

Executive Summary

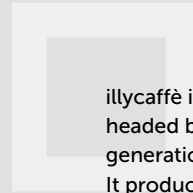
SEED:S

Social
Environmental
Economic
Development
Sustainability

illycaffè works along the entire supply chain to ensure an experience characterised by quality, excellence and beauty and to help **create a virtuous system in which coffee contributes to improving people's lives and ecosystems. Illycaffè has always thought and acted as a stakeholder company** and in 2019 this vocation was enshrined in the company's articles of association through **the adoption of Società Benefit status**.

illycaffè's goal is to improve the quality of life of its stakeholders: consumers and customers, the company's partners in serving consumers; the talents who work with the company with passion and professionalism, the suppliers who guarantee an excellent product, the communities with which illycaffè interacts and, finally, the shareholders, who support the company.

illy invests in promoting the concepts of **sustainable quality**, forming an entrepreneurial culture that focuses on raw material procurement practices that are responsible and respectful towards people, communities and the environment; efficient customer service in the HoReCa channel; personalised assistance and consultancy services for managers of premises, and exclusive advantages for coffee lovers.



illycaffè is based in Trieste and is headed by the third and fourth generation of the Illy family.

It produces and sells, on a global scale, a unique blend of high-quality coffee, consisting 100% of 9 different types of Arabica, selected in over 20 production areas. The balance of these components produces the unmistakable illy taste and aroma, which is always the same in every cup. The illy blend is marketed in 144 countries on 5 continents and served in over 100,000 public establishments. The company also operates on the market through single-brand shops and 192 illy Caffès in the most important cities in 34 countries.

The company focuses its strategies on a **sustainable business model** that can offer competitive advantages, integrating economic and income targets with social and environmental aspects.

illycaffè pursues sustainability by sharing the value generated (economic sustainability), personal growth (social sustainability) and respect for the ecosystem (environmental sustainability) in order to improve the quality of life of all its stakeholders and of all the actors involved in its supply chain, contributing to the Sustainable Development Goals (SDG).

In 2019, illycaffè adopted *Società Benefit* (benefit corporation) legal status, formally affirming that another better and more advanced way of doing business is possible when business targets are aligned with positive impact goals. The articles of association explicitly refer to three particular areas on which the company intends to focus:

- **The responsible value and sustainable agriculture chain.**
- **The aspiration for happiness and quality of life.**
- **The circular economy and innovation to benefit the planet.**

The company's economic sustainability has been confirmed by both its income and financial results, which have improved compared to the previous year, with a **turnover of €520 million** and a **distributed economic value of €491 million** (+11.9% compared to 2018)¹.

Together with local institutions and the Ernesto Illy Foundation, the company has launched numerous projects to support the coffee communities in which it operates. In 2019, education projects on good environmental practices, integrated agriculture, reforestation, planting and wastewater treatment were developed in Nicaragua, Honduras, Colombia and Brazil. The Casas de la Alegria project, supported by the Ernesto Illy Foundation in Costa Rica, is particularly noteworthy. The project involves the construction of care centres for the children of coffee pickers who work far from their home and bring their children with them. In these homes the children are cared for and looked after by qualified staff, while their parents work.

illy's virtuous circle of sustainability starts with a cup of coffee and arrives in the countries of origin of the raw material, with a strategy based on four cornerstones: working directly with producers, sharing knowledge with them, remunerating them in a way that makes production sustainable, and creating a circle of illy producers.

In 2019, a significant change was made to the certification protocol for the coffee procurement process: a new sustainability standard, the "Sustainable Procurement Process" (SPP), developed by the DNV GL certification body as a more evolved version of the Responsible Supply Chain Process (RSCP) certification, was adopted. The new standard requires thorough monitoring of raw material suppliers to ensure product quality, environmental protection and respect for workers' rights. The direct involvement of producers in the assessment processes and sharing of knowledge and training to address specific problems identified in the field and to raise workers' awareness of relevant issues are some of the most salient features of this process.

