WE SHARE WHAT WE ARE.

02.5 relational capital
Relational capital describes the relations between illycaffé and its stakeholders, with a particular focus on the collaboration established with grower and producer communities, suppliers, customers, international bodies and cultural institutions.

**SDGs**

1. **SDG 1**
2. **SDG 3**
3. **SDG 4**
4. **SDG 8**
5. **SDG 10**
6. **SDG 11**
7. **SDG 12**
8. **SDG 13**
9. **SDG 14**
10. **SDG 17**

**SPECIFIC COMMON BENEFIT GOALS**

“Contribute to the development and analysis of the sustainability of the supply chain through research, sharing of knowledge and projects in the field”

“Support and publicise the case for integrated agriculture in order to preserve and improve coffee quality and sustainability at a global level”

“Actively contribute to the international debate on the issues of happiness, well-being and improving quality of life”

“Foster global partnerships to promote sustainability and international awareness of this issue”

**OUTCOMES**

Promoting the growth of the new generation of farmers, made up of motivated people who are passionate about the world of coffee.

Improving the living conditions of farming communities.

Creating unique, inimitable cultural experiences that represent the essence of illy and its bond with art.

Evolving towards a proactive customer engagement approach.

Bringing a high-quality coffee culture close to customers and consumers.

**CHALLENGES**

Combating neglect of the land and ensuring recognition of its potential.

Prepare people for the effects of climate change that are changing the way they cultivate.
The value of the community and local area

Coffee quality starts from the first link in its production chain: cultivation. illy works with and for coffee producers and creates many projects to support local communities, interpreting and responding to their needs.

Key synergies and partnerships
illycaffè collaborates with local authorities, government agencies (e.g. Coffee Boards in African and Indian countries), international institutions (e.g. the International Coffee Organization) and research bodies (e.g. University of São Paulo, World Coffee Research) in order to consolidate its own operations in the area and to continue to spread sustainability principles within the ecosystem in which it operates.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>INSTITUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>Embrapa – Empresa Brasileira de Pesquisa Agropecuária</td>
</tr>
<tr>
<td></td>
<td>Universidade de São Paulo</td>
</tr>
<tr>
<td></td>
<td>Universidade Federal de Viçosa</td>
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<td></td>
<td>Instituto Terra</td>
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<tr>
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<td>Funarbe – Fundação Arthur Bernardes</td>
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<td>Colombia</td>
<td>Federación Nacional de Cafeteros de Colombia</td>
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<tr>
<td></td>
<td>SEN – Servicio Nacional de Aprendizaje</td>
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<tr>
<td>Costa Rica</td>
<td>Icafé – Istituto del Café de Costa Rica</td>
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<td>Guatemala</td>
<td>Anacafé – Asociación Nacional del Café</td>
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<td>El Salvador</td>
<td>Consejo Salvadoreño del Café</td>
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<td>Ethiopian Coffee and Tea Development and Marketing Authority</td>
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<td>Ethiopian Coffee Exporters Association</td>
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<td>India</td>
<td>Coffee Board of India</td>
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<td>Rwanda</td>
<td>National Agricultural Export Development Board</td>
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<td>International</td>
<td>ICO – International Coffee Organization</td>
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<td>UNIDO – United Nations Industrial Development Organisation</td>
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<td>WB – World Bank</td>
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<td></td>
<td>WCR – World Coffee Research</td>
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<tr>
<td></td>
<td>ASIC – Association for Science and Information on Coffee</td>
</tr>
<tr>
<td></td>
<td>ICTP – International Centre for Theoretical Physics</td>
</tr>
<tr>
<td></td>
<td>SAI – Sustainable Agriculture Initiative platform</td>
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<tr>
<td></td>
<td>SCA – Specialty Coffee Association ISIC – Institute for Scientific</td>
</tr>
<tr>
<td></td>
<td>Information on Coffee</td>
</tr>
<tr>
<td></td>
<td>WCPF – World Coffee Producers Forum</td>
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</tbody>
</table>
From the Brazil Award to the Ernesto Illy International Coffee Award

Brazil is the first country in which illycaffè began to work directly with producers. In 1991, the Brazil Award (Prêmio Ernesto Illy de Qualidade Sustentável do Café para Espresso) was established, dedicated to the best coffee producers in the country. This award has become an incentive to improve the quality of production processes. Today Brazilian coffee beans are recognised as among the best in the world. This is a major change given that up to the ‘90s Brazilian coffee production guaranteed large quantities, but low quality. The Brazil Award has helped to change this situation, allowing certain regions in the country, which have been mistakenly considered unsuitable for coffee growing, to establish themselves. Inspired by this award, the Ernesto Illy International Coffee Award (EIICA) was created, an international recognition that aims to reward the efforts and investments made by producers to create sustainable high-quality coffee.

