

SEED:S

Social
Environmental
Economic
Development
Sustainability



identity and values



■ 1.1

Values that make a difference, actions that serve a purpose

illycaffè is publishing its Sustainable Value Report for 2016 too, continuing its commitment to reporting its activities in the field of sustainability that it has adopted since 2012, with the desire to communicate this theme, but most importantly to assess it and improve economic, social and environmental impact on stakeholders.

Through our commitment to promoting sustainability and the actions it consists of, we intend to promote the development of positive behavior models and of a culture oriented towards understanding the real needs of the communities we work with, helping them grow and making use of the technical and professional experience we have acquired in over eighty years in business.

The results this year - in terms of value creation - confirm illy's ability to continue to develop its virtuous process, in spite of the difficult economic times that we haven't experienced for some time now, and the threat of climate change, which is increasingly pressing and is having a notable impact on coffee growing in almost all areas.

In 2016, at the same time as the 25th Anniversary of the Ernesto Illy por la Qualidade do Café para Espresso Award, a milestone for social sustainability and knowledge sharing, that illycaffè has always pioneered, we established the Ernesto Illy International Coffee Award dedicated to coffee farmers who promote quality and sustainability, no longer just in Brazil, but in the main coffee producing countries, emphasizing the importance of working together with them, hand in hand, to continue to pursue the company's dream and mission of offering the best coffee in the world. 2016 was also the year in which we perfected and extended the concept of our single-brand illy Caffè POS concept, to make them increasingly unique, where consumers can

have the full illy experience, provided by the best interpreter of the Italian lifestyle. Creating value for all our stakeholders and pursuing the highest ethical standards in our operating model have won illycaffè, for the fifth year running, the title of one of the World's Most Ethical Companies, as selected by the Ethisphere Institute. This result, together with all the others, whether large or small, encourages us to continue on this path and to always do better.

Andrea Illy
President



■ 1.2

il.lycaffè profile

■ 1.2.1 Identity and numbers

Key numbers
of stakeholders

140
countries in which il.lycaffè operates

100,000
retailers serving il.ly coffee

236
il.ly stores worldwide

1,500
and more Artisti del Gusto worldwide

22
new single-brand stores opened in 2016

1,269
employees as of 31 December 2016,
at the consolidated level, + 8% compared to 2015

460,387
million Euros in overall turnover (+ 5.3% compared to 2015)

5
certifications: 4 quality certifications and 1 sustainability
certification

5
specialized laboratories

4
cutting-edge innovations from research activities conducted by
il.lycaffè

25
Università del Caffè campuses

illycaffè produces and sells worldwide a **unique blend of premium quality coffee**, consisting of 100% **Arabica** coffee from 9 different sources. The perfect balance obtained by combining ingredients from South America, Central America, India, Africa and China produces the distinctive illy flavor and aroma in every single cup of coffee, all over the world.

illy blend products are available in the Premium Hospitality sector (hotels, restaurants and cafés), and for home, office and take-away consumption. They are available in 3kg tins for cafés, in small 250-gram tins for domestic use, capsules, E.S.E. pods and ready-to-drink cans. illycaffè products are on the market in **more than 140 countries, on all five continents and are served in about 100,000 selling points.**

Great attention is paid to the culture of coffee, and this is why the company founded the **Università del Caffè** in 1999. Study programs and courses have been formulated to address different levels of specialized profiles and are dedicated to training selected coffee growers and retail staff as well as consumers. illycaffè is based in Trieste and is led by the third generation of the Illy family.

Main companies of the illycaffè Group on December 31, 2016

The list does not show ancillary services undertakings (e.g. Real estate) that have no employees.

SOCIETY	BUSINESS	EMPLOYEES AS OF 12/31/16	
ILLYCAFFÈ SPA - Parent company	Parent company: roasting and distribution (Trieste)	822	
ILLYCAFFÈ S.P.A. NIEDERLASSUNG ÖSTERREICH	Branch: distribution (Vienna - Austria)		
ILLYCAFFÈ S.P.A. - NIEDERLASSUNG DEUTSCHLAND	Branch: distribution (Munich - Germany)		
ILLYCAFFÈ S.P.A. VESTIGING NEDERLAND	Branch: distribution (Rotterdam - Netherlands)		
ILLYCAFFÈ SPA ASIA PACIFIC BRANCH	Marketing and retail Asian area (Hong Kong - China)		
ILLYCAFFÈ SPA SUCURSAL EN ESPANA	Branch: distribution (Barcelona - Spain)		
ILLYCAFFÈ SPA DWC BRANCH	Marketing and retail (United Arab Emirates and Middle East)	46	
ILLYCAFFÈ FRANCE SAS	Distribution (France, Belgium and Luxembourg)		
ESPRESSAMENTE FRANCE S.A.S.	Lease retail management (France)		32
MAGIC L'ESPRESSO SL	Espresso machine manufacture (Spain)		18
ILLYCAFFÈ NORTH AMERICA INC.	Distribution (U.S.A. and Mexico)		97
ESPRESSAMENTE ILLY AMERICAS INC.	Franchising development (United States)		3
ILLY ESPRESSO CANADA INC.	illycaffè subsidiary North America: distribution (Canada)		3
ILLY CAFFÈ SAN FRANCISCO LLC	Indirect subsidiary: lease retail management (San Francisco)		23
ILLYCAFFÈ SHANGHAI CO. LTD	Distribution (China)		61
ILLYCAFFÈ SUD AMERICA L.T.D.A.	Distribution (Brazil)		23
EXPERIMENTAL AGRICOLA DO BRASIL L.T.A.	Green coffee intermediation and green coffee research		13
MITACA SRL	Production of capsule systems for espresso coffee (Milan)		67
ESPRESSAMENTE RETAIL LONDON LTD	Franchising development (UK)		23

■ 1.2.2 The illy Group

Gruppo illy S.p.A. is the holding company of the Illy family. The Group controls **illycaffè**, **Domori** (manufacturers of high quality chocolate products), **Dammann Frères** (a company of specialist tea dealers) and **Mastrojanni** (a winery located in Montalcino, Tuscany). The Group is also a shareholder in other companies, such as **Agrimontana** (a leader in the production of high-end pastry products, including marrons glacés and fruit preserves). Gruppo illy S.p.A. was created with the long-term goal of developing a gastronomic hub,

in which each company is a reference point of top quality. Each company is led by its respective founder or by relevant successors, in order to guarantee a high level of independence in managerial leadership, as well as maintain intact the spirit of research and innovation of the individual brands. **Riccardo Illy** is the President of the Group.

Each individual company possesses its own personal history and traditional know-how and the holding company is committed to constantly searching out the best possible synergies, also with regard to sustainability.





■ 1.3

History, Mission, Vision and Values

■ 1.3.1 Mission, Vision and Values

MISSION

To delight all those people, throughout the world, who cherish the quality of life and beauty, through the best coffee nature can provide, enhanced by the best available technologies and by art.

VISION

Our objective is to become a worldwide **reference point** in the **culture** and excellence of coffee: an innovative company offering the best products together with the best locations to enjoy them, thereby becoming a **leader in the top-quality sector**.

VALUES

illy is a stakeholder company with the intention of improving quality of life through ethics and excellence.

Excellence. Understood as a passion for quality, beauty and continuous improvement.

