

# LAVAZZA

TORINO, ITALIA, 1895



Sustainability Report 2017



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*"A vision with a constant focus on the future inevitably includes the desire to pass on to our children the best possible world."*



*Alberto Lavazza*  
Chairman

Lavazza has always had an ambitious vision, unconstrained by geographical borders or limitations of time, resting on a sound foundation, shored up by its conviction that deep roots are needed to ensure a fruitful tomorrow.

In Turin, our Company's birthplace, we recently inaugurated Lavazza Nuvola: an innovative space with a focus on sustainability that not only serves as the Group's Headquarters, but which also includes a new multipurpose centre open to the public.

**Lavazza Nuvola is home to our memory, our present and our future:** it is located in the city that has been the backdrop to our Company's industrial development, open to exchange with the entire world, from the markets in which we operate to coffee growing countries.

A vision with a constant focus on the future inevitably includes the desire to pass on **to our children the best possible world** — a world that we as a company have always striven to make a reality by embracing sustainable development strategies and policies.

For over 120 years, the Group's business model has been based on **the synergy between its values** — a passion for excellence, a sense of challenge, the spirit of teamwork, strong motivation, integrity, transparency, coherence and vision — **and its financial viability.**

Our acquisition policy also reflects this approach. We seek companies with sound reputation and similar values: to them, we want to transfer our pursuit of optimal quality, knowledge and sustainable best practices, while respecting their identities, fostering their development and enhancing their sense of belonging to our Group. Over time, this synergy has become a strategic process, motivated by the belief that **increasingly deep integration between economic growth, social inclusion and environmental protection** is a paradigm capable of creating **shared value**, in addition to **protecting the world** in which we live. **For Lavazza, sustainability is like a fabric** shaped by interweaving the Company's daily business into the warp formed by its values: together, they make up the clothing worn by the innovative, sustainable and successful company that Lavazza strives to be.

*"It is an ambitious commitment, which, like any major undertaking, requires determination, involvement and transparency."*

In 2017, Lavazza recorded a great growth, accompanied by the consolidation of the Group's commitment to Sustainable Development.

Sales rose by **6%** on the previous year, with export accounting for over **63%** of total turnover. More than **27 billion cups of Lavazza coffee** were consumed worldwide. The objective of becoming one of the world's biggest players in the industry is increasingly closer.

Lavazza has always promoted a holistic approach to sustainability, as a responsible business and through the initiatives of its Giuseppe and Pericle Lavazza Foundation. It was therefore natural to draw actively closer to the main organisations proposing a systematic approach to sustainability goals: in 2017, Lavazza adhered to the **United Nations Global Compact**, undertaking to respect its principles, and decided to support the **United Nations 2030 Agenda and its 17 Sustainable Development Goals.**

This represents another step forward on the Company's journey towards Sustainable Development: in following the matrix proposed by the 2030 Agenda, the current and future programmes will comply with the 17 SDGs and will involve all the stakeholders, from coffee-growing communities to employees, suppliers, consumers and society as a whole.

It is an ambitious commitment, which, like any major undertaking, requires determination, involvement and transparency.

The 2018 Lavazza Calendar — the first artistic megaphone of the 17 SDGs, developed to involve civil society — asked each of us the question **"2030: What Are You Doing?"**. Today, Lavazza answers with **"A Goal in every cup"**, which is the title of this Sustainability Report, the first report in which Lavazza documents its commitment with regard to the 17 Sustainable Development Goals.



*Antonio Baravalle*  
Chief Executive Officer

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## Methodological Note

### Document objectives

The Sustainability Report 2017 represents the tool that Lavazza uses for disclosing the Company's annual results about Sustainability to its stakeholders.

This year, the reporting scope has been extended to additional Lavazza's foreign companies, with the goal of preparing, in the coming years, a Report including the whole Group.

A detailed description of the subsidiaries included in the scope of the Sustainability Report 2017 is provided in the section "Reporting Period and Scope".

### Drafting principles and reference standards

The Lavazza Institutional Relations & Sustainability Department has coordinated the preparation of the Sustainability Report 2017, gathering contributions from the entire organisational structure of the Group's companies included in the reporting scope.

This document has been drawn up according to the GRI Sustainability Reporting Standards (GRI Standards), issued by the Global Reporting Initiative (GRI) in 2016, as a technical and methodological reference.

