 and 50 constitute the majority of the workforce (63.6% of the total).

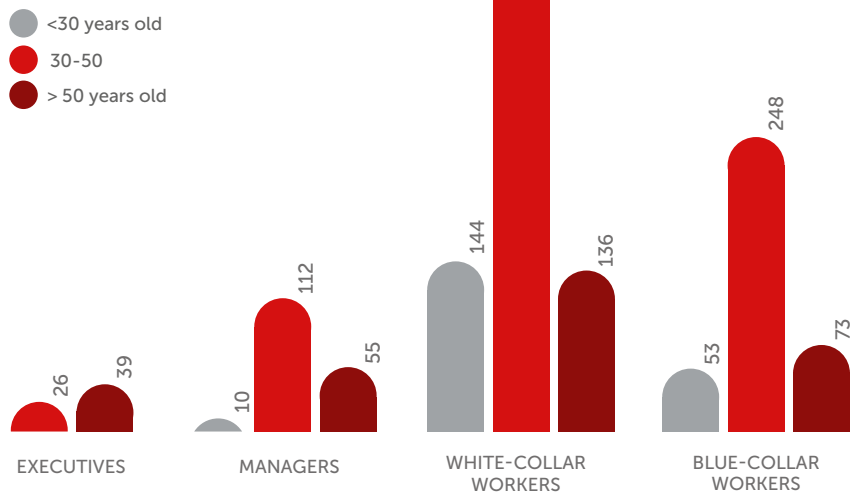


² For more information on the scope of data concerning staff, please refer to the methodological note.

SEED:S

Social
Environmental
Economic
Development
Sustainability

EMPLOYEES BY AGE



MEMBERS OF THE GOVERNING AND SUPERVISORY BODY BY GENDER

	WOMEN	MEN
Board of Directors	4	6
Board of Statutory Auditors	2	1

GOVERNING BODIES BY AGE GROUP

	<30 YEARS OLD	30-50 YEARS OLD	>50 YEARS OLD
Board of Directors	0	2	9
Board of Statutory Auditors	0	0	3



SEED:S

Social
Environmental
Economic
Development
Sustainability



In 2019, the turnover rate in Italy and abroad – calculated as the ratio of people leaving the company in the period to the total workforce at the end of the period – was 19.1%. The recruitment rate – the ratio between the number of new hires during the year and the total workforce at the end of the period – was 25.1%. These figures include the numbers for bars and shops, which, due to the nature of their business, have a much higher staff turnover.

In terms of remuneration, all employees are subject to the provisions of national contracts³ and current regulations in the various countries in which the company operates.

³ For Italy, the National Collective Bargaining Agreements of the Food Industry, managers of companies producing goods and services and employees of companies in the sectors, public establishments, collective and commercial catering and tourism are applied.

	NO. NEW HIRES		NO. TERMINATIONS		RECRUITMENT RATE*		TERMINATION RATE*	
	2018	2019	2018	2019	2018	2019	2018	2019
Men	171	196	120	144	23.7%	25.0%	16.6%	18.3%
<30 years old	96	93	69	57				
30-50	69	87	40	73				
> 50 years old	6	16	11	15				
Women	137	157	135	124	24.3%	25.3%	23.9%	20.0%
<30 years old	80	83	74	65				
30-50	48	68	42	57				
> 50 years old	9	7	9	2				
Total	308	353	255	268	24.0%	25.1%	19.8%	19.1%

* This calculation is made by dividing the no. of new hires or the no. of terminations by the total number of employees at the end of 2019.

■ 02.4.3 **Equal opportunities, inclusiveness and respect for human right**

"Employees are offered equal employment opportunities based on merit, professional skills and performance, without any discrimination, fully respecting personal rights"⁴. The pursuit of the strength inherent in difference reflects the values of illycaffè, which has always wanted to create an inclusive working environment enhanced by the multicultural context of the city of Trieste.

The concept of "inclusion" within the company means enhancing a highly diverse professional community. Human capital is therefore grown and developed around individual performance and abilities, eliminating any potential form of stereotyping and prejudice. This approach does not exclude people in protected categories, who represent around 3% of the workforce in Italy.

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

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

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

⁴ Code of Ethics: No candidate or employee shall be treated less favourably on account of their race, sex, religion or belief, disability, marital status, age, sexual orientation, gender identity and expression or family responsibilities, nor shall they be disadvantaged by any condition or requirement that is not justified.



#THANKS4THECOFFEE 2019

In 2019, International Coffee Day was celebrated with the #THANKS4THECOFFEE project which, for this edition, presented illy Coffee Music, the first illy symphony that narrates the journey of coffee and its sounds in music. It was dedicated to all coffee farmers to thank them for their valuable work.

AVERAGE GROSS ANNUAL SALARY: MEN-WOMEN RATIO

The ratio between the gross annual salary received on average by women workers in Italy and that received by men is as follows: 0.85 for executives, 0.88 for white-collar workers, 0.92 for managers and 0.92 for blue-collar workers.

The ratio was calculated by dividing the gross annual salary received by women by that received by men, for each category.



