as at 31 December

Impact Report 2023

illy 90 ANNIVERSARY

The Impact Report 2023 celebrates the illy Art Collection signed by Judy Chicago, a multifaceted American artist and pioneer of the Feminist Art Movement.

For her works, Judy Chicago has used a range of vivid and vibrant colours to illustrate the transition from the social constraints historically imposed on women to a place of cultural and creative freedom.

as at 31 December

Impact Report 2023

"We have decided to include in the company's articles of association the commitment to perpetuate the business model of the *stakeholder company* to reaffirm our business philosophy, which is that of being a social institution that pursues its stakeholders' quality of life."

Andrea Illy, Chairman of illycaffè

Introduction and objectives of the document

In 2019 the adoption of the status of "Benefit Corporation" (as per Italian Law No. 208 of 28/12/2015, paragraphs 376-384) was a step to crystallise the guiding principle of doing business of illycaffè: operating as a stakeholder company based on a model of sustainable development that, through the sharing of the value generated (economic sustainability), harmoniously pursues its own growth and a positive impact on the communities it operates in (social sustainability, environmental sustainability).

With this evolution, illycaffè confirms its choice of growing by operating in a responsible, transparent and sustainable manner for the communities it interacts with. It promotes a way of doing business oriented towards the common good and capable of giving the company competitive advantages, combining economic-financial targets with social and environmental objectives to be pursued in synergy with a clear long-term view.

Benefit Corporations have two fundamental characteristics:

a. protect and align the mission: they express their attention to all stakeholders in the corporate purpose of their articles of association, balancing the interests of shareholders and the interests of the community;
b. measure what matters: they measure their results in terms of positive impact on society and the environment with the same completeness and with the same rigour used for economic and financial results. They report annually on their activities through an impact report, which describes both the actions taken and their plans and commitments for the future.

Consistent with this approach, illycaffè has identified its "Impact Manager", a person responsible for the pursuit of the functions and tasks aimed at pursuing the purposes of common benefit, as per the regulatory provision of Article 380 of Italian Law No. 208 dated 28 December 2015 (2016 Stability Law). Besides performing preliminary, proposal and advisory functions in favour of the Board of Directors in relation to sustainability assessments and decisions, the Sustainability Committee approves the common benefit goals and monitors the projects during the year.

The common benefit goals reported below arise from compliance with the aforementioned Italian Law 208/2015 on Benefit Corporations, and specifically paragraph 382: "[...] the benefit corporation prepares an annual report concerning the pursuit of common benefits, to be annexed to the company financial statements [...]". The Impact Report includes a description of the specific objectives achieved during the year and the new objectives to be pursued in the following year. The document concludes with a section dedicated to representing the score that illycaffè, B Corp® since 2021, obtained by measuring itself against the standard used by certified B Corporation® companies.

The purposes of common benefit

As a Benefit Corporation, illycaffè operates in a responsible, sustainable, inclusive and transparent manner towards people, local communities and the environment, cultural and social assets and activities, entities and associations. It produces social and environmental shared benefits, which contribute to the growth of economic value for stakeholders, through the search for well-being, the circular economy and the regeneration of the biosphere.

The guiding principles of its work are:

- the interdependence of environmental, economic and social sustainability;
- the need for the ecological transition towards a regenerative model, which involves the transition to renewable energy, agro-ecology and circular economy;
- innovation and continuous improvement as a process of change.

In accordance with these principles, the areas of intervention incorporated in the articles of association and on which the company focuses its efforts are as follows:

- Creation of economic value for stakeholders;
- Pursuit of well-being, understood as health and happiness;
- Circular economy and regeneration of the biosphere.

In their declination, these three areas of action are integrated with the company's path towards a progressive reduction of climate-altering gas emissions and testify how the transition to Benefit Corporation was the natural evolution of the approach adopted by the company so far. As proof of this, illycaffè adheres to CO2alizione Italia, the first work and sharing platform in Italy for companies committed to climate neutrality, based on an innovative model of stable collaboration.
The companies participating in this initiative are committed to making the pursuit of climate neutrality objectives in line with the European targets integral to their Articles of Association, thus undertaking this purpose over time with a priority equal to that given to profit. This integration confirms the shareholders' intention to establish a clear and unequivocal direction to preserve the climate balance, assigning a new and innovative mandate to current and future management.

Again in 2023, illycaffè is committed to describe how, through its practices and actions, it contributed to the achievement of its own common benefit purposes and how, in 2024, it will act in accordance with the new purposes described above.

Creation of economic value for stakeholders

Goal 1

Contribute to reducing the risks of the coffee supply chain, promoting actions for the adaptation of coffee cultivation to climate change.

Climate change is one of the main risks in coffee growing. For this reason, the company is strongly committed to developing a model that makes it possible to assess the real impacts of the various supply chains on the biosphere and a strategy that, starting from the results of the aforementioned model, allows to reduce emissions deriving from the agricultural phase of the value chain.

Development of a model for assessing the impacts of coffee-growing supply chains on climate change

In 2022, illycaffè worked on the evolution of the tool used by its technicians to conduct audits on growers' land. Specifically, this was equipped with a module in preparation for modelling the emission impacts of coffee growers.