The GRI-Standards option chosen by Lavazza in drafting this document is "in accordance - Core". Having signed up to the United Nations Global Compact, Lavazza has also opted to include in its own Sustainability Report the Communication on Progress (COP), required by the Global Compact, to inform all internal and external stakeholders about the activities undertaken and results achieved in implementing the Global Compact principles. The section in the Appendix entitled "Lavazza and the Global Compact" provides further COP details.

In addition, in 2017 Lavazza decided to redefine its sustainability strategy using the United Nations Sustainable Development Goals (SDGs) as guidelines<sup>1</sup>.

<sup>1</sup> More details on Lavazza and the Sustainable Development Goals can be found in Chapter 1

Each chapter of this document contains references to the United Nations SDGs applicable to Lavazza, identified as part of the Lavazza Group's process of reviewing its Sustainability strategy, which started in 2016 and concluded in 2017. This process involved the following activities:

- analysis of Lavazza's value chain, in order to identify the relevant macro areas for value generation;
- analysis of the SDGs and related targets, so as to understand which of these are applicable and material to Lavazza;
- connection between the significant topics identified during 2016, Lavazza's value chain and the SDGs;
- identification, thanks to the contribution provided by the different corporate Departments, of current and future sustainability initiatives linked to the significant topics indicated in the previous point, in order to identify any gaps and prepare the Group's 2018-2021 Sustainability Plan.



## Reporting scope and period

Lavazza is present in five continents, in more than 90 countries worldwide, and operates through both direct subsidiaries and a broad network of distributors.

Lavazza's industrial system consists of six manufacturing plants. Three are based in Italy (Turin, Gattinara and Pozzilli); one in Brazil; one in India and one in France.

The Lavazza Group workforce is composed of about 3,000 people.

In Italy, Lavazza reaches its consumers directly through operators such as retail chains and Ho.Re.Ca. points of sale. Abroad, Lavazza operates across different markets through its subsidiaries and a network of distributors specialising in the Home and Away-From-Home channels. Lavazza caters to consumer demand, offering its customers a wide and diverse range of products.

The figures reported in this Report concern:

- with reference to Luigi Lavazza S.p.A., financial years 2015, 2016 and 2017;
- with reference to foreign subsidiaries included in last year's scope, financial years 2016 and 2017;
- with reference to foreign subsidiaries included in the reporting scope for the first time, financial year 2017 only.

<sup>2</sup> Unlike the consolidated financial statements, the scope of this Report does not include: NIMS S.p.A., Espresso Service Proximité S.A., Kicking Horse Coffee Co. Ltd, Lavazza Spagna S.L., Lavazza do Brasil Ltda, Cofincaf S.p.A., Lea S.r.l., Lavazza Netherlands B.V., Fresh & Honest Café Ltd, Coffice SA, Almada Comercio de Café Ltda, Lavazza Capital S.r.l., Merrild Baltics SIA.

The quantitative data, included in this Report, concern the following Lavazza Group companies<sup>2</sup>:

### LUIGI LAVAZZA S.P.A.

Parent company, based in Turin



**Headquarters, Innovation Center and Sales Areas**



**Manufacturing plants of Turin, Gattinara and Pozzilli**

### FOREIGN SUBSIDIARIES

of the Lavazza Group



**Luigi Lavazza Deutschland GmbH**

a Frankfurt-based German subsidiary part of the Lavazza Group since 1987



**Lavazza Premium Coffees Corp**

an American subsidiary part of the Lavazza Group since 1989



**Lavazza Kaffee GmbH**

an Austrian subsidiary part of the Lavazza Group since 1988



**Lavazza Australia Pty Ltd**

an Australian subsidiary part of the Lavazza Group since 2015



**Lavazza Coffee UK Ltd**

a British subsidiary part of the Lavazza Group since 1990



**Carte Noire Sas**

a French subsidiary part of the Lavazza Group since 2016



**Lavazza Sweden AB**

previously Lavazza Nordics AB, a Swedish subsidiary part of the Lavazza Group since 2009