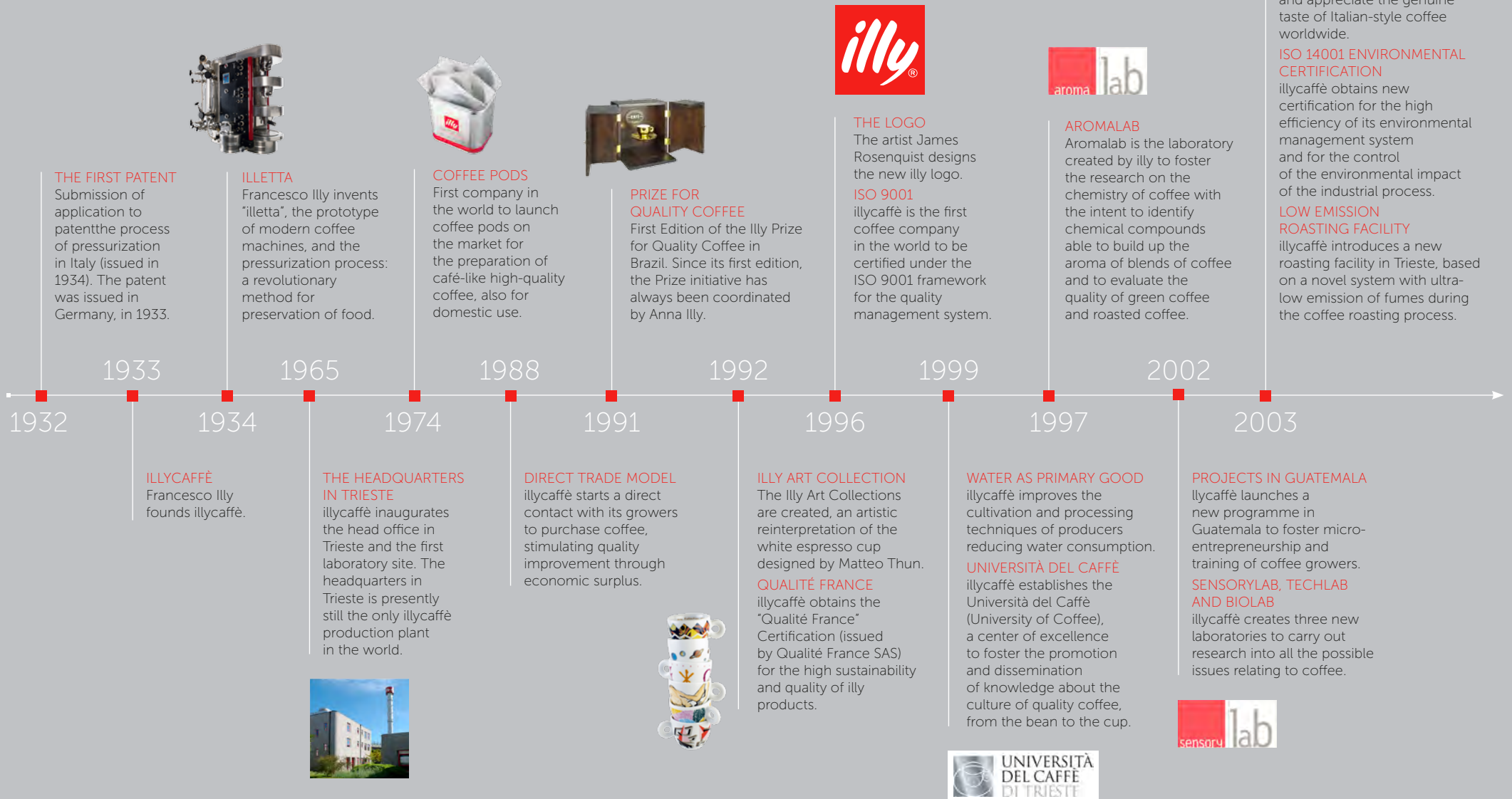
Ethics. Understood as the creation of long-term value through transparency, sustainability and personal development.

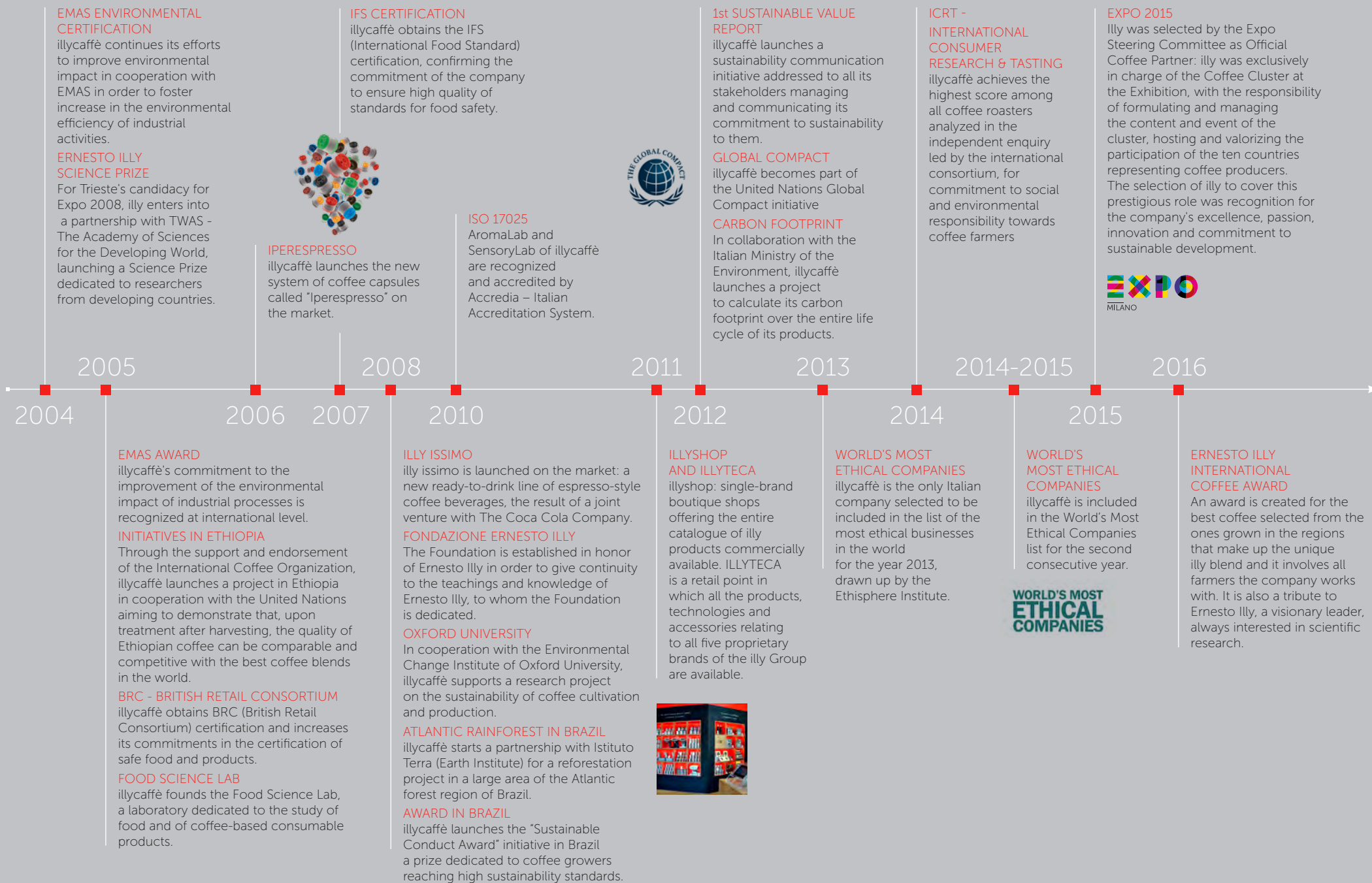
↓ DOWNLOAD

Material available to download

- [Code of ethics and organizational model 231](#)
- [Sustainability manifesto](#)