This integration of the data collection tool for the calculation of green coffee emissions/removals[1] took place in accordance with the following standards:

- GHG Protocol[2] Land Sector and Removals for rules to be respected regarding the quantification of carbon emissions and removals from the agri-food sector;
- ISO 14064 - Carbon Footprint of Products for accounting rules regarding the product Carbon Footprint.

Once the tool was finalised, data collection activities were launched, starting from the Brazilian supply chains. This exercise allowed illycaffè to achieve a scope 3 modelling devised on primary and non-inventory data. Furthermore, the definition of a calculation methodology and the identification of a clear baseline allow illycaffè to:

- scientifically record the results of the emission reduction plan;
- validate the effectiveness of regenerative practices identified by the company and considered more scalable from an agronomic point of view and sustainable from an environmental viewpoint.

(1) Capacity to remove and store carbon from the atmosphere.
(2) International standard for the accounting of greenhouse gases.

Development of a decarbonisation strategy for the agricultural phase based on regenerative practices

Regenerative agriculture is considered a promising model for the adaptation of crops to systems more resilient to climate change. This approach focuses on promoting soil health, biodiversity and the sustainable use of natural resources.

- Improving soil health: regenerative agriculture places a significant emphasis on soil health. Keeping the soil covered with cover crops and minimising tillage contribute to improving its structure, its ability to retain water and its fertility.
- Increasing biodiversity: by integrating different crops and encouraging the presence of wild plants, flowers and natural habitats, regenerative agriculture promotes biodiversity. This diversity can contribute to creating more robust and less disease-prone ecosystems.
- Water conservation: practices such as rainwater management can help reduce soil erosion and improve the soil's ability to retain water. This is particularly important in environments affected by climate change, where extreme weather events, such as heavy rains or periods of drought, can occur.
- Reduced dependence on chemical fertilisers and pesticides: by promoting the use of compost and organic fertilisers, regenerative agriculture promotes more sustainable and ecological agricultural practices.
- Increased crop resilience: crop diversification, such as grassing of the space between coffee rows with different essences, can increase crop resilience to environmental stresses. Crops can better adapt to unforeseen climate changes, such as temperature changes, irregular rainfall or extreme weather events.
- Carbon sequestration: regenerative agriculture can contribute to carbon sequestration in the soil, thus contributing to efforts to contrast the accumulation of greenhouse gases in the atmosphere. Well-managed soil can act as a carbon reservoir. For example, the application of compost and the replacement of synthetic crop protection products with organic products contribute to both reducing greenhouse gas emissions and increasing carbon stock in the soil.

illycaffè believes that this is the model to be pursued in the ecological transition that the company is stimulating along all its supply chains. For this reason, a dedicated team of agronomists is continuously working on the development of regenerative models aiming to create agricultural systems that are more sustainable, resilient and adaptable to climate change challenges in the medium and long term.

In 2023, key activities were completed for the decarbonisation of the agricultural phase of the value chain:

- field data collection of the Brazilian supply chains: an emission abatement plan must be based on a model that describes real impacts. Simple inventory data does not make it possible to identify decarbonisation actions that focus on real emission hotspots, whether in relation to the supply chain or the company production process. This activity made it possible to achieve a modelling based on the supply chains primary data in this geographical area.
- farm clustering by archetypes: given the number of players included in the coffee supply chains, it would be unthinkable to develop ad hoc decarbonisation strategies for each of them. Therefore, a simplification is necessary. Specifically, illycaffè has created growers clusters (archetypes) that share characteristics and emission hotspots, and will design the most appropriate decarbonisation strategies on their basis.

This activity led to an excellent result, demonstrating that illycaffè's Brazilian supply chains have a much lower emission profile than that calculated using inventory data.
Having validated the effectiveness of this activity, in 2024 the methodology will be scaled up on the supply chains in Central America.
In parallel, the collection of primary data in Brazil on Tier 1 and 2 suppliers[3] will be intensified. This targeted approach is essential to implement the calculation model in a more precise and detailed manner and obtain an even more comprehensive and accurate view of carbon emissions.

2023 results

Action	Target	Result
Modelling of green coffee supply chains by CO_2-equivalent emission classes.	Validation of the model on the Brazilian supply chain.	Goal achieved: ■ updated Brazilian emission factor (EF); ■ clustered farms with uniform footprints.

2024 goals

Action	Target
Modelling of green coffee supply chains by CO_2-equivalent emission classes.	Scale up of the model on the supply chains in South America.

(3) Green coffee ready for export.

Goal 2

Contribute to the mitigation of climate change through socio-economically sustainable investments.

To ensure the sustainable quality of its raw materials, illycaffè's supply chain management model is based on three specific principles:

- traceability of resources and raw materials, throughout the entire production process in order to guarantee their sustainable quality;
- reciprocity in the relationship with the members of the supply chains;
- economic, social and environmental sustainability.

This approach is the expression of a holistic model that strengthens the economic sustainability that underlies the green coffee purchasing strategy and, at the same time, carries out awareness-raising and training actions along the supply chain during each visit from technicians and agronomists.

The transfer of knowledge through the activities of the Università del Caffè and the constant visits to the plantations from illy buyers, agronomists and technicians to motivate farmers to produce sustainable quality is one of the pillars supporting the system of direct relations with the stakeholders of the supply chains developed by illycaffè.