The 2019 international award, hosted at the United Nations headquarters in New York, was also an opportunity to reaffirm to an audience of 200 people including ambassadors, institutions, exporters, producers, laboratory technicians and journalists, the importance of environmental, social and economic sustainability, sustainable cultivation and the Virtuous Agriculture project that Andrea Illy is studying.

GOOD PRACTICE STORIES

In Nicaragua and Honduras, the company worked on the construction of 5 wastewater treatment systems for a group of producers with whom it has been working for many years, making an immediate positive impact and serving as a long-term example for producers throughout the area.

In Colombia, through the Ernesto Illy Foundation and the collaboration of the Federación Nacional de Cafeteros de Colombia, the company has continued to support the reforestation project initiated in Támara in 2013, with the aim of repopulating, with native vegetation, coffee-growing areas with major aquifers and water sources at risk.

In late 2019:
- 70 hectares of land were reforested.
- 76 wastewater treatment systems were installed.
- 23 coffee pulp management facilities were created, training 99 families of producers.
- 60 students from the school in Támara were educated about good environmental practices through practical activities.

In 2018, illycaffè signed a memorandum of understanding with ETCR (Territorial Spaces for Training and Reincorporation) and Ascafé (Association of small coffee growers) to increase the quality and production capacity of coffee in the Cauca Department, where former FARC fighters and small producers reside, encouraging local economic development. Over 600 former FARC fighters continue to enjoy the benefits described in the memorandum.

Vivero de Atitude is the project through which, in Brazil, illycaffè is financing the construction of a nursery for the planting of over 100,000 species native to the Cerrado region, which will be distributed to producers in the area and the city of Monte Carmelo to increase their green areas. 100% of proceeds from the sale of the plants will be donated to local authorities working to support children and the elderly in the community.
"Kalós kai agathós" or "beautiful and good". The beauty to which illycaffé refers is linked to the concept of "kalokagathia", coined by the ancient Greeks from a combination of the words kalós (beautiful) and agathós (good). The company views this as a true ideal to pursue: excellence that combines balance and elegance, beauty and goodness, ethics and aesthetics in a single product.

To emotionally and intellectually involve consumers, offering them a multi-sensory experience, the company also focuses its excellence on the cup, the tool for enjoying the product: this is how the illy Art Collection was created in 1992. Bringing the coffee experience to life also means sharing the pursuit of beauty, which is indivisibly tied to goodness. This is why art and creativity are the language chosen to express its values and philosophy. The development of single-brand shops and the organisation of internationally significant cultural events are also a step in this direction.

THE ILLY ART COLLECTIONS

The illy Art Collections embody the cultural idea of illy's beauty: those who savour an illy espresso in an artist's cup associate this gesture not only with the blend's aroma and taste, but also with a complete aesthetic, visual and tactile experience of contact with contemporary art.
WE ARE DELIGHTED TO TAKE PART

"May You Live In Interesting Times", 58. Venice Biennale International Art Exhibition
In 2019, illycaffé was the main sponsor of the Venice Biennale, at which, during the opening days, it offered all visitors illy blends in capsule form and as cold brew. All of the Biennale’s bars sold illy coffee, while in the city the main client bars premiered cups and sugar sachets with the graphic design of the exhibition’s official poster.
To celebrate this tenth edition of the company’s participation at the Biennale, a version of the cup with a decorated saucer was produced and dinners were organised featuring artists and Michelin-starred chefs to bring together different worlds united by high quality.

illy SustainArt Prize
In February 2019, during Arco Madrid and the international art fair, the illy SustainArt Prize, reserved for artists from coffee producing countries born after 1970, was presented for the twelfth year. The award was won by Venezuelan Sheroanawë Hakihiwë, from the Yanomami ethnic group, for his contemporary vision of cosmogony through indigenous imagery. With the money from the award he decided to buy mosquito nets to protect his community from the risks of malaria.

Presenting the Barcolana – Trieste
For the 51st edition of the historic regatta, an initiative was organised around the values of quality and sharing. illycaffé, which was entrusted with the artistic direction of the Barcolana poster, chose illustrator Olimpia Zagnoli to portray the emotions shared by thousands of sailing enthusiasts. The artist designed a flower to symbolise both the beauty and the fragility of our sea and of an ecosystem that must be protected, one of the key messages of this edition of the regatta.