**Carte Noire Operations Sas**

a French manufacturing subsidiary part of the Lavazza Group since 2016



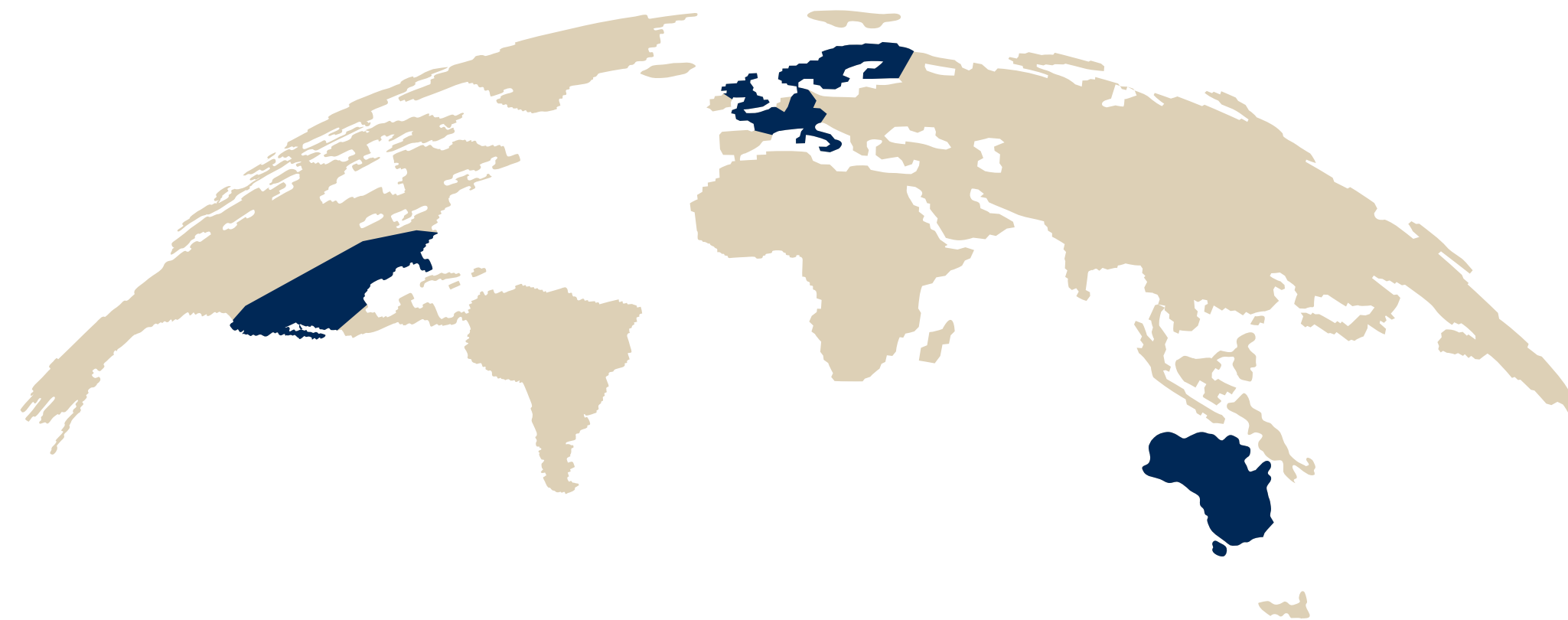
**Merrild Kaffe ApS**

a Danish subsidiary part of the Lavazza Group since 30 September 2015



**Lavazza France**

a French subsidiary part of the Lavazza Group since 1982



Any exception is set out within the document and / or with dedicated footnotes.



## Stakeholder Engagement and materiality analysis at Lavazza

Lavazza has defined the content of its Sustainability Report 2017 consistently with GRI guidelines, based on the following reporting principles:

- Stakeholder Inclusiveness;
- Sustainability Context;
- Materiality;
- Completeness.

In structuring the Report, Lavazza therefore analysed its business (analysis of Lavazza's sustainability context) and its stakeholders' interests and expectations.

To identify the most relevant topics eligible for inclusion in the 2017 Report, the Company has:

- identified its stakeholders, using the list contained in Lavazza's Code of Ethics as its primary source;
- surveyed and assessed the expectations and topics of greater interest to its stakeholders through dedicated listening and communication tools and specific stakeholder engagement initiatives;
- updated the materiality analysis carried out last year on the most significant sustainability topics for the Group.

With reference to the second point, in 2017 Lavazza:

- conducted interviews with top managers and shareholders;
- realized a specific stakeholder engagement initiative, in which stakeholders belonging to different categories — NGOs, Institutions, Suppliers, Customers and Employees — were sent a specific questionnaire on the perception of sustainability;
- took forward the community engagement initiatives planned and started in 2016, as well as launched and studied new initiatives, for which reference is made to the paragraph "Community engagement: the importance of the local area";
- carried out specific market analyses, with reference to consumers;
- carried out special internal communication initiatives.