1.3.2 The history of illycaffè and the stages of sustainability





■ 1.3.3 The Ernesto Illy Foundation

Highlights

350,000 Euros donated by illycaffè s.p.a.

illycaffè created the Foundation, administered by the Illy family, with the aim of providing continuation to the moral and cultural heritage handed down by Ernesto Illy. The Foundation is a non-profit organization and was created with the goal of developing and increasing ethics and sustainability through the promotion of research, and the organization and dissemination of activities open to all stakeholders.

The Foundation's Mission

To cultivate and develop knowledge, ethics and sustainability as absolute values in running a business, and research as a method for the truth and the development of humankind, in keeping with Ernesto Illy's teachings. To pursue values and the method both to enable communities to grow economically, socially and culturally, and as a tool that gives the company a competitive advantage.

The Foundation's Vision

Values and profits are fed by each other. Ethical companies, leaders of the modern economy, aim to turn values into profit and pursue the quality of profit as something that builds lasting value.

The Foundation deals with scientific and cultural projects that it manages directly and in partnership with Universities, Institutes and Bodies of

Excellence, with the aim of looking more in depth at issues such as ethics, sustainability, scientific research and coffee culture. For more information, see paragraph 4.3.3.

The Ernesto Illy Foundation is a co-founder of three other organizations:

- **Fondazione Italia Patria della Bellezza:** whose mission is to enhance Italy's place in the world by reinforcing the collective perception that Italy is the home of beauty.
- **The International Coffee Genome Network (ICGN)** a worldwide network of scientists dedicated to the development of research on the coffee genome.
- **Jacques Attali - the Positive Economy Forum:** founded by Jacques Attali's Planet Finance group. Its main objective is to create a virtuous group of positive economy ambassadors in Italy.

To find out more about the work of the Ernesto Illy Foundation, you can visit the website [here](#).

The Foundation has supported the World Happiness Report 2017 by the Sustainable Development Solutions Network (SDSN) with a three-year donation.

■ THE ERNESTO ILLY FOUNDATION LOGO

Designed in '60s, the Ernesto Illy Foundation logo depicts a pair of cups on two joined saucers, indicating the connection and the precious, close relationship that grows between two people through dialogue and friendship. "They are two espresso cups seen from above. They symbolize the message that drinking coffee is a social act, it triggers friendships and conversations, and it should never be consumed alone. It must always be consumed in company." Ernesto Illy.



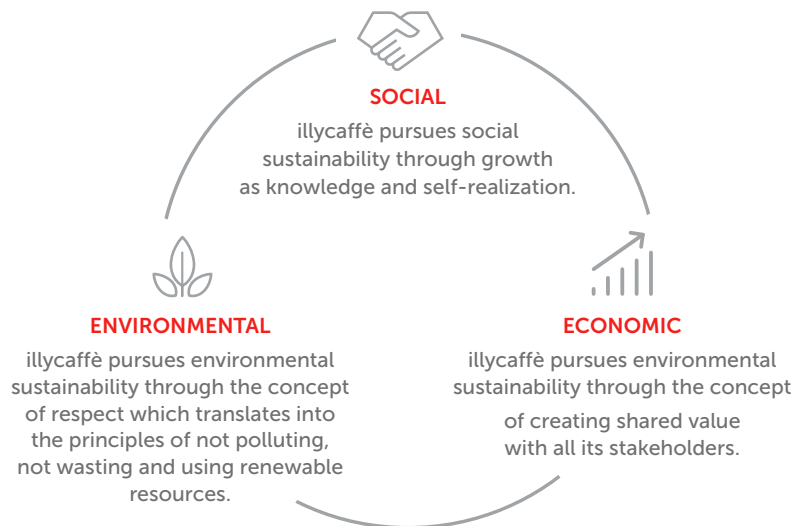
■ 1.4

Sustainability Strategy and Governance

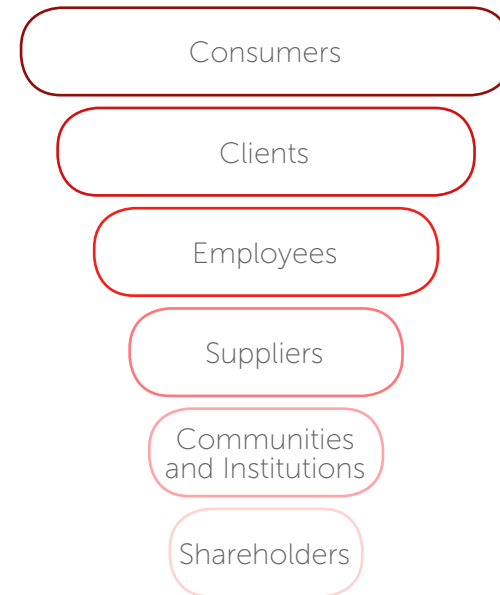
■ 1.4.1 Sustainability Strategy and Governance

The inspiring principle of illycaffè is the continuous striving for perfection. This driving force is expressed through two different founding values: the passion for **excellence**, intended as a love of beauty and a job well done; and **ethics**, the creation of long-term value through sustainability, transparency, the betterment of people, fostering social growth, and respecting the environment.

illycaffè is a **stakeholder company** which pursues the betterment of quality of life through economic, social and environmental sustainability.



In the hierarchy of stakeholders, consumers are placed at the top, followed by customers, who are partners of the company in offering the best products and services to consumers. Then, talents collaborating with the company are placed in the next step, as the excellence of products could not be achieved without their passion, competence and professional commitment to the company. Suppliers also have a crucial role in ensuring the delivery of our products, as well as all the communities sharing relations with illycaffè. Shareholders form the base which sustains the company.



In order to ensure a better share of its sustainability strategy with all the stakeholders, the company formulated the [Sustainability Manifesto](#) which, together with the [Code of Ethics](#), forms illycaffè's core commitment within the framework of responsible business management in the three main areas of sustainability.

SUSTAINABILITY AS VALUE



PLANNING AS A FUNCTION OF SUSTAINABILITY

OBJECTIVES OF IMPROVEMENT FOR SUSTAINABILITY



BUSINESS ETHICS RISKS



COMMITMENT TO SHAREHOLDERS



SPECIFIC PROJECTS

ENVIRONMENT



SUPPLY CHAIN



QUALITY



ART & CULTURE



COMMUNICATION & VALUE REPORT



RISK MANAGEMENT



SUSTAINABILITY COMMITTEE

The Committee comprises 3 members of the Board of Directors and principally performs the following functions:

- Supporting the development of company plans and assessing sustainability objectives
- Periodically monitors the actions called for

SUSTAINABILITY WORK GROUP

An inhouse team led by the *Corporate Reputation & Sustainability Director* who manages individual initiatives for sustainability and coordinates the relative budget.