"Genius and Enterprise: from Leonardo and Ludovico to the most important stories of innovation in our times", Palazzo della Regione Lombardia (Milan)
To celebrate the fifth centenary of Leonardo da Vinci’s death, illycaffé and Assolombarda commemorated the legacy of this genius and of the bond he had with Ludovico Maria Sforza in an exhibition organised at the Palazzo della Regione Lombardia. A painting by pop artist James Rosenquist was displayed here, recalling one of the important milestones in illy’s history, 1995, the year in which the logo was modernised thanks to Rosenquist’s work.

Artissima 2019 - Turin
For years, the company has been sponsoring Artissima, the largest international art fair in Italy, and it is organising the illy Present Future Award, now in its nineteenth edition. This award is presented to the artist judged to be the most interesting in the Present Future section and for a number of years it has been a springboard for new talents. The winner of the last edition was Pedro Neves Marques from the Umberto di Marino Gallery in Naples who, thanks to illy, had the opportunity to exhibit his work in Rivoli Castle.

ITS Fashion@Work by illy Award
illycaffé has reconfirmed its partnership with International Talent Support, a competition for young talents in fashion design, and “ITS Fashion@Work by illy Award”, an award in which 10 finalists compete to come up with a creative and fashionable redesign of the barista’s apron. The winner of the 2019 edition was Jiaen Cai, a 26-year-old Chinese student.
In 2008, illycaffè set up a Foundation managed by the Illy family to further develop Ernesto Illy’s moral and cultural heritage. A non-profit organisation created with the aim of promoting ethics and sustainability by supporting research and the organisation and spread of initiatives to benefit all stakeholders.

**Mission**

To cultivate the values of knowledge, ethics and sustainability, both generally and within business operations, and to promote research as a method to arrive at the truth and development of humanity, as taught by Ernesto Illy. To pursue the values and method for economic, social and cultural growth of communities and as a means of competitive advantage for the company.

**Vision**

Values and profits nourish each other. Ethical companies, which will lead the future economy, view profit as the joint creation of lasting, economic, social, and environmental value.

One of the main goals of the work carried out by illycaffè and the Ernesto Illy Foundation is to fund educational programmes and activities with producer groups with the aim of offering school facilities, high-quality education and teacher training in order to extend access to education in rural areas to as many children and young people as possible, giving them a greater chance of liberation and lifting them out of poverty and child labour.
THE WORK OF THE ERNESTO ILLY FOUNDATION

Ernesto Illy Master’s Degree in Coffee Economics and Science, Italy
This second-level university Master’s degree is promoted and organised by a group of outstanding educational partners: the University of Trieste, the University of Udine, the Ernesto Illy Foundation, illycaffè, the University of Coffee, SISSA (International School for Advanced Studies in Trieste) and the Consorzio di Biomedicina Molecolare (Area Science Park, Trieste). The aim of the Master’s degree is to offer in-depth and multidisciplinary training for work in the coffee industry, and more generally in the agro-food sector, throughout the entire production chain, from cultivation to catering and retail via logistics and the industrial process. In 2019, 21 students of 15 different nationalities (Brazil, China, Colombia, Costa Rica, Ecuador, El Salvador, Ethiopia, Finland, Guatemala, India, Italy, Papua New Guinea, Uganda and Venezuela) undertook and completed their training. The Foundation fully funded 5 members and partially funded 7.

Costa Rica, Casas de la Alegria
Every year in Costa Rica more than 15,000 Panamanians of the indigenous Ngäbe-Buglé tribes cross the border to work as coffee pickers. For cultural and safety reasons, children accompany their parents during their work on the plantations, which means that they are at a high risk of being made to work, even if they are very young. The Casas de la Alegria project offers a legal and practical solution to combat this risk thanks to centres where children are cared for, both in terms of their health and education, providing a form of financial support for families and above all a safe place where children can stay while their parents are working. In 2019, 15 facilities were opened, accommodating a total of 774 children.

Rwanda, Farmer Field School
With a particular focus on gender equity, the Ernesto Illy Foundation has contributed, together with the supplier Sucafina and the Kahawatu Foundation, to the purchase of a plot of land and planting of around 2,500 certified-quality coffee trees. This land will be used as a Farmer Field School for a cooperative of 40 women coffee producers in Hindiro. The project envisages the supply of fertilizer for three years and training services for staff throughout its entire period of operation.

World Happiness Reports
From 2017 to 2020, the Ernesto Illy Foundation has been a partner and supporter of the World Happiness Report, the report on happiness annually drawn up and published by the United Nations Sustainable Development Solutions Network under the guidance of Jeffrey Sachs. The 2019 World Happiness Report focused on social happiness, in particular on how people’s level of happiness influences their political voting choices.