In 2000, together with the establishment of a partnership with PENSA (The Agrobusiness Intelligence Center of the University of São Paulo) and subsequently SENA (Servicio Nacional de Aprendizaje), illycaffè launched activities to support small and large coffee producers through training courses on important issues (from responsible cultivation techniques and good agronomic practices, essential to increase productivity, reduce production costs and increase the producer's profitability, to trading, economic-administrative aspects and logistics). These programmes promote the direct involvement of producers and knowledge transfer at a local level.

In 2023, illycaffè intensified its commitment to stakeholders through extensive training activities. The company has paid particular attention to specific issues, including regenerative agriculture, recognised as a crucial element for the reduction of greenhouse gases generated in agricultural phases and for preserving the biodiversity of the ecosystems in which coffee is grown. This initiative actively involved over 750 participants, including members of the coffee supply chains, representatives of national and international institutions, universities, as well as professionals from the public and private sector, in different geographical areas, including Brazil, Central America, Colombia, India, Rwanda and Vietnam.

In 2024, illycaffè's plan envisages the continuation of training activities, with an increasingly stronger focus on regenerative agriculture and the reduction of carbon emissions. These topics require greater research in the field and wider dissemination, carefully considering the peculiarities of each context. The company aims to significantly contribute to a greater awareness and implementation of sustainable practices in this strategic phase of the value chain.

2023 results

Action	Target	Result
Training and engagement of supply chains on regenerative agriculture and carbon reduction.	Involvement of coffee supply chains and public and/or private institutions in Brazil and Central America.	Goal achieved. Involved supply chains both in stakeholder engagement activities and direct training in the field on issues relating to regenerative agriculture as a fundamental tool for reducing emissions.

2024 goals

Action	Target
Training and engagement of supply chains on regenerative agriculture and carbon reduction.	Involvement of coffee supply chains and public and/or private institutions in Brazil and Central America.

Goal 3

Promote initiatives and global partnerships to improve sustainability, through research and knowledge transfer.

illycaffè wants to raise awareness among its stakeholders on issues related to environmental sustainability and the crucial role that each individual plays in safeguarding our planet.
Precisely for this reason, the company has always been committed to encouraging and stimulating the development of global partnerships to promote sustainability and international awareness in this regard.

MASTER IN COFFEE ECONOMICS AND SCIENCE - ERNESTO ILLY

illycaffè supports the Master in Coffee Economics and Science - Ernesto Illy of the Ernesto Illy Foundation. The inter-university Master's program dedicated to the world of coffee was established by a group of partners of excellence in training: the University of Trieste, the University of Udine and SISSA (Scuola Internazionale Superiore di Studi Avanzati - International School for Advanced Studies of Trieste). It aims to offer in-depth and multidisciplinary training to graduates interested in working in the world of coffee along the entire production chain, from cultivation to catering and retail, including logistics, trading and the industrial process. The goal for 2024 is to continue to support the Master.

ASIC

illycaffè has always been on the Board of ASIC (Association for Science and Information on Coffee). Co-founded by Ernesto Illy at the beginning of the 1960s, ASIC organises a scientific Congress every two years that brings together all the most important scientists dedicated to coffee in the various areas (agronomy, chemistry, biological activities, etc.) and industry experts, both academics and industrialists, from both producing and consuming countries. The "mission" of ASIC conferences is:

- to be the world's leading conference on coffee science and technology;
- to evaluate existing and emerging scientific knowledge and techniques on coffee;
- to be an incubator for future research and innovation on coffee science and technology;
- to promote an interdisciplinary and international exchange and networking on coffee science and technology;
- to bring together stakeholders and coffee scientists, creating a platform for interdisciplinary dialogue and problem solving.

The last three editions were held in China, the United States and France. The 29th edition of the ASIC Congress was held in Hanoi (Vietnam) from 11 to 14 September 2023 and illycaffè participated as an operational player.

PRE-COMPETITIVE RESEARCH PROJECTS

illycaffè participates in important European pre-competitive research projects with global repercussions such as, for example, the following projects:

- Horizon Europe “Bolero” (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks), which aims to fine-tune the agronomic graft technique to make coffee production more sustainable and at the same time to study plant-soil interactions and the root system of coffee. This project has a four-year duration. illycaffè is committed to provide support to the project for its entire duration. The goal is confirmed also for 2024.

- EVOQUE, which has the main objective of developing a new sensory system based on photonics with the potential to exceed current standards and meet the most demanding monitoring requirements for agriculture, food, environmental pollution and industrial emissions. The project will start in 2024 and illycaffè will participate in it as a promoter and operating actor.

2023 results

Action	Target	Result
Master in Coffee Economics and Science - Ernesto Illy.	Participation as promoter and operating actor.	Goal achieved. Role of initiative promoter and operating actor confirmed.
Association for Science and Information on Coffee.	Actively contribute to the organisation of the 29th edition, which will be held in Vietnam.	Goal achieved. The 29th edition of the ASIC Congress was held in Hanoi (Vietnam) from 11 to 14 September 2023.
Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks).	Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks).	Goal achieved. Role of initiative promoter confirmed.