■ 02.4.4 Health and safety in the workplace

For illycaffè, safety culture is essential to developing an awareness of the risks associated with work and to promoting responsible behaviour.

Workers' health and safety is protected through preventive actions and training activities.

In particular, illycaffè is constantly committed to:

- Complying with all applicable legal requirements.
- Promoting prevention and risk reduction activities.
- Reducing, as far as possible, injuries and illnesses resulting from work activities.
- Training, updating and preparing all workers to perform their duties safely, with a special focus on production departments.
- Establishing a regular dialogue with employees to gather feedback and share the risk analysis and assessment process.
- Collaborating and cooperating with the community, suppliers, local authorities, regulators and any other stakeholders to provide transparency and share the company's occupational health and safety practices.
- Continuously improving performance to safeguard these aspects.

Moreover, there is always a first aid and fire-fighting team in the company.

In 2019, the company obtained **ISO 45001 Occupational Health and Safety Management System certification**.

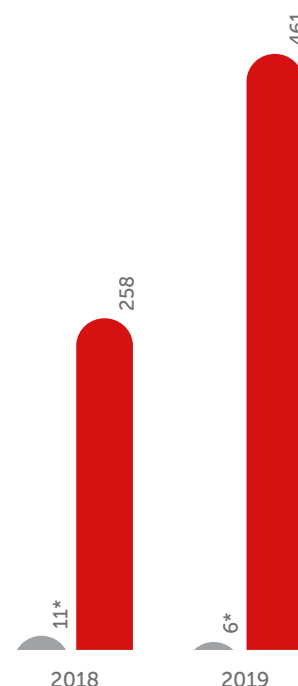
In 2019, there were 6 workplace injuries at the headquarters involving 3 men and 3 women, resulting in a total of 96 days of absence. There were no cases of occupational diseases. The absenteeism rate⁵ for 2019 was 4.46% (4.91% for women and 4.18% for men).

⁵ Measurement of the actual days of absence expressed as a percentage of the total working days for the workforce in the same period. Absenteeism refers to the absence from work of a worker due to any type of incapacity, not only those related to illness or injury at work. Authorised leave such as holidays, study, maternity/paternity leave and leave for family reasons are excluded. For more information on the scope of data concerning staff, please refer to the methodological note.

NUMBER OF INJURIES AND LOST DAYS AT ILLYCAFFÈ IN ITALY

- No. injuries with absence
- No. of lost days

* In 2018, of the 11 calculated injuries 4 were during commuting, while in 2019, of the 6, 3 were during commuting.



INJURY RATES ILLYCAFFÈ ITALY	WOMEN	MEN	TOTAL
Frequency rate	5.65	3.62	4.41
Severity rate	0.02	0.54	0.34
Occupational disease rate (no. occupational diseases/tot. hours worked)*1000000	0	0	0

* The frequency rate is the ratio between the number of injuries occurring in a year and the hours worked, X 1,000,000. The severity rate is the ratio between days of absence due to injuries and hours worked, X 1,000.

■ 02.4.5 Internal communication and employee benefits

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

In 2019, **illyXpress** was created, a digital internal communication magazine in two languages, Italian and English, which is sent to illycaffè employees in Italy and abroad every month with the aim of forming a large coffee community. The magazine features articles written by an editorial team made up of company employees, as well as a number of external contributions.

Throughout 2019, **"Xchange Moments"** were organised to present a preview of projects and products or to communicate news involving the entire company, promoting engagement and sharing.

The **"Made in illy"** project, launched in 2009, is also continuing, enabling the company's employees to offer their skills and volunteer their time to collaborate in the organisation of internal company events.

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



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

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

■ 02.4.6 Training and development of human capital

Employee training is crucial to ensuring professional development and is also a vital driver of the development process envisaged in the company's strategic plan.

Through specific programmes, illycaffè wants to make its employees:

- **business partners** who support the company in projects, in achieving goals and developing skills;
- **people partners** who help the management to develop their staff;
- **company partners** who support the evolution of an identity and culture for creating widespread leadership.

In order to promote continuous mutual improvement, periodic performance evaluation systems are implemented, which grant a variable financial reward, and cyclical training courses are provided. Teaching methods vary according to the type of course, goals and technical skills of the different staff involved. A voluntary feedback system is in place to gauge satisfaction levels and identify areas for improvement.

illycitizen, a training and recruitment programme for employees designed to increase motivation and a sense of belonging, has been running since 2011. Managed by a group of trainers, chosen from among employees, in 2019 the programme offered, through focus groups, an in-depth examination of the principles of the Code of Ethics from a personal and individual standpoint. The plan involved 90% of blue-collar workers. A new illycitizen ambassador format, presented in January 2020, has also been designed.

The analysis of **illy's Leadership Model** was an initiative that involved a large part of the company's workforce and provided a theoretical basis for acquiring the main skills of the new leadership.

ILLYCAFFÈ'S LEADERSHIP MODEL

A new leadership model has been developed, based on an innovative learning process that led to an understanding of the concepts of complexity and meta-skills as key elements for effective management.

