



GLOBAL COMPACT
COMMUNICATION ON PROGRESS
2017

Introduction

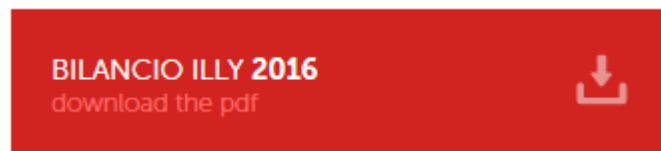
The United Nations Global Compact (www.unglobalcompact.org) is rooted in the desire to promote a sustainable global economy, in full respect of human rights, labour rights, environmental protection, and the fight against corruption. It was proposed for the first time during the 1999 World Economic Forum 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 (September 2017) over 12,000 companies and organizations from over 170 countries have adhered to the Compact.

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](#), prepared according to the Global Reporting Initiative: both are instruments through which illycaffè periodically informs its stakeholders on the activities implemented and results achieved concerning corporate responsibility and sustainability.

For more in-depth information and a detailed account of what illycaffè has done and the results it has achieved, please see the link to the relevant sections of the **Sustainable Value Report 2016**.



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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STATEMENT



Trieste, 20th September 2017

H.E. António Guterres
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 black ink, appearing to be "Roberto" followed by a stylized flourish.



SECTOR: HUMAN RIGHTS

Principles of the Global Compact:

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.

Strategies, policies and actions undertaken by illycaffè

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.
- 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; in 2014, 2015 and 2016 confirmed its commitment.
- 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 2017, for the fifth consecutive year, illycaffè has made the list of the **World's Most Ethical Companies**, created by the Ethisphere Institute, a global leader in defining and promoting ethical standards and commercial practices. illycaffè is one of the 7 companies awarded in the Food, Beverage & Agriculture category for 2017 and is the only Italian company, thus taking its place among the companies of excellence and sector leaders.
- It drafted and distributed both internally and externally a **Sustainability Manifesto**, updated in 2017, 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.

- Relationships with other suppliers are constantly subject to monitoring control (performed by illycaffè). In particular, illycaffè involves its strategic and/or critical suppliers in a Supplier management system, that has been more implemented in 2014. This management system includes a supplier assessment program 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.

Results to 31/12/2016 (outputs and outcomes)	Where to verify it – Section of Sustainable Value Report 2016
illycaffè delivery the Code of Ethics to all employees newly hired	2.4.1
illycaffè has made the list of the World's Most Ethical Companies	1.4.1
In 2016 illycaffè paid almost 300 visits to farmers. From 2010, when the Responsible Supply chain Process begun, to the end of 2015, over 1,900 producers were involved. RSCP includes screening for human rights	4.3
Supplier management System	2.5
No instances of discriminatory practices	2.7
No violations of local community rights	2.7
The company has not received any complaints concerning human rights	2.7

SECTOR: LABOUR

Principles of the Global Compact

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.

Strategies, policies and actions undertaken by illycaffè

- 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 Italian Legislation**, 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.

- Since 2013, the company has had an agreement of co-shared responsibility to be signed by all illy citizens, with the objective of defining the mutual commitments of employees, managers, executives and owners, to protect the uniqueness of the brand.

Results to 31/12/2016 (outputs and outcomes)	Where to verify it – Setion of the Sustainable Value Report 2016
Employees by gender, age, and country	2.4.1, 2.4.2
Workers belonging to protected classes	2.4.1, 2.4.2
Percentage of women per position and annual gross retribution ratio for men and women	2.4.2
New hires by gender and position	2.4.1, 2.4.2
Employee turnover by age and gender	2.4.2
Benefits to improve the work-private life balance	2.4.5
Percentage of employees covered by collective bargaining agreements	2.4.1,
Relations with unions	2.4.5
Skill management programmes and annual training hours per employee, listed by worker class and gender	2.4.3
Percentage of employees who regularly receive performance and career development assessments	2.4.3
Programmes and results to monitor compliance with human rights for workers in the coffee value chain	4.3.2

SECTOR: ENVIRONMENT

Specific principles of the Global Compact:

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.

Strategies, policies and actions undertaken by illycaffè

- 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 has developed a **Sustainability Road Map** with which has voluntarily defined objectives to reduce its CO2 emissions and to improve its environmental impacts.
- Through the publication and dissemination of its Environmental Policy and **Environmental Statement**, illycaffè periodically communicates its commitment and achievement to all stakeholders.
- **Life Cycle Assessment:** illycaffè uses the latest version of the software SIMAPRO 8.3 to calculate and reduce the environmental impact of its production processes. LCA is a support tool for decision-making right from the planning stage, and whose goal is to create new products and packaging.
- The company has underwritten a voluntary agreement with the **Italian 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**. The total illycaffè's electrical energy supply is obtained by renewable sources, regarding all collection points in Trieste (Italy).
- 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 an active member of the Coffee working group of the Sustainable Agriculture Initiative .

- 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.
- With reference to the **packaging** of products, illycaffè adopts eco-compatible solutions: particularly, illycaffè has launched new products ((Refilly, Cubo Iperespresso, Cialda Ese Monodose) which, thanks to some packaging adaptations, reduce the environmental impact.
- Since 2013, **Fondazione Ernesto illy** is financing a project regarding the reforestation of the Tamara region in Colombia, near the water sources, with native trees.
- In December 2015, the company received the **ISO 50001 certification** (Energy management systems) by following a systemic approach to energy efficiency.

Results to 31/12/2016 (outputs and outcomes)	Where to verify it – Section of the Sustainable Value Report 2016
Environmental management system	3.2
Raw materials and other materials	3.4
Energy management and energy savings	3.5
Water management	3.6
Mitigation of the environmental impact of products and packaging	3.8
Biodiversity protection	3.10
Initiatives to reduce greenhouse gas emissions and results achieved	3.3
Emission of substances harmful to the ozone layer by weight and other significant emissions	3.3
Waste management	3.7
No fines or sanctions for failure to comply with environmental laws and regulations	3.2
Sustainable agriculture and biodiversity; dissemination of agricultural methodologies with low environmental impact	3.10
Initiatives to monitor and reduce the environmental impact of transport	3.9

SECTOR: ANTI-CORRUPTION

Specific principles:

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

Strategies, policies and actions undertaken by illycaffè

- 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. illycaffè adopts also a specific Anti-Corruption Code.
- The company adopts an **Organizational, Management, and Oversight model compliant with Italian Legislation (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.
- Illycaffè has been recognized by the Ethisphere Institute, the global leader in defining and advancing the standards of ethical business practices as a **2017 World’s Most Ethical Company** (fifth consecutive time). The information collected provides a comprehensive sampling of definitive criteria of core competencies, rather than all aspects of corporate governance, risk, sustainability, compliance and ethics.

Results to 31/12/2016 (outputs and outcomes)	Where to verify it – Section of the Sustainable Value Report 2016
Adoption of internal audit and governance mechanisms	1.5
Adoption of ethical Code of Conduct	1.3.1, 1.5

Percentage and number of internal divisions monitored with regards to risks associated with corruption	1.5
Workers who received training concerning the organization's anti-corruption policies and procedures	2.7
No known instances of corruption	2.7
Positions regarding public policies, participation in the development of public policies, and lobbying efforts	2.6
Support to local communities and institutional relationships illycaffè in Italy	2.6.2
Programmes and results to promote the fight against corruption and monitor risks along the coffee value chain	4.3