■ SUSTAINABILITY PLAN

In 2016, illycaffè decided to update and develop a new "Sustainability Plan", in keeping with its values, with its industrial strategy and with its management systems. To focus on its commitment and trends in sustainability in an increasingly better way.

The purpose of the document is to illustrate the general guidelines and, after presenting it to the Sustainability Committee, it has enabled further analysis via a specific "Sustainability Operational Plan" which by mid-2017 will explain

the actions and objectives that illycaffè intends to achieve in the medium to long term: defining real planning, roles and responsibilities for the areas involved, quantitative targets, and relative performance indicators.

The Sustainability Operational Plan is therefore a planning and control tool to support the management and the board for monitoring responsible management.

In 2016, for the fourth year running, illycaffè was included on the list of the “World’s Most Ethical Companies” and has continued its participation in specific programs and initiatives to implement strategies of sustainability and improve its own impact, such as the Global Compact, the International Coffee Organization and Positive Planet.

Global Compact

illycaffè has been an adherent of the Global Compact since 2012. This initiative was launched by the United Nations in 2000 with the aim of promoting the involvement of the private sector, in particular private enterprise, in ten global ethical principles relevant to important themes such as human rights, environment protection, labor rights and the fight against corruption. These principles are universally shared and subscribed to, since they are based on based on the Universal Declaration of Human Rights, the ILO Declaration, the Rio Declaration and the United Nations Convention Against Corruption.

World’s Most Ethical Companies

For the fourth consecutive year, illycaffè has made the list of the World’s Most Ethical Companies, created by the Ethisphere Institute, a global leader in defining and promoting ethical standards and commercial practices. illycaffè is one of the four companies awarded in the Food, Beverage & Agriculture category for 2016 and is the only Italian company, thus taking its place among the very best companies and sector leaders.



■ 1.4.2 Scenario of reference and risk management

Economic scenario

illycaffè operates in about 140 countries worldwide: during the year, the economic trends of the countries evidenced contrasting signals, in connection with the macroeconomic scenario. In more advanced countries, the scenario reflects slight improvement; nonetheless, the weakness of the emerging countries hinders the expansion of global exchanges and constricts the prices of raw materials. In emerging economies, the picture remains generally weak, with different trends: in Brazil, the crisis is intensifying; India presents a positive evolution; Russia’s fall is slowing down; and China’s trend is disappointing. In the Euro area, there is weak growth but the confidence of companies and families, supported by positive employment signals, indicates a recovery is underway.

According to data provided by IRI, the institute which measures Italian Modern Trade market data, illycaffè has a quota equal to 4% of the overall coffee total (stable, compared to its percentage in 2015) and 10.5% in the sector of ground espresso beans. According to the Databank Cerved Group, illy is the number one roaster in the Ho.Re.Ca sector in terms of turnover, with a 2015 share of 8.4%.

At the start of 2017, the International Coffee Organisation estimates that global green coffee production for 2016/17 will be 151.6 million sacks.

Although production remained virtually unchanged compared to the previous year, the Arabica harvest increased compared to the previous year, but at the same time there was a decrease in Brazil’s Robusta production associated with the January 2016 drought. The Robusta coffee production deficit caused prices to rise above the price of Arabica for the first time in the domestic Brazilian market.

2016 closed with record exports, equal to 117.6 million sacks. Exports of both Arabica and Robusta increased compared to the previous year. After a period of turbulence in the coffee financial markets, 2016 was calmer, and the three major coffee producers, Brazil, Colombia and Vietnam invested in increasing production, taking into account the potential difficulties relating to climate change.

■ ILLYCAFFÈ AND THE CHALLENGES INVOLVING GREEN COFFEE

According to the Foreign Agricultural Service of the US Department of Agriculture, coffee is one of the cultivations which is most influenced by climatic conditions.

Climate change has been identified as the main factor of epidemics like coffee leaf rust, a disease which affects over 50% of coffee cultivations in Central America and roughly 30-40% in South America. Moreover, the plantations have also been affected by heatwaves, drought and above-average rainfall.

To deal with these emergencies and similar scenarios in the future, illycaffè believes the solution lies in **research and sharing knowledge**.

Together with the Earth Institute, the company has conducted a study on the impact of climate change in coffee growing countries. Moreover, the Università del Caffè is studying ways to improve farming practices and every year the team of experts organizes about one hundred visits to plantations to analyze the specific situations. Already in the past, solutions have been found which have led to significant improvements.

Coffee farmers will have to find **increasingly sustainable solutions**, such as good farming practices, farming methods which are less and less dependent on water and at the same time allow for an increase in yield, avoiding deforestation. To illycaffè, the quality of the coffee bean is the fundamental value in its relations with producers: this is why the company follows the production chain right from the beginning, from the fields and plantations all the way to the finished product, and it is the only company in the world to offer a Master's degree in Coffee **Economy and Science** at its Università del Caffè.

To invest in the production chain, in knowledge and in sustainable quality means to invest in innovation, even in terms of **new production sites**: estimates indicate that from now until the end of the century, the planet will lose up to 50% of land that can be cultivated with coffee and we will be faced with a major problem. Over the past 20 years, the average growth rate in coffee consumption has risen 1.6% and it is predicted that production will have to double by 2050 to respond to the market demands—but with only half the amount of cultivatable land.

Promoting modern coffee culture, based on the principles of integrated agriculture and aimed at supporting producers as they become modern businesspeople, for illycaffè is a critical mission.

The company has equipped itself with a **Process of Internal Control and Risk Management**. By means of a process of identification, measurement, management and monitoring of the main risks, it ensures that the company is run in a healthy, correct way that is in keeping with the business' established objective of sustainable development.

illycaffè constantly monitors the **financial risks** to which it is exposed (credit risks, liquidity risks and market risks such as exchange rate risks, interest rate risks, and commodity price risks), in order to minimize the impact of negative variations on the company's economic results. These risks are centrally managed by the Office of Administration, Finance and Control, following guidelines stipulated with the company's top management. illycaffè also uses derivative instruments solely for coverage. As part of the continuous development and improvement of corporate practices, a Financial Risk Policy was prepared and approved in 2016, directly related to the governance developments that took place in 2016.

In 2016, a wide-ranging Enterprise Risk Management project was developed, that:

- documents the nature of the main corporate risks and their degree of compatibility with the company's strategic goals;
- integrates risk management practices in planning processes and the economic and financial results of the company;
- examines the main corporate risks on the basis of qualitative and quantitative criteria, tailored to the objectives and the propensity to corporate risk;
- monitors the previous aspects through appropriate management reporting.

The elements that determine the illycaffè's ERM framework are:

- Risk Strategy / Risk Appetite
- Structure and risk references
- Risk assessment and measurement criteria
- IT infrastructure
- Culture/training
- Integration

In 2017, the company will complete the operational implementation activities of mitigation actions and monitoring and maintenance activities; an additional phase of Risk Quantification will follow that will be integrated into the company's multi-year plans.



**DETERMINING
ILLYCAFFÈ'S
ERM PROCESS**

■ 1.5

Corporate governance

illycaffè has its own specific systems of governance and control aiming to ensure a sustainable development of the business, paying due respect to the laws and to economic, social and environmental equilibrium.