## Lavazza's stakeholders and major listening and communication tools

### Shareholders and Top Management



- Interviews
- Monthly management meetings
- Specific meetings with Shareholders with reference to sustainability topics

### International/National Institutions; NGOs and Local Institutions

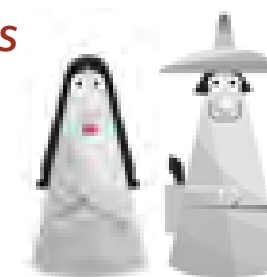
- Participation in national and international organisations such as **Comitato Italiano Caffè**, **Comitato Promozione Caffè**, **European Coffee Federation**, **Institute on Scientific Research on Coffee**
- Questionnaires

### Customers and Consumers

- Customer Service
- Social networks
- Sales network as a listening, mediation and communication tool
- Questionnaires

### Governance Bodies

- Organisation of regular meetings
- Ethics Committee



### Local Communities

- Community engagement initiatives



### Coffee Growers Communities

- Regular visits to communities of coffee growers benefitting from **Lavazza Foundation's** projects



### Suppliers

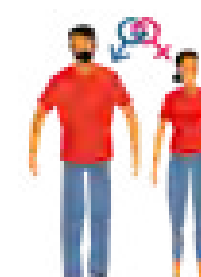
- Regular meetings with suppliers and on-site visits
- Shared plans for improvement
- Sharing of the **Supplier Code of Conduct** and the **Code of Ethics**
- Regular contacts to define quality standards
- Questionnaires

### Press&Digital Media

- Relations with local and international press
- Social networks

### Human Resources

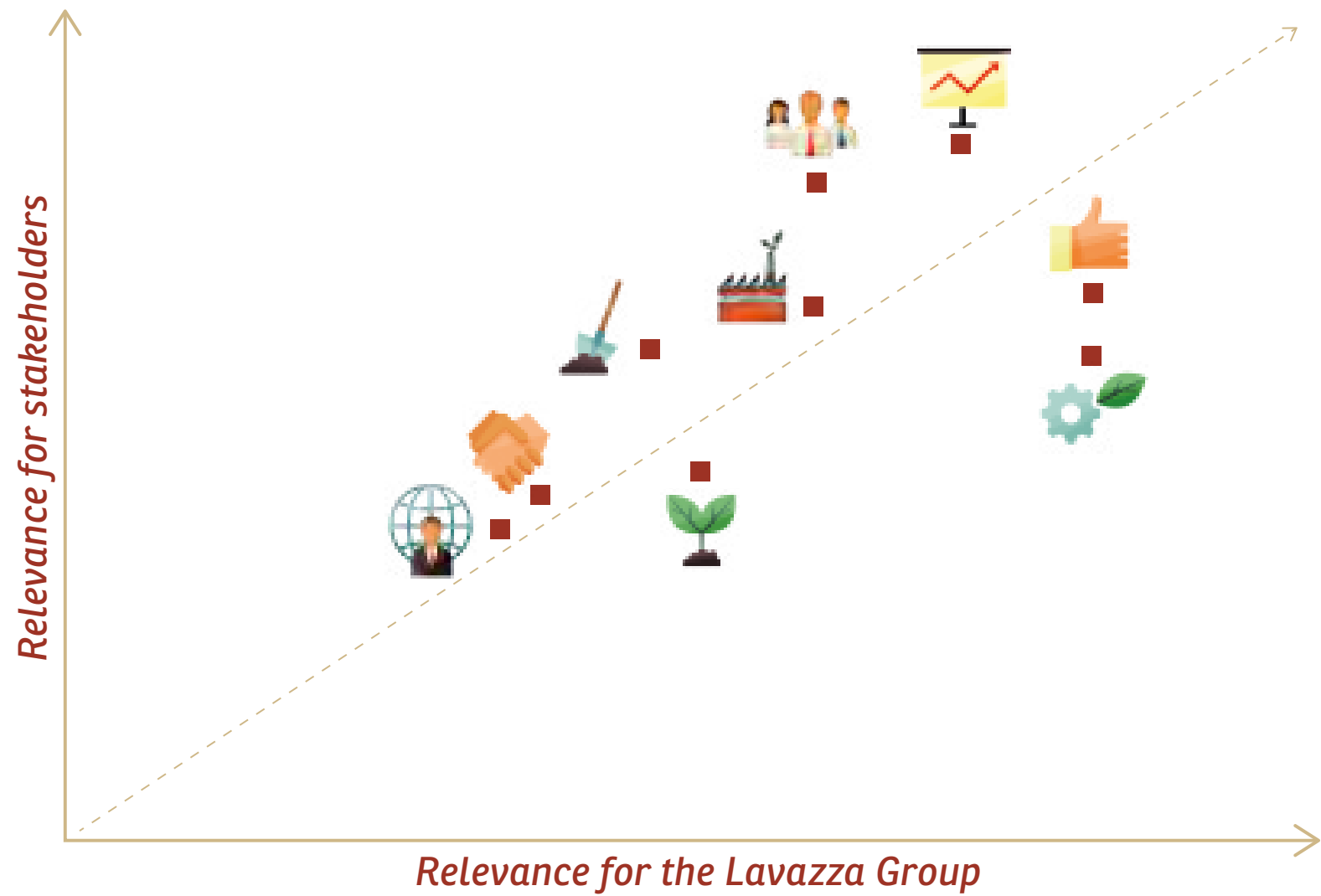
- Training and performance management programmes
- Focus group and group coaching
- Welfare programme
- Sharing of the **Employee Code of Conduct** and the **Code of Ethics**
- Questionnaires