A think tank plenary session was held in which the whole group examined several examples of leadership models adopted by large companies and multinationals. It was observed that these models are very uniform and repetitive in terms of structure and often also of content. These models describe customer orientation, collaboration, exemplarity and delegation and are formulated in a descriptive way, identifying what a leader should do and what behaviours they should adopt, assuming that simply following certain guidelines makes effective and successful leadership possible. In these models, however, there is a complete lack of consideration of the business context.

By harnessing the power of collective intelligence, the company has developed a new leadership model that identifies, for every leadership trait, a possible problem or challenge that could jeopardise the effectiveness of managerial action with regard to a thorough understanding and consideration of contexts.

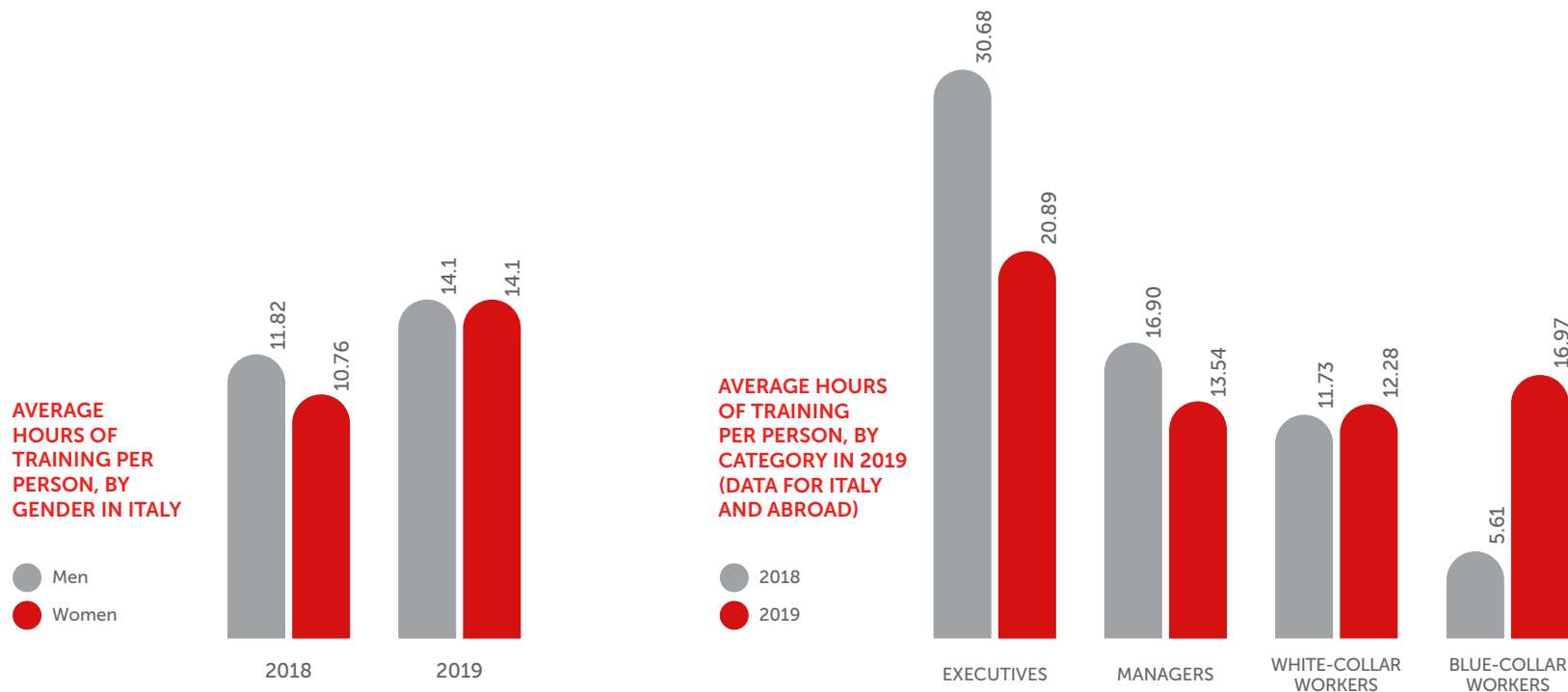
An illy leader focuses their actions on the common good, balancing short and long-term objectives without prioritising area-based results over general results. Furthermore, they work to build cohesive and interdependent communities that share a common purpose and vision of the company and are committed to putting people in the best possible position to express their talents.

The “**Experience Makers**” programme is the format devoted to the entire illy sales force. In November 2019, it was also opened to managers responsible for large-scale retail trade (GDO)⁶ customers and the first modules on distribution and the role of commercial sellers were provided. The course will continue in 2020.

In collaboration with MIB Trieste School of Management, a **Finance Intelligence** course has been provided to all staff who manage projects and do not have a specific background in finance.

The “**Io sono illy**” e-learning course was addressed to staff in the Retail channel (direct shops and franchises), alongside the course dedicated to new hires.

In addition, a series of e-learning courses have been provided for training on Privacy, the Code of Ethics, Risk Management and all Cybersecurity training.



⁶ Supermarket networks and other sales channels.