

SEED:S

Social
Environmental
Economic
Development
Sustainability



03
standards

■ 03.1 Methodological note

Since 2012, illycaffè has annually published its Sustainable Value Report, used as a tool to clearly illustrate and communicate the integration of economic, social and environmental sustainability implemented in the company's decision-making processes, strategy, governance and business model, in line with the expectations of all stakeholders who are directly or indirectly affected by illycaffè's activities. The Value Report also addresses the need to communicate the responsible approach – based on sustainable behaviours, practices and products – that the company has taken over the years.

Guidelines and reporting process

The 2019 Sustainable Value Report was prepared in accordance with the "Sustainability Reporting Standards" issued in 2016 by the Global Reporting Initiative (GRI), in line with the "In accordance-Core" option.

To produce the Sustainable Value Report, a participatory process was implemented that involved the active contribution of the various organisational departments operating at illycaffè's headquarters, as well as the branch representatives. The reporting process was based on the existing information systems at the company – management control, accounting, quality, environment, internal audit, safety, staff management, etc. – which have been integrated with specific data collection and analysis tools. The company still aims to further strengthen its reporting system, to gradually extend it to all departments and to increase the accuracy and reliability of the data.

Reporting period

The information included in the Sustainable Value Report refers to the period 01/01/2019 – 31/12/2019, unless otherwise indicated in the text.

Innovation and continuity

Consistent with the structure adopted in the previous year, the 2019 Value Report was organized according to the framework of the six Integrated Reporting Capitals (Financial, Productive, Intellectual, Relational, Human and Natural), with the addition of an introductory section titled "Our Identity", in which information was collected that relates to the governance structure, practices and key policies active throughout the entire illycaffè value chain.

The structure has been enhanced through the "Nested Hierarchies" model, which organizes the six capitals by highlighting the relationships between them. There are also other innovative elements relating to the common benefit goals, outcomes, challenges, and SDGs described in the introduction pages to the capitals.

These elements were identified thanks to interviews conducted with the contacts of the different organisational areas (outcomes and challenges), the reference to key documents (common benefit goals) and the support of internally developed methodologies to measure the impact of the various projects (SDGs). These aspects have been combined in the introductions to the capitals to emphasize the interconnections that exist between illycaffè's activities, strategic guidelines, policies and individual projects and to transparently highlight the integration between business and impact aspects.

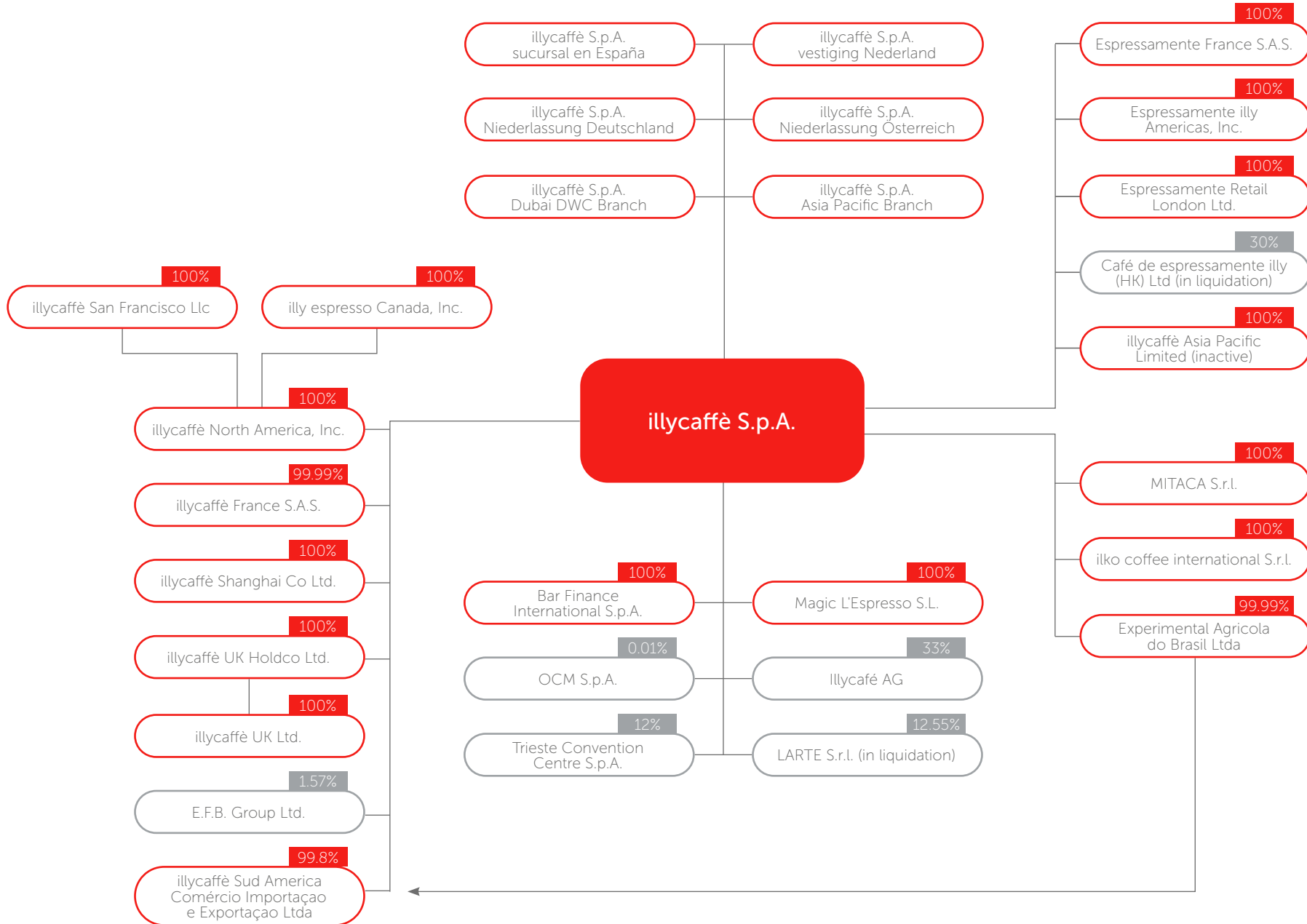
To strengthen the analysis of illycaffè's contribution to the United Nations Sustainable Development Goals, the SDG Action Manager was used for the first time: this tool was developed by the UN Global Compact in collaboration with B Lab and launched in January 2020. The tool is designed as a digital platform that integrates the ten principles of the Global Compact, the SDGs and the rigorous impact measurement approach of the B Impact Assessment. Since the analysis is a self-assessment whose results do not include a score verified by B Lab (or other bodies), which had an internal purpose and took place during 2020, illycaffè will assess whether to publish the results of this analysis in future editions of the Value Report.