### Trade unions and Trade Associations

- Regular briefings on the Group's situation
- Negotiation meetings about production plant issues
- Relationships and participation in the activities of trade associations

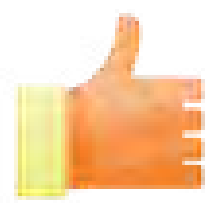
## Materiality matrix



Initiatives Dedicated to the Communities of Coffee Growers



Product and Process Quality



Focus on the Customer/Consumer



Relations with Suppliers



Central Role of the Lavazza Group's People



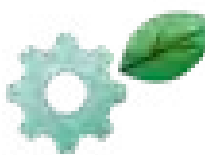
Relations with the Local Area and Local Communities



Environmental Performance



Growth, Profitability and Corporate Values



Innovation



To update the 2016 materiality analysis, the following activities were carried out:

- interviews with top managers, who were asked to review/confirm the priorities attributed to the topics included in the 2016 materiality matrix;
- distribution of a questionnaire in which the various stakeholders attributed priorities to the material topics in the materiality matrix, from their point of view;
- analysis of the results achieved following the stakeholder engagement initiatives carried out.

The relevant topics included in the materiality matrix are discussed in the chapters of this Report.

The SDGs applicable to Lavazza Group are set out at the beginning of every chapter.

### Assurance

The Sustainability Report of the Lavazza Group has been subject to a limited audit by a third-party firm. The results of the audits conducted are contained in the Independent Auditors' Report attached at the end of this document.

The matrix shows the update resulting from the analysis carried out. The degree of relevance attributed to the topics according to an internal perspective (horizontal axis) and external perspective (vertical axis) is highlighted within the matrix.



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Appendix

# 1

## The Lavazza Group Globalisation, Growth, Sustainability



## Lavazza's 2017

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2017 was an important year for Lavazza from the standpoint of international growth, thanks to the new acquisitions of the Kicking Horse, NIMS and ESP companies, but also due to the merger and full integration of Carte Noire and Merrild.

Lavazza's international growth and acquisitions have all shared a common feature: the wish to enhance the identity of the companies acquired, protecting employment and strengthening local companies by disseminating Lavazza's high quality standards. For example, more than €16 million have been invested in the Lavérune production facility, in France, to modernise plant and install new lines.

In addition, 2017 saw the Company launch in Milan its first flagship store, a place where the story of coffee is communicated through Lavazza's expertise. This initiative illustrates the history and soul of a company that has always been committed to spreading the quintessential Italian coffee tradition, with an ever-constant look to the future and to innovation.



### Lavazza ranked by the Reputation Institute

In 2017, Lavazza entered the list of the **top 100 brands** of **Global RepTrak® 2018**, the annual ranking of the world's most reputable companies created by the Reputation Institute, the world's leading research and advisory firm for reputation, being awarded **49<sup>th</sup> place**.