Coffee & Happiness
This research further develops the themes of the World Happiness Report. In view of the abundant evidence of coffee’s health benefits, a project has been initiated to explore a sample of 237,000 women followed over 41 years (Nurses’ Health Studies I and II). A series of genetic data and psychophysical variables have been measured, which will allow an analysis of the hereditary variables in coffee metabolism and an investigation into the role it plays in overall well-being.

SCA Re Co 2019
Re.Co, the Specialty Coffee Symposium, is an event organised by the Specialty Coffee Association dedicated to the leaders of the “specialty coffee industry” to offer a space for high-level discussion and strategic development. In 2019, the event was held in Boston and the Foundation funded scholarships for 25 young leaders from producer countries who otherwise would not have been able to participate, covering registration and hospitality costs.

Universidad Zamorano Coffee 4.0
Zamorano is a private university in Honduras that specialises in agronomy and is recognised throughout Latin America. In 2018, the Board of Directors decided to create a course dedicated to the coffee sector and sought illycaffè’s expertise to set up an Agronomy 4.0 university model that could train technicians capable of transforming coffee growing methods in Central America from traditional to entrepreneurial.

Computational research in coffee science – collaboration with the Jülich Research Centre, Germany
The collaboration with the Jülich Research Centre involves the co-financing of an assistant professor position in the field of computational research in coffee science. This figure promotes the development and application of computational molecular modelling methods to answer technical questions in the field of coffee research.

CIRAD PhD Scholarship, Coffee Leaf Rust thesis
The Ernesto Illy Foundation is collaborating with CIRAD, the French research centre working with developing countries to address international agricultural issues, to develop an early warning system to combat coffee leaf rust (Hemileia vastatrix) in Central America. The programme is subsidised by the European Union and studies the side effects of climate change, promoting the adoption and application of measures for adaptation, mitigation and risk reduction.

Coffee leaf rust is currently being monitored in three areas of Costa Rica and three different departments of Nicaragua to determine which microclimate variables cause a change in the health and/or disease condition of coffee leaves and how these variables change according to different environmental conditions.
Those who drink illy coffee enjoy a blend composed of 100% Arabica coffee, the result of a selective manufacturing process that preserves and enhances quality and aromatic notes. It is presented to consumers with three different levels of roasting that influence the colour of the coffee and its sensory characteristics: classic for a softer and more aromatic taste; intense for an assertive profile; strong for an aftertaste of dark chocolate and toasted bread.

The company's growth plan is based on consumer satisfaction. Satisfaction that is built over time thanks to a quality offer and service. The plan is structured around three main areas:

- Consolidation and growth in premium hospitality at a global level, with the development of products and services.
- Expansion of consumption opportunities, particularly at home, with portioned preparation systems.
- Attention to offer a high quality offer and experience, both with the single-brand points of sale through the e-commerce channel.

In every sales channel we want:

- To be a benchmark of excellence based on the concept of quality.
- To offer consumers and customers products and solutions that meet their needs.
- To promote a culture of high-quality coffee and its various brews both in the points of sale and at home.
- To manage relations in a professional, ethical and transparent manner.
- To guarantee consistent profitability to the various segments of our commercial chain.
- To train customers and consumers to jointly build a business model that is sustainable over time and respects shared values.

Distribution mainly takes place through:

**Business to Business (B2B)**

- HoReCa: Hotels, Restaurants, Cafés
- Traditional retail
- Large-scale retail trade
- Consumer electronics
- Vending (offices and workplaces)

**Business to Consumer (B2C)**

- illy Shops
- illy Caffè and espressamente illy
- e-commerce
Creating value for customers

Recent research\(^2\) reveals that, in Italy, 59% of consumers who care about the coffee brand when they enter a bar would like to find the illy brand. The same research also shows that 79% of them are more inclined to choose a shop if it serves illy. More and more people are looking for quality and paying increasing attention to the food world in general.

Value creation in the B2B channel

Value is built on a corporate communication dedicated to trade clients that develops solid and lasting relationships. Communication is managed on various levels:

- Via the sales force, which guarantees contact with customers from all B2B channels (HoReCa, Modern Trade, Eldom, Specialty Retail, Office) and makes it possible to update stakeholders on all company news regarding products, services, promotions, events, fairs and communication activities at both a national and local level.

- Via the reserved area for illy customers, included in the professional section of the illycaffè website since 2018, to find out information on:
  - Purchasing progress.
  - Consultation of invoices, waybills, tracing of orders.
  - Course calendar, communication materials, videos for training, ideas and inspiration, documents or initiatives.

In 2019, this section became an app, in line with illycaffè’s process of digital transformation.