Board of Directors - B.o.D.

The Board of Directors directly represents the stakeholders. Councilors are elected in part according to their specific competencies and qualifications, in line with the sustainability-oriented vision of illycaffè. They are in charge of special duties and bear the full responsibility for economic, social and environmental results, which are subject to the approval of the General Assembly of Shareholders on a yearly basis. On April 29, 2016, following a Governance reorganization, Andrea Illy was reconfirmed Chairman of the Board of Directors, while the role of CEO is covered by Massimiliano Pogliani. There are five independent directors and a total of nine non-executive directors. Two of the Board members are women.

The Board of Directors comprises:

- Andrea Illy (President)
- **Marina Salamon (Vice President)**
- **Anna Rossi Illy (Honorary President)**
- **Massimiliano Pogliani (CEO)**
- Anna Illy

- Daria Illy
- Robert Eggs
- Pierluigi Celli
- Douglas T. Hickey
- Alberto Baldan
- Licerio Degrassi
- Mario Cannata

The CEO informs the Board of Directors on decisions having a substantial impact on business sustainability; the Sustainable Value Report is approved on voluntary basis; as of today there is no mandatory regulation or a law prescription. Every year, the Board of Directors evaluates and approves all the reports and documents produced by the Surveillance Body and by the other internal controlling functions on issues relevant to risks and opportunities, encompassing all the main concerns involved: strategic, operational, environmental, social and related to governance. Projects showing interesting impact in terms of sustainability are in keeping with the objectives of the corporate strategic plan.

Surveillance and Monitoring Committee

Its main function is to survey and monitor the operations, the efficacy and the compliance of the Organizational Model in order to prevent corporate offences for which illycaffè may result to be administratively responsible, in observance of Legislative Decree 231/2001 (related to corruption, fraud in corporate communication, mistreatment of manpower, etc.). In order to completely define the Model, illycaffè formulated an Code of Ethics which, among the various conduct norms, calls for the prevention of conflicts of interest and a specific, dedicated channel to prevent or notify conduct contrary to the Code. In 2016, there were no reports of violations of the Code of Ethics or the 231 Law.

Audit Committee

Its main function is to oversee the internal control and risk management system. It is composed of 3 non-executive and independent directors.

Nominating and Compensation Committee

Composed of independent (2) and dependent (1) directors and one external individual, it formulates proposals to the Board of Directors related to the Compensation of the CEO and Directors and provides guidance on the criteria for the determination of compensation for the top roles within the company. During this process, illycaffè often avails itself of the support and advice of external independent consultants.

Chief Risk Manager

The Chief Risk Manager is in charge of the evaluation of all the risks connected with the supply chain: product, safety, environment, intellectual property, market, information technology, legal, financial and also of issues relevant to the management of the corporate reputation in the short and medium term. The person in charge of the role designs and formulates a Risk Evaluation Program, reporting on regular basis to the President, the Board of Statutory Auditors and the Surveillance and Monitoring Committee.

Internal Audit

Implements internal audit activities aiming to analyze and verify the compliance to standards, the regular operations, the reliability and functioning of all the processes, as well as of the control systems. As confirmation of the strengthening of the internal control system, in 2016, the Internal Audit carried out various audit activities, working on applying Legislative Decree 231, the HSE system, and the activities of the subsidiary in the USA and Spain.



1.6

Management and Certification Systems

The quality chain of illycaffè is guaranteed by the adoption of several important certifications and standard awards, at national and international level and also on a voluntary basis. During 2016, illycaffè conducted activities to maintain and recertify itself for the following quality and sustainability systems:

QUALITY MANAGEMENT SYSTEM ISO 9001:2008



illycaffè was the first company in the coffee sector in Europe to receive the certification for its quality management system.

The system is applied by illycaffè S.p.A. and Experimental

HACCP



Prevention or minimization of safety hazards for safety of processes used in food and drink preparation (mandatory in many countries, including the EU).

The system is applied by HACCP illycaffè S.p.A.

BRC FOOD CERTIFICATE



Guarantees the ability of an enterprise to achieve suitable standards in packaging, storage and distribution of safe food and consumption of safe products.

Applied by illycaffè S.p.A.

IFS FOOD CERTIFICATE



Guarantees the quality and food safety of branded food products, for retail and wholesale sectors.

Applied by IFS illycaffè S.p.A.

CERTIFICATION FOR COMPLIANCE OF PRODUCTS



Certificates the conformity of a product to a mutually agreed standard, able to ensure the best satisfaction of clients.



Applied by Qualité France and guarantees the religious certification of Halal and Kosher products (Israel, USA, OU, Jewish Community of Venice)

ENVIRONMENTAL MANAGEMENT SYSTEM 14001:2004



Defines the development and implementation of an effective environmental management system.

Applied by illycaffè S.p.A.

ENERGY MANAGEMENT SYSTEM ISO 50001



Defines the development of an efficient energy management system.

RESPONSIBLE SUPPLY CHAIN PROCESS



illycaffè is the first company in the world to obtain the certification which attests the sustainability throughout the production chain.

Applied by illycaffè S.p.A.

ACCREDITED LABORATORIES ISO 17025:2005



The illycaffè Aromalab and Sensorylab laboratories are recognized and accredited by Accredia.

EMAS CERTIFICATION



(Eco-Management and Audit Scheme) Certification to promote the continuous improvement of environmental efficiency of industrial activities and to enable the publishing of the environmental declarations. Certified by APAT (Italian Agency for Environmental Protection and Technical Services), Ecolabel - (Ecoaudit Committee)

The commitment to adopt recognized management systems is extended to all companies in the Group: the Mitaca Company, which produces espresso coffee capsule systems, has independently obtained ISO 9001, OHSAS 18001, ISO 14001, ISO 50001, and SA 8000 (Corporate Social Responsibility Certification and Corporate Ethics) certifications and it has applied the ISO 26000 Corporate Social Responsibility Guidelines.



■ 1.7

Università del Caffè

Highlights

25

operating branches
around the world

202,173

people trained since 2000

more than

22,173

 trainees in 2016:
1,134 producers; 16,178 professionals;
4,556 consumers; and 305 online trainees

The University of coffee was founded in Naples in 1999. In 2002, the campus was moved to Trieste, to the illycaffè headquarters. The University of coffee represents a Center of Excellence created to promote, foster and disseminate the culture of high-quality coffee worldwide, through training and education. In this privileged location, professionals from the world of coffee and hospitality, as well as aficionados, interested people and aspiring connoisseurs, can share the passion for knowledge, an illycaffè hallmark.

The educational activities of the University of coffee have been created to allow all professionals involved in the production chain to grow and improve the quality level of every single phase in the various sectors of competence. A virtuous circle of knowledge destined to create value over time through growth, sustainability and transparency.

The prestige of the University of coffee is based on the strong commitment which, since 1933, the company has dedicated to research and the innovation of processes and products. This multidisciplinary patrimony of culture and competence focuses attention on the true demands and needs of producers, professionals in the sectors of coffee bars, restaurants and hospitality; as a result, the University of coffee has diversified its educational proposals on various levels of depth and competence. The teaching team provides

training both in the classroom and with clients, as well as consultancy on issues relating to product transformation and recipes, and issues relating to managing premises and staff.