Reporting scope

This Report does not include data and information relating to companies with less than three employees since these organisations are considered to have little impact (compared to the overall total of illycaffè) in socio-economic and environmental terms, in view of their significance in terms of turnover, employees and, above all, business type: indeed, these are representative branches, within which the activities carried out are of an essentially administrative nature.

As at 31 December 2019, the Group consisted of the companies listed below, with the companies included in the scope of the 2019 Sustainable Value Report 2019 highlighted.

BRANCHES



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ITALY

illycaffè S.p.A. Italy
MITACA S.r.l.

EUROPE

illycaffè S.p.A. sucursal en España
Magic L'Espresso S.L.
illycaffè S.p.A. vestiging Nederland
illycaffè S.p.A. Niederlassung Österreich
illycaffè S.p.A. Niederlassung Deutschland
illycaffè France S.A.S.
Espressamente France S.A.S.
Espressamente Retail London Ltd.
illycaffè UK Holdco Ltd.

ASIA

illycaffè S.p.A. Asia Pacific Branch
illycaffè Shanghai Co. Ltd.
illycaffè S.p.A. Dubai DWC Branch

AMERICAS

Experimental Agricola do Brasil Ltda
illycaffè North America Inc.
Espressamente illy Americas, Inc.
illycaffè Sud America Comércio
Importação e Exportação Ltda

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Notes on the reporting scope:

In certain cases, information and performance data refers to specific companies: in these cases, the report includes an explicit reference to the change in scope. Since the GRI standard requires that activities with a significant impact on sustainability are considered (see § materiality), where possible, the report also provides insights along the value chain (e.g., for activities on coffee plantations).

In the chapter "Human Capital", where "Italy" is specified, reference is made to the companies operating within the national scope: illycaffè S.p.A and Mitaca S.r.l. and their respective production plants.

In the "Natural Capital" chapter, the environmental data and information presented mainly refer – where not otherwise specified – exclusively to illycaffè S.p.A. Indeed, the impacts of the company's subsidiaries can be considered less relevant. This is due to the nature of the activities carried out in the subsidiaries (administrative work) and because:

- the greatest environmental impacts are connected to production activities, located in Trieste, at the parent company's plants;
- over 55% of the company's employees worldwide are employees of the parent company.

However, it should be specified that, in the chapter, the data relating to **Mitaca**, the Milan-based company – 100% controlled by the parent company since 2017 – in which single-portion capsule production, coffee processing and machine marketing operations are carried out, have also been reported. Reporting in 2018 did not include the company in environmental data collection since it was only recently acquired. For 2019 – in view of Mitaca's focus on production – all the data consistent with illycaffè S.p.A.'s approach to environmental performance data collection were reported.

To ensure that data from 2018 and 2019 can be compared, in all cases where it has been possible to report data from Mitaca, tables have been created with a special column that highlights the precise result for the latter company broken down in relation to the data for illycaffè S.p.A. For reporting in 2020, a process will continue to fully align the collection of Mitaca's data with the parent company's approach.

Contacts:

for comments, requests, opinions and suggestions for improvement relating to illycaffè's sustainability activities and the information contained in this Value Report, please contact us at valuereport@illy.com