2024 goals

Action	Target
Master in Coffee Economics and Science - Ernesto Illy.	Participation as promoter and operating actor.
Horizon Europe "Bolero" (Breeding for coffee and cocoa root resilience in low input farming systems based on improved rootstocks).	Participation as promoter and operating actor.
EVOQUE project.	Participation as promoter and operating actor.

Pursuit of well-being, understood as health and happiness

Goal 4

Promote a healthy lifestyle by enhancing the health benefits of coffee.

illycaffè is part of the Board of ISIC (Institute for Scientific Information on Coffee), a non-profit organisation founded in 1990. ISIC is dedicated to the study and dissemination of issues relating to coffee and human health through:

- scientific in-depth studies into coffee, health and the environment;
- evaluation of studies and scientific information on coffee, health and the environment;
- support of independent scientific research on coffee, health and the environment;
- dissemination of scientific information on coffee, health and the environment.

Through its own website, ISIC makes it possible to share the main scientific studies on issues ranging from cardiovascular and neurodegenerative diseases to type-2 diabetes and other liver diseases and to inform the public, enhancing the benefits of coffee for health. Support for the initiatives undertaken by the institute has been confirmed again for 2024.

2023 results

Action	Target	Result
ISIC (Institute for Scientific Information on Coffee).	Confirm its role as a partner of the institute by supporting it on studies relating to the benefits of coffee both for health and for the environment.	Goal achieved. illycaffè provided support to both project streams.

2024 goals

Action	Target
ISIC (Institute for Scientific Information on Coffee).	Confirm its role as a partner of the institute by supporting it on studies relating to the benefits of coffee both for health and for the environment.

Goal 5

Promote the improvement of quality of life, through social sustainability, work environment and coffee culture.

Through the Ernesto Illy Foundation, since 2017 illycaffè has been a partner and supporter of the World Happiness Report. Compiled and published annually by the United Nations Sustainable Development Solutions Network, the survey measures global happiness and ranks 156 countries according to the "happiness perceived" by their citizens, with a view to promoting well-being and improving the quality of life.
Also in 2023, illycaffè and the Ernesto Illy Foundation supported the realisation of the World Happiness Report.

illycaffè recognises the central role of people in building a healthy and sound company. The development of human resources is based on respect for workers' rights, on their full enhancement, but also on the protection of their pursuit of happiness as a primary component of the identity of every person.

In accordance with this, in 2022 the company started the implementation of a structured and global process for the mapping and management of talent, with a view to building a functional tool for highly meritocratic and equitable growth paths. Ensuring equal employment opportunities and professional growth to all employees on the basis of merit, professional skills and performance, without any discrimination and in full respect of the rights of the individual is, in fact, a material topic for illycaffè. This project culminated in 2023, when a first phase of talent assessment was followed by the development of a multi-year resource management plan.

illycaffè's strategic path towards full implementation of inclusion and equal opportunities principles continued and reached a new goal in 2023 with the UNI/PdR 125:2022 certification on gender equality, issued by DNV, an independent body that provides assurance and risk management services at global level.

In 2023, the company launched a new subscription system dedicated to consumers wanting to drink coffee in a bar. This program envisages that, for each subscription sold, in addition to the offer of a coffee, illy undertakes to donate €1 to a social sustainability project. The initiative funded in this way in 2023 was "IEO Second Opinion", a project created with the aim of providing remote counselling to Italian and international patients wanting a second opinion regarding a diagnosis already received or treatment already prescribed.

The same philosophy led the company to actively collaborate with Food For Soul, a non-profit organisation founded by chef Massimo Bottura, for the next four years. Specifically, illycaffè undertakes to make a multi-year donation both in financial terms and in terms of technical support, providing coffee, related products and services. As a supporter of Food For Soul, illycaffè organisationally support its non-profit projects, including:

- expansion and discovery of the Refettori (Refectories) project;
- support, education and commitment to the sustainability of the food system;
- in-kind support for the Refettori project for coffee products, supplies and training.

Common objectives are:

- promoting the sustainability of the food system, social inclusion and well-being;
- promoting fair and just livelihoods for all;
- sharing their respective knowledge and practical applications to improve consumer habits and responsible consumption.

Finally, since 2023, the protection of the individual and their aspiration to happiness as a primary component of the identity of every person has driven illycaffè to provide concrete help to the San Patrignano therapeutic community for drug addicts in Italy. Through financial support, the company will help the dental department within the medical centre. This is a fundamental section in their process, given the damage that drugs cause to the oral cavity as well as the resulting chewing problems deriving from this.

An essential support not only for young people who have to take care of their oral system, but also for those involved in the dental laboratory, a fundamental training resource aimed at the young people attending the dental technician course at the community study centre. Since 2012, the year the course was launched, 23 people have obtained a dental technician diploma, one of which in the last year. In addition, in the laboratory some of the guests acquire basic skills to become dental assistants.

illycaffè is committed to confirming their support also for 2024.

2023 results

Action	Target	Result
Creation and implementation of the Talent Management System.	Finalisation of talent mapping and preparation of a multi-year resource management plan.	Goal achieved.
Launch of the new illydieci subscription program and support for a social sustainability project.	Support for IEO Second Opinion.	Goal achieved.
Support for Food For Soul, a non-profit organisation founded by Chef Massimo Bottura.	Ensure commitment both in terms of economic and technical support.	Goal achieved.

