



GLOBAL COMPACT

COMMUNICATION ON PROGRESS

Introduction

The United Nations Global Compact is rooted in the desire to promote a sustainable global economy, in full respect of human rights, labour rights, environmental protection, and the fight against corruption. It was proposed for the first time during the 1999 World Economic Forum in Davos by former UN Secretary Kofi Annan, who on that occasion invited the global economic leaders attending the forum to endorse a “Global Compact” with the United Nations to tackle the most critical aspects of globalization in a collaborative manner.

As of today (July 2013) over 10,000 companies and organizations from over 145 countries have adhered to the compact.

In 2012, **illycaffè** adhered to the Global Compact, and committed to integrating into its strategic vision, organizational culture, and day-to-day operations the ten principles related to human and labour rights, environmental protection, and the fight against corruption promoted by the initiative.

The Communication on Progress is a document that accompanies and completes the company's Sustainable Value Report: both are instruments through which illycaffè periodically informs its stakeholders on the activities implemented and results achieved concerning corporate responsibility and sustainability.

This document contains:

- a. A statement on the part of company leaders expressing illycaffè's support for the Global Compact and renewing the company's constant commitment to the initiative and its principles.
- b. A description of practical actions that illycaffè has undertaken or planned to implement the ten principles of the Global Compact in each of the following four sectors (human rights, labour, environment, and the fight against corruption).
- c. An assessment of impacts.

For more in-depth information and a detailed account of what illycaffè has done and the results it has achieved, please click on the hyperlinks to the relevant sections of the Sustainable Value Report.

For more questions or comments related to sustainability, illycaffè is glad to provide information on its vision, as well as on its specific goals and targets.

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The 10 principles of the Global Compact

Human rights

- *Businesses should promote and respect the protection of internationally proclaimed human rights within their respective spheres of influence; and*
- *make sure they are not complicit, directly or indirectly, in human rights abuses.*

Labour

- *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*
- *the elimination of all forms of forced and compulsory labour;*
- *the effective abolition of child labour; and*
- *the elimination of discrimination in respect of employment and occupation.*

Environment

- *Businesses should support a precautionary approach to environmental challenges;*
- *undertake initiatives to promote greater environmental responsibility; and*
- *encourage the development and diffusion of environmentally friendly technologies.*

Anti-corruption

- *Businesses should work against corruption in all its forms, including extortion and bribery.*

Statement



Andrea Illy
Presidente & A. I.

Trieste, 26th August 2013

H.E. Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017
USA

Dear Mr. Secretary-General,

I am pleased to confirm that illycaffè spa continues to support the Global Compact and renews the commitments to its initiatives and principles with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence.

We are committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. illycaffè will make a clear statement of this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a Communication on Progress (COP) that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress within *one year* of joining the Global Compact, and *annually* thereafter according to the Global Compact COP policy.

Sincerely yours,

A handwritten signature in brown ink, appearing to be "A. Illy", written over a horizontal line.

gruppo illy

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SECTOR: HUMAN RIGHTS

Specific principles of the Global Compact:

- **Principle n. 1: Businesses should promote and respect the protection of internationally proclaimed human rights within their respective spheres of influence; and**
- **Principle n. 2: make sure they are not complicit, directly or indirectly, in human rights abuses.**

Practical actions (policies, procedures, relevant activities) undertaken or planned

illycaffè exercises due diligence to identify, prevent, and take on the actual or potential impacts on human rights of its own activities and the activities of those with which it works or over which it can exert some influence. It uses various systems of governance, analysis, monitoring, management, and communications:

- illycaffè adheres to the **principles of the ILO** - International Labour Organization: illycaffè only purchases its coffee from countries which comply with ILO standards such as a minimum age of 14 years for child employment.
- illycaffè monitors legislative and normative developments in the countries which supply it with green coffee and periodically updates its **country risk assessments** (Country Profile);
- In 2012, it adhered to the **Global Compact** and committed to periodically reporting the results obtained in the human rights field
- It drafted and distributed both internally and externally a **Sustainability Manifesto**, which explicitly reflects the principles of ethics and the dignity of people;
- In its commercial, professional, and social relationships, illycaffè applies and explicitly references the Code of Ethics that includes clauses on the respect for Human Rights in all behaviours and purchasing contracts. Certain parts of the Code, such as those related to Human Rights, are applied to purchases and along the entire supply chain. The application of the Code of Ethics and the monitoring of any violations thereof are ensured by the presence of the Supervisory Board.
- In 2011, illycaffè was the first company in the world to obtain the **Responsible Supply Chain Process certification, through which** it monitors its coffee supplies and actively manages aspects such as compliance with national legislation regarding labour, human rights, child labour, forced and compulsory labour, union rights, overtime, health and safety, diversity and equal opportunities in the workplace, and equal pay for men and women. Suppliers who are not in compliance with national legislation on labour rights or with international human rights principles are blacklisted and must become compliant with all relevant legislation and standards before being able to resume supplying coffee to illycaffè.
- Other suppliers **along the supply chain** (especially non-EU suppliers) are also expected to undergo regular audits (performed by illy) which take into account social aspects along with those strictly related to supply conditions; additionally, all suppliers are provided with the Code of Ethics, which must be formally accepted and respected.