Sustainability becomes a fundamental part of the purchasing strategy, characterised by a wide-ranging dialogue with supply chain stakeholders with a view to proactively pursuing improvement programmes and goals.

Sustainable quality also means making products with the lowest possible impact on the environment, including during use and disposal. This process is supported by the continuous research and technological innovation that illycaffè has fostered since its foundation. The company's main research areas focus on the circular economy, optimal use of materials and maximum waste and scrap recovery, and actions to combat climate change.

Attention to quality is combined with the essential aspect of safety. All products comply with the regulations governing the agri-food sector and are controlled by sophisticated inspection systems and protocols.

The company constantly monitors its environmental impact, which it manages by applying the principle of continuous improvement, designing solutions and adopting long-term approaches. In addition to its commitment throughout the supply chain, the company focuses on energy efficiency, waste management, reducing atmospheric emissions and developing low-impact packaging.

All these activities are supported and monitored through a certified environmental management system.

In 2019, electricity consumption at the Trieste production site, which is entirely supplied by energy from renewable sources, fell by 2.8%. Although production increased, methane consumption fell by 0.96% due to the replacement of certain machinery. The amount of water used (both in processes and for sanitary use) decreased by 25.5% compared to 2018.

In 2019, the first stage of carbon footprint mapping was completed, a fundamental step towards achieving decarbonisation by 2033. This process made it possible to identify that 66% of the company's total emissions² along the coffee chain derive from green coffee cultivation.

² Result of an internal study

PROMOTING A CULTURE OF EXCELLENCE

- **The Università del Caffè (Coffee University) is a centre of excellence that spreads high-quality coffee culture all over the world through training, research and innovation. In 2019, it turned 20, passed the milestone of 300,000 students in 20 years and trained 30,000 people in 2019. Over 100 professors and 28 locations make up the Università del Caffè network, which currently offers high-level training to producers, training courses to industry professionals and informative courses to consumers.**
- **illycaffè has been supporting the contemporary art world for over twenty years by promoting the work of established artists and emerging young artists through partnerships with institutions, international fairs and various kinds of award.**

In 2019, illycaffè was the main sponsor of the Venice Biennale: "May You Live In Interesting Times", 58. International Art Exhibition.

THE CHALLENGES FACING ILLYCAFFÈ

The company considers highlighting the real challenges faced on the innovative path towards sustainability to be an act of complete and transparent sharing that creates the framework for collective collaboration in order to overcome them.

- **A changing context, responding as a *Società Benefit*.** It is necessary to respond to the changes occurring in today's context in a manner consistent with this model, while at the same time promoting its values.
- **Communicating and creating a culture of sustainability to deliver value and make a positive impact.** Fostering and creating a solid culture of environmental and social sustainability, both within the company and in society.
- **Carbon neutrality by 2033.** Carbon neutrality is the great challenge of the next decade not only for illy, but for every company. To this end, illycaffè is researching and testing radically innovative agriculture models that could be applied in the coffee sector and potentially extended to a large part of the farming world.
- **Multiplying the positive impact through partnerships and collaborations (SDG 17 - Partnership for the Goals).** Encouraging all actors to understand the urgent need to unite in order to work towards a shared and higher goal, overcoming all cultural barriers and competitive pressures.

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Everything reported so far is made possible by the 1405 people who work at illycaffè.

illycaffè is committed to guaranteeing uniform development between business growth and human growth, in which neither is possible without the other. The company's approach rewards merit, offers opportunities for growth and training, protects employees' work-life balance and makes diversity an asset.

In 2019, the company developed a new model of leadership and corporate culture, two cornerstones that characterise its identity. Group analysis, discussions and co-creation at plenary sessions involved all workers at different times of year.

ILLY EMPLOYEE PROFILE

Professionalism, passion and pride to provide added value capable of facing and overcoming the challenges posed by the market.