2024 goals

Action	Target
Support for Food For Soul, a non-profit organisation founded by Chef Massimo Bottura.	Ensure commitment both in terms of economic and technical support.
Support the activities of the dental department of the San Patrignano community	Ensure support in economic terms.

Goal 6

Promote social development in coffee growing areas, fuelling the virtuous cycle between well-being for those who consume it and economic value for those who produce it.

Stakeholders' engagement on issues related to gender inclusion is a fundamental activity for the promotion and dissemination of an inclusive and sustainable corporate culture. Only through open and continuous dialogue it is possible to stimulate the adoption of concrete measures for the promotion of gender equality and diversity, essential elements for innovation and long-term business success.

From this point of view, the involvement of coffee supply chains is of fundamental importance. To ensure a positive impact along the entire production chain, it is essential to establish collaboration with all the players that make it up, starting with producers.

In 2023, illycaffè supplemented its training offer to its suppliers with topics related to gender equity. In the same year, analytical work was undertaken on how best to implement the practices identified in this module to promote real gender inclusion along coffee supply chains. In Brazil, where this initiative was launched, there was an increase in female participation in training activities with a presence of 28% of women producers compared to 18% in 2019. Even more consistent was the participation in the running of the panels for the proposed training activities, run by 60% of women, representatives of the most diverse sectors: from coffee producers to heads of national institutions, university researchers and company managers.

In 2024, illycaffè is committed to determinately pursuing the objective of promoting the development of social projects aimed at education and health in coffee-growing communities, focusing in particular on Guatemala and Costa Rica. This initiative reflects illycaffè's commitment to actively contribute to the improvement of living conditions and training opportunities in the communities involved with the aim of generating a positive impact.

2023 results

Action	Target	Result
Stakeholder engagement dedicated to gender inclusion.	Trial gender inclusion activities with learning-by-doing methodology starting from the Brazilian supply chain.	Goal achieved.

2024 goals

Action	Target
Promote the development of social projects aimed at the education and health of coffee-growing communities.	Implementation of actions aimed at education and health support in Guatemala and Costa Rica.

Circular economy and regeneration of the biosphere

Goal 7

Minimising consumption of natural resources through production efficiency and the transformation of renewable or recyclable raw materials.

illycaffè has always paid great attention to monitoring and reducing its environmental impact. Environmental value and the safeguard of natural resources are key factors within the company's overall approach, aimed at the protection and sustainable development of the area in which it operates, while respecting the rights of communities and future generations.

In line with this objective, since 2003 the company has implemented an environmental management system compliant with the ISO 14001 standard. The main objective is to limit environmental impact and continuously improve its environmental management system in order to enhance overall environmental performance.

In 2023, illycaffè built an LPG plant as an additional methane gas energy vector for roasting. In addition, it continued with the replacement of traditional lighting fixtures with low-consumption LEDs, introducing an automatic lighting control system with motion sensors in the Trieste plant. The introduction of home automation control systems has also begun in the management offices in Milan and in some parking areas in Trieste. Finally, the work to replace vacuum pumps with more efficient new generation models continues.

The year 2024 will be dedicated to energy transition with the construction of photovoltaic plants in the Italian production sites. During the year, the foundations will be laid for the construction of the new roasting plant at the main site, efficiency improvement actions will continue with the replacement of vacuum pumps, windows and roofs in the Trieste plant, and the relamping operation with low-consumption LED lamps will continue.

2023 results

Action	Target	Result
Efficiency and current environmental performance improved.	Electric mobility: installation of electric recharging stations (Via Malaspina and Via Caboto, Trieste headquarters).	Goal achieved. Installation of recharging stations completed.
Energy transition.	Tri-generation from methane gas (eventually from renewable sources): implementation of the executive project.	The goal is postponed due to the scarcity risk and the uncontrolled increase in the price of the raw material.

2024 goals

Action	Target
Energy transition.	Construction of the LPG system at the Trieste site.
Energy transition.	Construction of a 500.17 kWp photovoltaic system at the Robecchetto site.

Goal 8

Counteracting all types of residues, such as greenhouse gases, pollution, scraps and waste, by promoting regenerative agronomic practices and balancing production and disposal processes.

As part of illycaffè's sustainability strategy, the constant commitment to reducing any type of residue is expressed in every phase of its value chain. Below are some of the activities set up by the company in 2023 and the projects planned for 2024:

Agriculture. In 2023, intense training activities on European directives regarding environmental sustainability involved over 420 people in different Tiers (exporters, large/medium-sized producers, cooperatives, producer associations, small producer groups) in the coffee supply chains in Brazil, Central America, Colombia, India, Ethiopia, Rwanda and Vietnam. These activities involved the public sector of various countries, national and international institutions and, in some cases, the private sector. The issues addressed concerned the new European regulation (EU) 2023/1115 on deforestation and the practices to be adopted to mitigate this risk.
In 2024, illycaffè intends to continue training activities in line with the issues promoted by the European Union's Green Deal, focusing specifically on the Farm to Fork strategy. This will result in a focus on issues related to the correct use of agrochemicals and their possible replacement with lower impact products.