The University of coffee is constantly committed to improving its training, with the aim of creating more value and promoting a personalized approach to professional culture. The consolidated professional training courses and consumer education have been enhanced over recent years with a series of one-day courses that are personalized and dedicated to a whole team from a single establishment, or genuine one-on-one coaching activities. This is an innovative offer for the market, with a high level of personalization thanks to consultancy and tailor-made courses.

The capillary presence of branches of the University of Coffee allows it to be present in local areas with specialized teachers, who are able to meet the increasingly personalized technical, educational and local demands. The full teaching team is based on three different skills levels governed by an internal protocol:

- **Instructor** (27, to date)
- **Associated professor** (39, to date)
- **Full professor** (44, to date)



The experience and knowledge of the teachers in the various markets is the network's distinguishing resource. In 2016 four training sessions were devoted exclusively to branch trainers, attended by 40 teachers from 17 branches.

In December in Honduras the third convention of University of coffee branches was held, with the aim of bolstering the sense of belonging to the network and instilling knowledge about green coffee so as to enrich the course content.

This is why it was decided to hold the convention in a coffee producing country, so as to give the opportunity to participants to have a genuine training experience and to visit a coffee plantation.

In the context of the annual plan to develop the network of 25 branches of the University of coffee, teaching activities took place at the Asian, Latvian, Spanish and Austrian branches with the aim of coordinating trainers working in these countries in terms of teaching and course content and verifying the type of activities carried out.

In 2016 the University of coffee continued working to increase and improve the company's knowledge base and culture, reorganizing, updating and implementing knowledge.

For this reason, teaching manuals, books and videos covering themes that are important to illycaffè were produced:

- **Book: illy coffee**, part of the illycaffè guides series - 24,000 Copies distributed to branches in 8 languages.
- **Distributor Manual** a sales manual dedicated to foreign distributors, part of the line of manuals that includes the illy culture manual, the barista manual and the retail manual;
- The **Visitor Tour Manual** is dedicated to the guides that take visitors on tours of production plants.
- **Video: illy coffee**, the book of the same name in video format, used for educational purposes to teach coffee culture in the classroom and on the web
- **6 videos made in collaboration with the Marketing department** for the B2B world, which teaches about the topics: Perfect espresso, the adjusting the

grind, compaction, caffè lungo and caffè corto, cleaning the coffee grinder and espresso machine, the perfect cappuccino

- **Box set The aromas of illy coffee**, created to teach people how to taste coffee and to be used for the educational purposes of the Università del Caffè in Trieste and in branches around the world on courses for clients and consumers. The box set contains a kit of 17 aromas made by the perfumer

Lorenzo Dante Iron, 17 jars with blotters to inhale the aromas, and an informative science book written with the aim of explaining everything to do with the aromas of coffee.

HIGH LEVEL EDUCATION

In 2016: 1,134 coffee producers were trained

A pathway of excellence in coffee production, from responsible farming methods to economic administrative processes, dedicated to farmers, partners in the production chain and graduates interested in the world of coffee.

Since 2010, over 6,250 producers have participated in the training programs, both in the classroom and online.

Supporting activities for producers originated from a collaboration between illycaffè and PENSA (the Agribusiness Intelligence Center of the University of São Paulo) which began in 2000. To date, the University of coffee in Brazil is a reference point for the training of local farmers. Attention to the communities in coffee growing countries is translated into the creation of focused and specialized training programs to be held on site and through the establishment of partnerships with local institutions to create projects with important social impact, such as the online course in Agribusiness Management in Brazil and the development of educational material to be distributed online in Central America.

The University of coffee teaches the **Master's degree, first and second level, in Coffee Economics and Science**, offered to graduates worldwide, with the objective of providing an academic and interdisciplinary background to create careers in the world of coffee—and more in general for the agribusiness

sector and the overall supply chain: from cultivation to food service sector and retail, also encompassing aspects related to logistics, trade, management and industrial processes. Over the years, the Higher Education Program of the University of coffee has established several important collaboration initiatives with prestigious national and international partners, such as the University of Gastronomic Sciences of Pollenzo (Cuneo, Italy), the Master's degree in International Business Administration - MIB Trieste, the Master's degree in Food Management at Liuc – Libero Istituto Universitario Carlo Cattaneo, and the Master's degree in Food & Bioresource Technologies with the MCI Management Center Innsbruck (Innsbruck University, Austria).

DISSEMINATION COURSES

In 2016: 4,556 consumers were trained.

The University of coffee organizes various courses for the general public on different subjects, including **courses on coffee culture and tastings**, combined with a tour of the company for illycaffè guests. The tour consists of a course accompanied by an hour-long tasting led by an University of coffee professor, followed by a tour of the plant with qualified guides. Different types of training is provided that focuses on various macro topics: coffee culture, economy, sustainability, health, usages and customs.

TRAINING COURSES

In 2016: 16,178 professionals trained.

To professionals who work in bars, restaurants and hospitality, the University of coffee offers educational opportunities and updating on coffee and the management and promotion of commercial activities. The courses offer participants know-how that can be immediately put to use—from how to prepare beverages to managerial competences and instruments to make the most of market opportunities. Training is also conducted in ad hoc classrooms for specific clients, for whom programs were created which reflect the on-the-job situations they encounter. The University of coffee also deals with the validation of coffee machines and grinders, and the creation of new, coffee-based recipes and products.

The **Maestri dell'Espresso Junior** prize competition has been updated

to make it better meet the needs of the users it is intended for (teachers and students of hotel schools in Italy), thus further developing the aim of hunting and training tomorrow's professionals. 70 schools took part in the competition, 30% of schools in Italy and an increase of 47% compared to the previous editions. The E-Learning platform continues to grow, with the addition of further topics and the design of new online courses to provide content continuity to users who are already familiar with the University of coffee, international clients, and franchisees in the group.

COLLABORATIONS WITH UNIVERSITIES, BODIES AND ASSOCIATIONS IN ITALY AND ABROAD

The leadership and excellence of the University of coffee are recognized and appreciated more and more in recent years by universities, bodies and associations both in Italy and abroad. The lessons and testimonies of the University of coffee are a part of the Master's Degree and university lessons that are followed by exam sessions and training credits.

Here are some examples of current collaborations:

- CUOA Vicenza - International MBA focussing on Innovation & Creativity
- University of Pisa – Masterfood, 1st level University Master's in food quality management and communication
- MCI Management Center Innsbruck University
- IUSVE - Istituto Universitario Salesiano di Venezia - Master's in Food & Wine 3.0
- LIUC Università Carlo Cattaneo – Mafood, Master's in Food Management
- Master's Ernesto Illy - Coffee Economics and Science
- MIB Trieste School of Management
- IAL Friuli Venezia Giulia - Master's in design and creation techniques of artisan processes in agri-food processing focussing on coffee
- Università Cattolica del Sacro Cuore - Master's Degree in Communication
- Scuola Politecnica di Design di Milano - Master's in Food & Design.