Measurable results 2012

What has been done	Where to verify it - Link to the Sustainable Value Report
All of the company's staff was involved in the drafting of the Code of Ethics subsequent to its renewal.	Human Rights
508 green coffee producers were monitored in 2012 thanks to the RSCP certification process, with includes screening for human rights (1,200 in 2010-2012)	Sustainable value chain
No instances of discriminatory practices	Human Rights
No violations of local community rights	Human Rights
The company has not received any complaints concerning human rights	Human Rights

SECTOR: LABOUR

Specific principles of the Global Compact:

- *Principle n. 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;*
- *Principle n. 4: the elimination of all forms of forced and compulsory labour;*
- *Principle n. 5: the effective abolition of child labour; and*
- *Principle n. 6: the elimination of discrimination in respect of employment and occupation.*

Practical actions (policies, procedures, relevant activities) undertaken or planned

- Illycaffè applies to its workers all of the dispositions contained in the **National Collective Bargaining Agreements** and all norms related to labour rights in every country in which its staff operated;
- The company adopts a **Code of Ethics** which sets out the rights and responsibilities of workers, reference corporate principles (value of human resources, the integrity and dignity of people, equitable authority) and norms of behaviour; the Code is distributed both internally and externally;
- Staff management includes **annual performance evaluation systems** based on the clear definition of shared goals that are measurable in individual, financial, numerical, and economic terms, whose achievement is rewarded with an economic bonus of variable entity;
- The company adopts an **Organizational, Management, and Oversight model compliant with Legislative Decree 231/01**, which makes it possible to monitor and act upon violations of the Code of Ethics and thus of workers' rights;
- The respect of workers' rights and labour laws is considered a minimum, indispensable prerequisite for establishing commercial relations with green coffee producers and other suppliers: the company constantly monitors the evolution of legislation in the countries it works in and prepares **specific Country Profiles** for each country;
- Through the **Responsible Supply Chain Process**, the company monitors its coffee suppliers and actively manages aspects such as compliance with national legislation regarding labour, human rights, child labour, forced and compulsory labour, union rights, overtime, health and safety, diversity and equal opportunities in the workplace, and equal pay for men and women.

Measurable results 2012

What has been done	Where to verify it - Link to the Sustainable Value Report
Employees by gender, age, and country	illycaffè people
Workers belonging to protected classes	illycaffè people
Percentage of women per position and annual gross retribution ratio for men and women	illycaffè people
New hires by gender and position	illycaffè people
Employee turnover by age and gender	illycaffè people
Benefits to improve the work-private life balance	Internal communications and staff satisfaction
Return-to-work and abandonment rates after parental leave, by gender	illycaffè people
Percentage of employees covered by collective bargaining agreements	illycaffè people
Relations with unions	Internal communications and staff satisfaction
Skill management programmes and annual training hours per employee, listed by worker class and gender	Staff training and development
Percentage of employees who regularly receive performance and career development assessments	Staff training and development
Programmes and results to monitor compliance with human rights for workers in the coffee value chain	Responsible Supply Chain Process

SECTOR: ENVIRONMENT

Specific principles of the Global Compact:

- **Principle n. 7: Businesses should support a precautionary approach to environmental challenges; Principle n. 8: undertake initiatives to promote greater environmental responsibility; and**
- **Principle n. 9: encourage the development and diffusion of environmentally friendly technologies.**

Practical actions (policies, procedures, relevant activities) undertaken or planned