Procurement (Suppliers of goods and services). In accordance with the principles of sustainability and business ethics, illycaffè maintains mutually beneficial relationships with its suppliers of goods and services, selecting them based on its values. The creation of a responsible supply chain plays a fundamental role in the pursuit of illycaffè's strategic and sustainability objectives. Goals such as climate neutrality can only be achieved through effective collaboration and co-evolution.
To this end, a multi-year project was launched in 2022, aimed at further strengthening the role played by ESG issues in the selection and assessment of its partners. In particular, the following activities were completed in 2023:

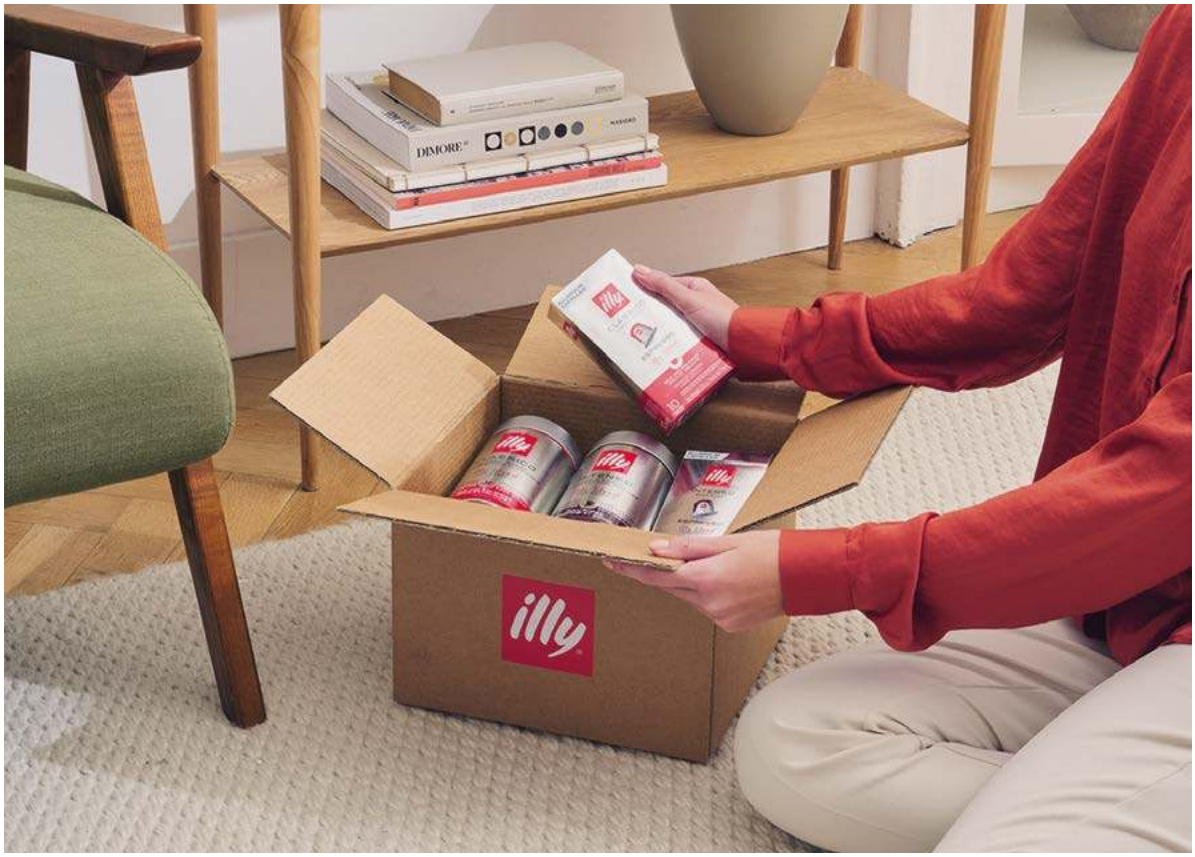
- Supplier ESG performance assessment (80% of suppliers are involved on a cost basis): integration of sustainability in supplier qualification and assessment modules through the adoption of the Synesgy platform;
- Decarbonisation (80% of suppliers are involved on an emissions impact basis on Scope 3 cat. Purchased Goods & Services [green coffee excl.] of illycaffè):
  - development of a module dedicated to the quantification of the supplier pool's emission impacts through the use of primary data;
  - training of suppliers on the concepts that revolve around the issue of reducing the quantity of climate-altering gases in the atmosphere and the co-creation of improvement plans that act in line with this objective.

The year 2024 will continue on the same trajectory, stimulating suppliers to continuously improve, training them on sustainability issues and launching, together, a path to improve performance.