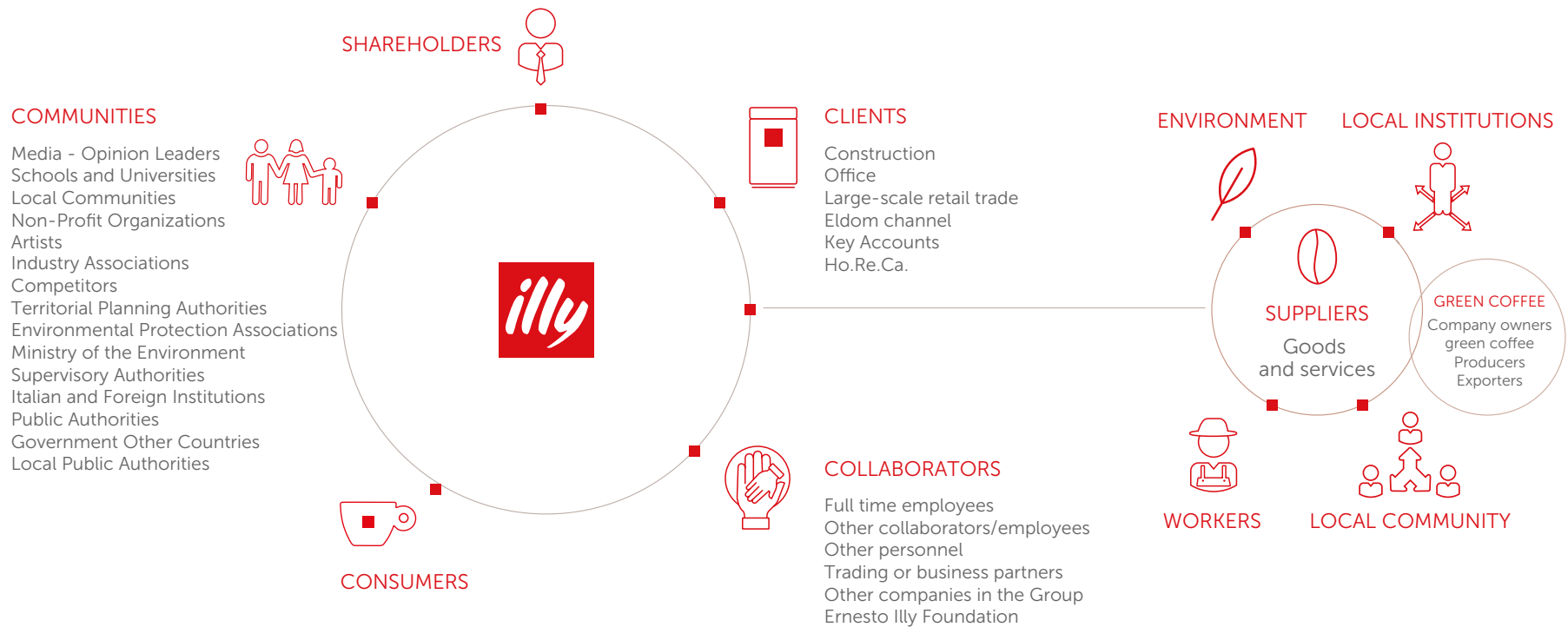
To find out more about the work of the University of coffee, you can visit the website [here](#).

■ 1.8

illycaffè Stakeholders

■ 1.8.1 Mapping of the stakeholders and communications tools

For several years now, illycaffè has been orienting its strategies towards a new sustainable business model that can create competitive advantages for the company by integrating economic-profit goals with a social and environmental aspects. To achieve this, a new model of its relationships with all its stakeholders had to be configured, centering the global vision on the **creation of shared added value** through economic, social and environmental sustainability.



A careful mapping of stakeholders and the activation of a new model of interactive dialogue allowed illycaffè to identify and analyse their indications and expectations and to incorporate them within the set of objectives and activities of the company: in this framework, the Sustainable Value Report is intended to be a reference document addressing all the major issues

raised by stakeholders and to be a guideline to better depict the social, environmental and economic impact of the enterprise (the more material issues). The primary channels and instruments of communication with its stakeholders which, again in 2016, illycaffè has used are:

STAKEHOLDERS	MAIN COMMUNICATION CHANNELS AND TOOLS
CLIENTS AND CONSUMERS	<ul style="list-style-type: none"> • Customer care • Pre-sales and after-sales assistance • Ad hoc visits to the company • Social network • Customer satisfaction analysis or market survey • Training by Università del Caffè • Replies to queries from consumer associations • The Quality Promoter team and the Technical Consultants actively interact with information initiatives and/or activities directly at the client's premises
SUPPLIERS OF GREEN COFFEE	<ul style="list-style-type: none"> • Verification activities prescribed by Responsible Supply Chain Process • Clube Site in Brazil, with focus group and forum on topics of interest • On site training with agronomists and/or Università del Caffè • Periodic technical visits, meetings with coffee growers • Prêmio Ernesto Illy de Qualidade do Café para Espresso • Ernesto Illy International Coffee Award • Periodical feedback on quality of coffee after tests in at the headquarters site or test in illycaffè laboratories, in order to improve coffee quality (also in case of non-purchase) • Relations and collaborations with category associations, government bodies and other representatives of coffee growers at local level
OTHER SUPPLIERS	<ul style="list-style-type: none"> • Vendor evaluation • Certification of suppliers according to prescriptions indicated by the quality system

EMPLOYEES

- Team building activities
- illy citizens projects
- Internal committee for the organization of recreational and social activities
- Work groups to improve the safety and welfare in production
- Formulation of the inhouse Exchange magazine report with illycaffè employee "journalists"
- Mechanisms for collecting reported events on code of ethics
- Global PR meetings and international commercial meetings
- Meetings to present projects to the individual co-associated companies and branches
- Participation in the Board of Directors of other companies in the Group
- Co-organization of events

COMMUNITY

- Projects and collaborations with Schools and Universities in Italy and abroad
- University Master's in Economics and Science of Coffee
- Competitions and grants for young national and international artists
- Media tours for journalists in coffee-growing countries and at the headquarters
- Joint projects with the major cultural international institutions
- Other cultural initiatives
- Dialogue and collaboration with the main international schools of art and design
- Dialogue and collaboration with the main institutions in the food and wine sector

COMMUNITY

- Direct contacts at industry events and fairs
- Active participation in pre-competitive working table discussions with competitors and academic institutions (ISIC; ASIC, Coffee Industrial District)
- Active participation in events organized by main category associations (Industrial Federation, Industrial Association of Trieste, Coffee Industrial District, SCAE Italia, Centromarca, Altgamma, ASIC, ISC, FERPI)
- Participation in conferences
- Dialogue and interaction with institutions for authorizations
- Study groups with institutions and authorities on environmental issues
- Participation in working table events of categories or pre-competitive associations (ESE Consortium, AllPA, Comitato Italiano Caffè, ISIC, ASIC, etc.)
- Support for client activities supporting the environment
- Support for the environmental management of coffee farming
- Collaboration on projects (United Nations or governments in developing countries)
- International Coffee Organization
- Periodical invitations to main authorities and institutional officers to visit the company
- Institutional awards and recognitions for best practices of illycaffè worldwide
- Participation at themed round table discussions

SHAREHOLDERS

- General Assembly and Participation in the Board of Directors
- Participation in internal events
- Involvement for the formulation and revision of the code of ethics

■ 1.8.2 Engagement process and materiality

In 2016, illycaffè updated its materiality analysis of the more relevant thematic areas, involving an internal work group composed of company managers and supervisors. The analysis followed the principles of materiality in compliance with the GRI-G4 standard and included:

