



GLOBAL COMPACT

COMMUNICATION ON PROGRESS

2014

## Introduction

The United Nations Global Compact ([www.unglobalcompact.org](http://www.unglobalcompact.org)) 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 2014) over 12,000 companies and organizations from over 145 countries have adhered to the compact (about 220 from Italy).

In 2012, **illycaffè** adhered to the Global Compact (in 2013 published its first Communication on Progress), 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**

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

#### **Labour**

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

#### **Environment**

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

#### **Anti-corruption**

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



Andrea Illy  
Chairman & C.E.O.

Trieste, 18<sup>th</sup> September 2014

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 supports the ten principles of the Global Compact 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 the "Sincerely yours," text.

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);
- illycaffè was included in the World's Most Ethical Companies Index for 2014 (the only one Italian company, as in 2013) in light of its having obtained the highest scores in terms of corporate governance, corporate social responsibility, and sustainability; the criteria adopted for the rankings include codes of ethics, statistics on litigation and infraction of regulations, investments in innovation, sustainable business practices, activities to improve corporate social responsibilities, and the opinions of executives, professionals from the same sector, suppliers, and clients.
- In 2012, it adhered to the **Global Compact** and committed to periodically reporting the results obtained in the human rights field; in 2013 published its first Communication on Progress;
- 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 illycaffè) 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 2013

What has been done	Where to verify it - Link to the Sustainable Value Report
illycaffè delivery the Code of Ethics to all employees newly hired	<a href="#">illycaffè people</a>
In 2013 illycaffè paid 313 visits to growers in plantations, 99% of which resulted conform to the Responsible Supply chain Process certification parameters. Some manufacturers have been involved for the third consecutive year. RSCP includes screening for human rights (1,400 producers was involved in 2010-2013).	<a href="#">Responsible Supply Chain Process</a>
No instances of discriminatory practices	<a href="#">Human Rights</a>
No violations of local community rights	<a href="#">Human Rights</a>
The company has not received any complaints concerning human rights	<a href="#">Human Rights</a>

## 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 adheres to the **principles of the ILO** - International Labour Organization.
- 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.
- In 2013 a co-responsibility pact was signed among all illy citizens, finalized to define the individual responsibilities of workers, directors and of the property and aiming to safeguard the uniqueness of illy's. This pact is the result of the course of education "illy citizen" attended by more than 400 employees

## Measurable results 2013

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

## 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.
- illycaffè is developing and implementing a Sustainability Road Map that will define and follow the strategic objectives through 2020 in a more systematic plan. The Road Map also contains environmental objectives.
- 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, illycaffè has decided to exclusively use electricity from **renewable sources**. From the 1st of January 2013 the total illycaffè's energy supply is obtained by renewable sources documented by a Guarantee of Origin as foreseen by the provisions of the Italian Authority for Electrical Energy and gas, regarding all collection points in Trieste.
- 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**. illycaffè is an active member of the SAI Platform, a private platform working in the pre-competitive phase on sustainable agriculture and in 2012 and 2013 presided at the coffee working group. In December 2013, thanks to a collaboration with the Dutch Initiative of Sustainable Trade (IDH) the Group published the first Specific Product Rules (Product Category Rule-PCR) valid worldwide for green coffee. This directive is finalized to divulge correctly in the environmental declarations the outcomes of an analysis developed on the life cycle.
- illycaffè 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.
- illycaffè became official partner of EXPO 2015 "Feeding the Planet. Energy for Life" for the Coffee Cluster, and it will be responsible for designing and managing content in the dedicated area. The company was chosen for its holistic approach to the issue, which can enhance the participation of guest countries by fostering collaboration between different cultures, in keeping with the EXPO's core values. illycaffè will submit a full program of cultural events, debates, demos, tastings, and exhibitions to disseminate the culture of coffee and sustainability, and to highlight its importance for the world's socio-economic system.
- illycaffè has expressly taken on the commitment to reduce its own carbon emissions to cope with the standards defined by the European protocol 2020: particularly, illycaffè has launched new products (refilly and cube) which, thanks to some packaging adaptations, reduce the environmental impact.
- Fondazione Ernesto illy is financing a project regarding the reforestation of the Tamara region in Colombia, near the water sources, with native trees.

## Measurable results 2013

What has been done	Where to verify it - Link to the Sustainable Value Report
Environmental management system	<a href="#">Environmental commitment</a>
Raw materials used by weight and volume	<a href="#">Raw materials</a>
Percentage of recycled materials used	<a href="#">Raw materials</a>
Energy consumption by primary energy source	<a href="#">Energy management</a>
Energy savings from conservations and improvements in efficiency	<a href="#">Energy management</a>
Initiatives to provide energy-efficient products and services or based on renewable energy, and lowering of energy demand as a result of these initiatives	<a href="#">Energy management</a>
Initiatives for the reduction of indirect energy consumption and results	<a href="#">Environmental commitment in coffee plantations</a>
Water management – Total water take by source	<a href="#">Water management</a>
Water sources significantly impacted by water take	<a href="#">Water management</a>
Percentage and total volume of recycled and reused water	<a href="#">Water management</a>
Biodiversity protection	<a href="#">Environmental commitment</a>
Total direct and indirect emissions of greenhouse gases by weight	<a href="#">Carbon footprint and emissions</a>
Initiatives to reduce greenhouse gas emissions and results achieved	<a href="#">Carbon footprint and emissions</a>
Emission of substances harmful to the ozone layer by weight and other significant emissions	<a href="#">Carbon footprint and emissions</a>
Waste management – Total weight of waste by waste type and method of disposal	<a href="#">Waste management</a>
Total number and volume of significant waste disposal events	<a href="#">Waste management</a>

Weight of waste classified as hazardous that has been transported, imported, exported, or treated, and percentage of such that has been exported abroad	<a href="#">Waste management</a>
Initiatives to mitigate the environmental impact of products and services and degree of impact mitigation	<a href="#">Environmental commitment</a> + <a href="#">product disposal</a>
Initiatives to reduce packaging or use recycled or reused material for packaging	<a href="#">product disposal</a> + <a href="#">Raw materials</a>
No fines or sanctions for failure to comply with environmental laws and regulations	<a href="#">Environmental commitment</a>
Initiatives to monitor and reduce the environmental impact of transport	<a href="#">Transport and logistics</a>

## 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 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 2013*

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