- Eco-design of products: with a view to reducing any type of residue, the principles of circular economy and of LCA (Life Cycle Assessment),

focused on a design based on the efficient use of resources and materials, guide the strategic choices along all phases of the illycaffè supply chain, from the procurement of materials to their disposal. Below are some projects, direct translation of the principles mentioned above and classified as follows:

- Circularity of products:
  - MPS &MPS.M capsule: in 2023, the "compostable industrial" version of capsules pertaining to the portioned system intended for offices was scheduled to be introduced in the product portfolio dedicated to this channel. Unfortunately, due to some delays in the certification on compostability, the launch was postponed to 2024;
  - 3g format instant coffee: revision of the current packaging material and transition from plastic to compostable paper;
  - "Latte Selection" version instant coffee: product launch with recyclable packaging;
  - Keurig capsule for USA capsule development in compostable version.
- Capsule recycling programs:
  - The "Alliance for the recycling of aluminium capsules", founded by Nespresso in 2021 in partnership with illy, saw the inclusion of Starbucks by Nespresso as a new member of the circular economy project.
  - ReCap, an experimental project in the Friuli-Venezia Giulia region for the collection and subsequent recycling of plastic capsules,



continues. The initiative was developed with the collaboration of the Region, the Regional Environmental Agency (Arpa Fvg), Nestlé Italiana S.p.A. and three companies that manage municipal waste in the region (Net S.p.A., A&T2000 S.p.A. and AcegasApsAmga S.p.A.). With the aim of starting to activate the service in other Italian provinces, again in 2023, the search began for an industrial partner that can manage recycling on a large scale. At the same time, illycaffè continues to be an active party in the promotion and creation of an Italian consortium for the widespread management of this program.

– Circularcaps, a new system for recycling plastic and aluminium capsules that offers a network of 4,000+ collection points throughout Spain, was added to the already operating recycling projects.

- Company waste disposal practices
  – In 2022, illycaffè conducted a study on the feasibility of using by-products deriving from coffee processing at the Trieste production plant as organic fertilisers. This research produced positive outcomes. Thanks to these results, it was possible to convert almost all of illycaffè's organic waste into fertilisers for agriculture.
  – The tests mentioned above have also shown how organic coffee waste could have other greater value-added uses. For this reason, in 2023 the exploration started of further possible options (e.g. cosmetics, nutraceuticals, design, etc.). These results have been so positive that it is assumed that these solutions will be applied in practice as early as 2024.

2023 results

Action	Target	Result
Training of the green coffee supply chains on environmental sustainability issues.	Engagement of supply chains on the new European directives on environmental sustainability that have an impact on coffee supply chains.	Goal achieved. Over 420 people were involved from different coffee supply chains in Brazil, Central America, Colombia, India, Ethiopia, Rwanda and Vietnam.
Implementation of a new module for the qualification and assessment of suppliers of goods and services according to ESG criteria.	Module applied to 50%+ of suppliers on a cost basis.	Goal achieved. Suppliers engaged through the Synesgy platform.
Introduction, in the portioned office range, of two capsules, MPS and MPS.M, in "compostable" version.	Product launch by 2023.	Goal not achieved. Launch postponed to 2024 due to delays in the certification of compostability.
Extension of the ReCap Project launched in Friuli-Venezia Giulia.	Establishment of a consortium with other players to extend the project.	Goal not achieved. In light of the packaging regulation currently under discussion in the European Union, this activity's timetable is subject to the outcome of the vote on the regulation.
Adoption, in Spain, of a new system for the recycling of plastic and aluminium capsules (Circularcaps).	Adopted.	Goal achieved. Program activated in Q1 2023.
Extension of circular economy projects of the illycaffè plant also to high value-added chains.	Implementation of at least one project by 2023.	Goal achieved. Almost all of illycaffè's organic waste is now converted into agricultural fertilisers.

2024 goals

Action	Target
Introduction, in the portioned office range, of two capsules, MPS and MPS.M, in "compostable" version.	Product launch by 2024.
3g format instant coffee: revision of the current packaging material and transition from plastic to compostable paper.	Product launch by 2024.
"Latte Selection" version instant coffee: product launch with recyclable packaging.	Product launch by 2024.
Keurig capsule for USA capsule development in compostable version.	Product development by 2024.
Upcycling of the by-product deriving from coffee processing in the illycaffè plant, allocating it to a supply chain bridging cosmetics, nutraceuticals or design.	Implementation of at least one project by 2024.

Goal 9

To promote the conservation of biodiversity and carbon sequestration through regenerative agronomic practices and the renewal of ecosystems.

Respect for the environment, and in particular safeguard of the soil and biodiversity through the adoption of the principle of regenerative agriculture, represents the basis of illycaffè's approach to coffee cultivation. Within this philosophy, an essential component is the continuous search for new cultivation methods and techniques, aimed at ensuring sustainable production from an environmental and social point of view.

The main objective is to identify the most promising regenerative practices both from an environmental and social point of view, promoting their dissemination and trying to facilitate the transition of companies from conventional practices to regenerative practices on a larger scale. To achieve this objective, it is essential to define a calculation methodology for the quantification of the impacts of these practices, estimating the potential reductions and elimination of emissions and assessing their benefits also with regard to the economic and social context.

In 2023, agronomic projects were launched with producers affiliated with illycaffè's supply chain, with a particular focus on Brazil. These initiatives have made it possible to collect the first results on the most promising regenerative practices, such as the application of compost, grassing of the space between rows with different species and the replacement of synthetic pesticides with useful insects. Tests conducted in Central America showed the importance of applying humic and fulvic acids to the topsoil, especially in impoverished soils, to improve nutrient absorption and increase plant growth and productivity. In addition, the crucial role of genetics in the absorption of nutrients was highlighted, with varieties that require lower quantities of fertilisers while maintaining same production levels.