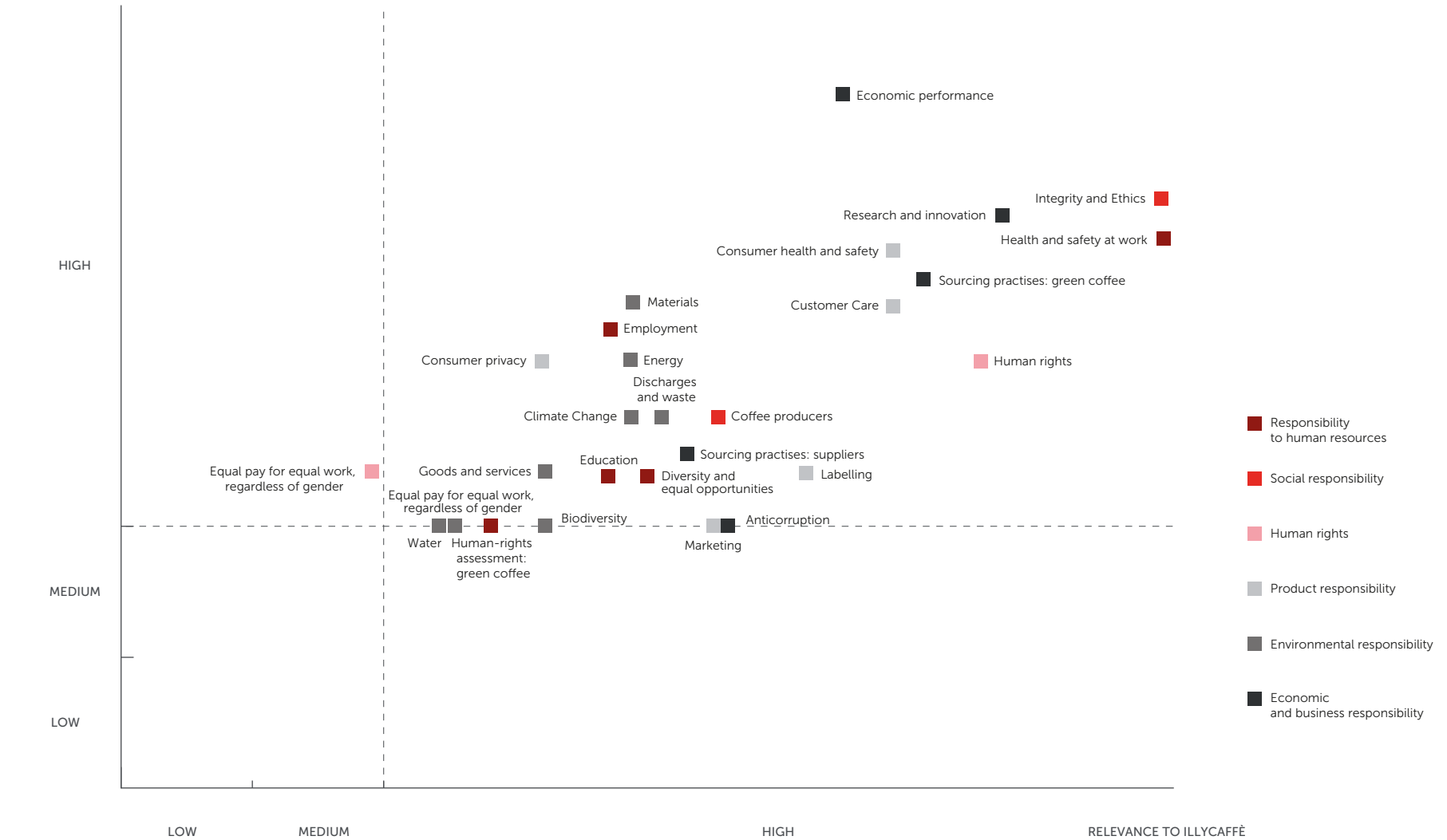
- Identification of the potentially relevant topics through documentation analysis. The sources on which the analysis was conducted were both internal and external;
- Evaluation of the relevance of each thematic area for the stakeholders or for illycaffè, on the basis of documentation analysis and interviews conducted with the internal stakeholders responsible for the topics on which the accounting focused. On the basis of this analysis, a score was given to each thematic area on the questionnaire. During this phase, the perimeter of each material aspect was identified, or rather, the area (both within and outside the Group) was delineated, within which the impacts correlated to the material topics are manifested;
- Validation of the materiality matrix by the Management and the definition of the threshold of materiality above which an accounting of the material aspects should be conducted.

The following chart shows the mapping of the thematic areas deemed potentially relevant for illycaffè and for the stakeholders. After defining the threshold of materiality, it was decided to include in the Sustainable Value Report, primarily the thematic areas that are most material for the external stakeholders and for society as a whole, in other words those which received a high score.



MATRIX OF MATERIALITY

RELEVANCE TO THE STAKEHOLDERS



By means of the Correlation table with the Global Reporting Initiative standard, it was possible to verify where the material aspects were reported.

The following chart analyzes the perimeter within which impacts manifest themselves which are relative to the material aspects which emerged:

- **illycaffè:** impacts were recorded above all within the parent company and the companies within the perimeter of the Value Report, as described in the Methodological Note (direct POS are excluded, for example).
- **Coffee producers:** aspects which were primarily relevant for the green coffee production chain.
- **Suppliers:** aspects relevant to the relationship with other suppliers.
- **Customers/consumers:** topics relevant to processes of sales, distribution, consumption of the products/services.
- **Community/environment:** aspects with relevant impact on the community, the institutions, the environment.



MATERIALITY TOPICS	GRI ASPECT (SPECIFIC STANDARD DISCLOSURE)	ILLYCAFFÈ*	COFFEE PRODUCERS	SUPPLIERS	CUSTOMERS CONSUMERS	COMMUNITY ENVIRONMENT
Listening to clients and customer satisfaction	Customer Health and Safety Product and service labeling				•	
Commercial and negotiation correctness	Marketing communication	•	•	•	•	
Creation of value and wealth	Economic performance	•	•	•		
Human rights in the coffee supply chain and of critical suppliers	Investment + Non Discrimination + Freedom of Association and Collective Bargaining+Child Labor + Forced of Compulsory Labor + Security Practices + Indigenous Rights	•	•	•		
Energy Efficiency	Energy	•	•	•	•	•
Atmospheric emissions	Emissions	•	•	•		•
Responsible management along the whole supply chain	Procurement Practices + Supplier Environmental Assessment + Supplier Assessment for Labor Practices + Supplier Human Rights Assessment		•	•		
Waste management	Effluents and Waste	•				•
Water resources management	Water	•	•			
Social investments and in the community	Coffee producers, Local communities					•
Packaging and recycling	Products and Services	•			•	•
Quality of raw materials		•	•		•	
Ethical responsibility	Ethics and integrity	•	•	•	•	
Research and innovation	Research and innovation	•			•	
Health and safety at work	Occupational Health and Safety	•	•	•		
Protection of the intellectual capital value	Employment	•				
Protection of consumers' health	Customer Health and Safety				•	
Protection of environmental assets and biodiversity	Biodiversity		•			•
Valorization of human resources	Training and Education + Diversity and Equal Opportunities + Equal Remuneration for Women and Men	•				

*Relating to companies included within the perimeter (see Methodological Note)