- The “Artisti del Gusto” digital newsletter aims to provide the latest information on the main innovations to barista customers who want to excel in their profession and who illy assists in their journey by sharing skills and tools. It is sent every two months and is divided into three sections:
  - Products for dispensing.
  - Products for resale.
  - Università del Caffè courses.

illy Chef Ambassador

The illy chef ambassador project has been launched to support Michelin-starred chefs and give them the opportunity to customize and model coffee based on the style of their kitchen and restaurant. With the help of the Personal Blender – a machine patented by illy that assists the chef during the creation of a ‘custom’ coffee blend –, using a complex procedure based on the measurements of a sensory radar, a tailored coffee can be produced, which the illy Chef Ambassador can exclusively present in their restaurant, alongside the classic illy blend.
Value creation in the B2C channel

The B2C channel consists of the ‘illy Caffè’ and ‘illy Shop’ single-brand stores, which are under both franchising and direct management. Through this format, the company aims to communicate its values together with the concept of Italian bars abroad in order to establish a direct relationship with consumers. These places, a symbol of the Italian lifestyle, aim to evoke beauty, socialising, creativity and food and wine culture. All the points of sale, which currently amount to 269, are supported by coordinated plans that monitor the coffee, food and resale product for the illy experience at home, and include help with communication and digital activities.

Digital transformation: the development of e-commerce

The digital transformation project began in 2018 and involves all of illycaffè’s global companies and various business areas. It was launched with the aim of harmonising the online and offline experiences of consumers and customers in order to offer the best omnichannel shopping experience. E-commerce figures continued to grow in 2019 with 5,561,683 visits to the platform alone and a 14% increase in online orders compared to 2018. 2019 saw major advances in digital, CRM (Customer Relationship Management), B2B and B2C, through:
- The creation of the illy Lovers loyalty programme, integrating the online (e-shop) and offline (retail) experience through the illy mobile app.
- New optimised marketing and communication campaigns.
- The adoption of useful tools for managing global sales force activities (Sales Force Automation).

ILLY BOX

illy Box is a solution designed for the HoReCa channel. A system that involves connecting professional machines (telemetry) to the internet in order to monitor their processes and, if necessary, make improvements, guaranteeing high and constant quality. In their private area, customers can find illy Box data and a series of useful information for optimal machine management.

Long-term benefits include:
- Guarantee of constant high cup quality in all illy bars.
- Increased consumer loyalty.

1 269 points of sale: 192 illy Caffès and 77 illy shops, split into 245 under franchising/licensing and 24 under direct management.
### 02.5.6 Listening to and satisfying customers

illy interacts with its customers by following the principles of accessibility, transparency, reduced response times and consistent customer service on the various channels.

In 2019, there were 53,356 contacts with customer care & service. There was a positive increase (+20.2%) in requests from potential new customers, confirming recognition of product quality and brand visibility. At the same time, there was a drop in interactions with consolidated trade customers (-8.9%), who now find information or documents directly online in the professional section, or such information is provided to them by the agents with whom they deal.

Exchanges with consumers remain broadly stable. There was an increase (+13.5%) in reports and complaints due to the new **visual identity** of the coffee range, since its colour codes changed, confusing consumers’ perception of taste.

During 2019, customer care underwent a major digital evolution. New real-time interaction channels such as social networks and a live chat system have been added to the telephone and e-mail service, bringing the company closer to consumers, which is now proactive and not just reactive, cutting down on interaction and response times. The new channels guarantee effective and consistent communication tailored to the needs of the individual consumer. There is a comment system in place to assess satisfaction with the service received.

### Management of reports and improvement actions

Considerable attention is paid to complaints from customers and consumers. Reports that cannot be standardised are analysed and shared with the relevant offices to provide quick answers and solutions. For complaints about the coffee product, the procedure has been drawn up and approved by the Quality Assurance office, which receives a monthly report containing all the reports concerning the product.

### Table: Contacts 2018 vs 2019

<table>
<thead>
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<th>Category</th>
<th>2018</th>
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<tr>
<td>Total</td>
<td>53506</td>
<td>53356</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

### 2019 Sustainable Value Report

- **Contacts that are potentially interested in becoming illy B2B customers**
- **Active customers belonging to one of illy’s B2B channels**
Responsible communication and information

Respect for the right to information underpins all communication with customers and stakeholders. Every communication activity respects the laws, rules and practices of professional conduct and is conducted with clarity, transparency and speed. In order to strengthen communication and information activities for customers, we have implemented the following policies:

- Compliance with the advertising self-discipline code.
- Checking of labels by a company specialised in the promotion and development of agri-food quality, which examines their suitability and compliance with the regulations of the relevant countries.