Although important, these results underline the need to adopt personalised approaches, considering the specific characteristics of each geographical area and grower. For this reason, it is imperative to expand the number of solutions to address the same agronomic problems, allowing each farmer to find the solution that best suits their needs.

2023 results

Action	Target	Result
Screening of supply chain environmental improvement projects and creation of an inventory of the most effective and scalable practices.	Verify the validity of innovative practices through an analysis of the health of the fruits.	Goal achieved. The most applicable regenerative practices in different agronomic contexts have been identified.

2024 goals

Action	Target
Assessment of the impacts of the selected r egenerative models.	Validate the regenerative practices identified, verify possible scalability and identify any additional practices.

Climate neutrality

As already reported under Goal 1, the main objective for 2023 was to achieve a modelling of green coffee supply chains by climate-changing gas classes and to define a scope 3 baseline devised on primary and non-inventory data. As this is the area with the greatest emission impact, it was crucial for illycaffè to have a solid and scientific tool for both reporting and designing an emission reduction plan based on activities with demonstrable effectiveness.

The vast amount of information generated thanks to the collection of primary data from all illycaffè suppliers has enabled the company to improve its awareness of the areas in the value chain that require priority intervention and, within these, identify individual activities with higher emission intensity. Thanks to this, in 2024, illycaffè plans a targeted update of its decarbonisation roadmap, further focusing on investments and priorities.

At the same time, in order to consolidate illycaffè's ongoing commitment to the fight against climate change and reward the efforts made by the company's management in this direction, in 2024 their incentive structure will be supplemented with a KPI dedicated to decarbonisation. Valuing and incentivising each department's commitment to sustainability is fundamental to ensuring a healthy balance between economic, environmental and social sustainability.

Finally, the results of CO_2 equivalent emissions reporting for the year 2023 are shown below.

GREENHOUSE GAS EMISSIONS (t CO_2eq)

	2023	2022*
Total Scope 1 emissions	**7,047.7**	**8,229.0**
Natural gas used for the production process	4,581.3	5,440.1
Heating fuels	684.6	812.9
Fugitive emissions	205.9	239.0
Company fleet emissions	1,576.0	1,737.0
Total Scope 2 emissions	**1,203.5**	**3,100.0**
Emissions deriving from electricity consumption (market-based)	1,203.5	3,100.0
Emissions deriving from electricity consumption (location-based)	6,205.8	6,670.0
Total Scope 3 emissions	**233,758.2**	**244,337.2**
Upstream:	**204,659.9**	**212,895.7**
Goods and services purchased	172,122.1	179,681.3
Activities related to fuels and energy not included in Scope 1 and 2	2,172.3	2,823.0
Upstream transport and distribution	26,016.6	26,052.5
Waste generated by operations	1,100.5	916.8
Business travel	527.9	300.0
Commuting by employees	2,720.4	3,122.1
Downstream:	**29,098.2**	**31,441.5**
Downstream transport and distribution	5,946.2	7,888.6
Use of products sold	5,499.1	7,115.0
End-of-life treatment of products sold	17,086.6	15,959.8
Downstream leased assets	566.4	478.0
Total	**242,009.5**	**255,666.2**

(*) In 2023, illycaffè signed an undertaking to reduce its emissions, joining the Science Based Targets initiative (SBTi), which requires compliance with the methodology defined by the GHG Protocol for calculating corporate carbon footprint. In light of the requirements defined, it should be noted that the values reported in the 2022 Management Report were aligned with the aforementioned methodology.

2023 results

Action	Target	Result
Modelling of green coffee supply chains by CO_2-equivalent emission classes.	Validation of the model on the Brazilian supply chain.	Goal achieved: ▪ updated Brazilian emission factor (EF); ▪ clustered farms with uniform footprints.

2024 goals

Action	Target
Update of the decarbonisation roadmap.	Completion by 2024.
Integration of top management incentive scheme with specific target on decarbonisation.	Inclusion of KPI on carbon intensity.

Assessment of the impact generated

In compliance with Italian Law 208/2015 on Benefit Corporations and, specifically, for the purposes referred to in paragraphs 376 to 384, in the report they prepare annually, Benefit Corporations include the assessment of the impact generated using an external assessment standard. The score obtained by illycaffè using the standard developed by the B Lab body and recognised by the aforementioned law is 90.4 with reference to the assessment areas identified by the same standard, namely: Governance, Workers, Community, Environment, Customers.

This score was validated by B Lab following a rigorous verification process confirming the achievement of the BCorp® recertification, which takes place every three years.

This recognition is exclusively awarded to organisations that are committed to high standards of social and environmental performance, transparency and accountability, and which operate in a way that optimises their positive impact toward employees, target communities and the environment.

The concept of "business as a force for good" is emerging as a priority for all companies and B Corps® are leaders in translating this concept into practice through the rigorous measurement of the value they create.

B Lab score | 90.4

Conclusions

With this Report, illycaffè wanted to transparently report on the company's operations as a stakeholder company, sharing the values, goals, results achieved and objectives for the coming years, oriented towards the pursuit, as a Benefit Corporation, of the specific common benefit purposes expressed in the articles of association.

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