- Since 2003, illycaffè has adopted an **Environmental Management System (E.M.S)** certified according to **UNI ISO 14001** international standards. On the basis of the risk analyses and monitoring activities provided for by the E.M.S, each year the company defines the programmes and management, control, and prevention activities to improve its environmental impact.
- In addition to ISO 14001 certification, since 2004 illycaffè has adopted the **EMAS** Eco-Management and Audit Scheme.
- Through the publication and dissemination of its Environmental Policy and **Environmental Statement**, illycaffè periodically communicates its commitment and achievement to all stakeholders.
- Starting in 2012, illycaffè has applied the **Life Cycle Assessment** methodology to its products, and has begun to calculate its **Carbon Footprint** in order to reduce the environmental impact of its productive processes: the LCA methodology is now used as a tool to support decision-making starting from the planning stage of new products and/or packaging.
- The company has underwritten a voluntary agreement with the **Ministry of the Environment** to reduce its impact on the climate;
- Illycaffè has an **energy manager** to help it reduce its energy consumption; additionally, the company is increasingly turning to renewable resources for energy.
- The company's production facilities are not located in protected areas or areas with high **biodiversity**.
- The company promotes environmentally friendly agronomy techniques, implements programmes, and monitors its results. It also participates in international working groups on **Sustainable Agriculture** and is certified in keeping with the **Responsible Supply Chain Process** through which it monitors green coffee producers. Some of the prerequisites include specific ones related to the management of environmental risk.

Measurable results 2012

What has been done	Where to verify it - Link to the Sustainable Value Report
Environmental management system	Environmental commitment
Raw materials used by weight and volume	Raw materials
Percentage of recycled materials used	Raw materials
Energy consumption by primary energy source	Energy management
Energy savings from conservations and improvements in efficiency	Energy management
Initiatives to provide energy-efficient products and services or based on renewable energy, and lowering of energy demand as a result of these initiatives	Energy management
Initiatives for the reduction of indirect energy consumption and results	Environmental commitment in coffee plantations
Water management – Total water take by source	Water management

Water sources significantly impacted by water take	Water management
Percentage and total volume of recycled and reused water	Water management
Biodiversity protection	Environmental commitment
Total direct and indirect emissions of greenhouse gases by weight	Carbon footprint and emissions
Initiatives to reduce greenhouse gas emissions and results achieved	Carbon footprint and emissions
Emission of substances harmful to the ozone layer by weight and other significant emissions	Carbon footprint and emissions
Waste management – Total weight of waste by waste type and method of disposal	Waste management
Total number and volume of significant waste disposal events	Waste management
Weight of waste classified as hazardous that has been transported, imported, exported, or treated, and percentage of such that has been exported abroad	Waste management
Initiatives to mitigate the environmental impact of products and services and degree of impact mitigation	Environmental commitment + product disposal
Initiatives to reduce packaging or use recycled or reused material for packaging	product disposal + Raw materials
No fines or sanctions for failure to comply with environmental laws and regulations	Environmental commitment
Initiatives to monitor and reduce the environmental impact of transport	Transport and logistics

SECTOR: ANTI-CORRUPTION

Specific principles:

Principle n. 10: Businesses should work against corruption in all its forms, including extortion and bribery

Practical actions (policies, procedures, relevant activities) undertaken or planned

- Illycaffè has adopted a **Code of Ethics** which formally calls for fighting corruption. The Code of Ethics is distributed to all employees (including to new hires) and is applied to suppliers and subcontractors.
- The company adopts an **Organizational, Management, and Oversight model compliant with Legislative Decree 231/01** through which it analyzes risks associated with corruption and identifies specific procedures to fight it. The main activities to do so include:
 - Establishment of a Supervisory Board that oversees the application of the Code of Ethics and the model;
 - Distribution of Model 231 and the Code of Ethics to all employees and contractors;
 - Information and periodical training for employees in order to increase awareness on corruption and how to fight it;
 - Establishment of a system to oversee the company's financial flows and receivable invoices to prevent the creation of slush funds to corrupt and/or disburse funds or presents to public officials and their family members;
 - Assignment of powers to manage relations with the Public Administration on the basis of the organizational and management responsibilities of the public body in question, and setting of thresholds for spending authorizations;
 - Oversight of the activities of contractors and verification that their remuneration is in line with those in the geographic area of reference.
- **The company is certified in accordance with the Responsible Supply Chain Process**, which oversees the monitoring and management of business ethics risks, including corruption. The R.S.C.P. comprises two protocols: the first ensures that all prerequisites are applied within the certified company (Illycaffè), while the second applies to coffee suppliers. Illycaffè can thus work to fight corruption by encouraging its main suppliers to adopt similar anti-corruption practices.

Measurable results 2012

What has been done	Where to verify it - Link to the Sustainable Value Report
Adoption of internal audit and governance mechanisms	
Percentage and number of internal divisions monitored with regards to risks associated with corruption	Corporate Governance
Number of workers who received training concerning the organization's anti-corruption policies and procedures	Human Rights
No known instances of corruption	Human Rights
Positions regarding public policies, participation in the development of public policies, and lobbying efforts	Illycaffè and the community + Institutional Relations
Total financial contributions and benefits loaned to parties, politicians, and political institutions per country	Contributions to the local community
Programmes and results to promote the fight against corruption and monitor risks along the coffee value chain	Responsible Supply Chain Process