The Global RepTrak is the broadest and most up-to-date global snapshot of the reputation of more than 7,000 companies. It provides comparative assessments, trends by target and market trend analyses, and measures consumer perception based on seven indicators that are essential for evaluating reputation: Products/Services, Innovation, Workplace, Governance, Citizenship, Leadership and Performance.



**27 billion**  
coffee cups served in a year

## 2030 Agenda: the Sustainable Development Goals

On 25 September 2015, during the United Nations Summit on Sustainable Development in New York, 193 countries adopted the 2030 Agenda for Sustainable Development. Coming to a close is the cycle of Millennium Development Goals for approving the targets and setting new ones to be achieved by 2030: the Sustainable Development Goals, represented by 17 goals and 169 targets with the aim of combating today's environmental, social and economic challenges and defining development policies founded on sustainability. The goals are aimed both at developing countries and advanced countries and impact on various interconnected areas: from the fight against hunger, to the elimination of inequality and management of climate change. The vision of the 2030 Agenda is based on four pillars — Economy, Society, Environment and Institutions and on three principles: Integration, Universality, Participation.

The Sustainable Development Goals represent objectives common to all countries and all individuals: nobody should be left behind along the path towards sustainable development.

2017 was also a turning point year for Lavazza's approach to sustainability. In fact, the company signed up to the United Nations Global Compact, undertaking to respect and promote its principles when conducting its business activities.

In addition to the Global Compact, Lavazza decided to accept the challenge launched by the United Nations and subscribe to the 2030 Agenda, which sets out the Sustainable Development Goals.





Through the Giuseppe and Pericle Lavazza Foundation, Lavazza has joined the ASviS - Italian Alliance for Sustainable Development, which brings together more than 180 Italian organisations committed to promoting the 2030 Agenda in Italy.

### The "Goal Zero"

By undertaking to pursue the Sustainable Development Goals, Lavazza wanted to respond to the call made by the United Nations to the business world, considered to be the main driver of the planet's economic development, as well as fundamental for the pursuit of such goals.

Conscious of the responsibility that this appeal brings with it, Lavazza wanted to welcome the 2030 Agenda as a guide for developing its own sustainability strategy.

However, aware of the limits that individual actions have, Lavazza set itself another ambitious goal: to perform a key role in disseminating and promoting the SDGs amongst its own stakeholders, which was given the name of "Goal Zero". For Lavazza Goal Zero represents a further strategic goal: this is the commitment to spread the United Nations message on the Sustainable Development Goals and to raise stakeholders' awareness about how they are pursued. This is based on the conviction that, as well as dedicating resources to the pursuit of sustainable development, everyone needs to be aware of what it means and the contribution that every person can make.

Lavazza's promotional activity started with the launch of the 2018 Lavazza Calendar, in November 2017, focused on the Sustainable Development Goals, entitled: "2030: What Are You Doing?". The Lavazza Calendar seeks to be an artistic megaphone for the 17 Goals, and show how everyone can help to achieve them, with small daily gestures. The Calendar wanted to give a voice to 17 people who are changing the world with their commitment and to promote a truly positive 'contagion' of responsibility. The commitment that the Company now wants to pursue is to engage its own stakeholders in an understanding of the Sustainable Development Goals through initiatives and projects promoting the awareness that everyone can play their part in achieving a more sustainable future.



## January

- **Australian Open** – Lavazza is the official coffee partner of the Australian Open.
- **SIGEP (Rimini, Italy)** – Lavazza participates in SIGEP, the fair dedicated to the professionals of the ice cream, artisanal confectionary, bakery and coffee industries. Lavazza launches its organic coffee blend, ALTECO.



## February

- **The Night Before the Oscars (Los Angeles)** – Lavazza is present at the event offering its Kafa blend.
- **Gulfood (Dubai)** – Lavazza is present at the Gulfood fair, an important food&beverage industry event at the Dubai World Trade Center.



## March

- **Madvaerkstedet Food Fair (Copenhagen)** – Lavazza participates in the first edition of the Danish fair along with Lavazza/Merrild.
- **Omnivore (Paris)** – Lavazza takes part in the 12<sup>th</sup> edition of the culinary congress at the Maison de la Mutualité in Paris.



## April

- **London Coffee Festival (London)** – The London Coffee Festival is the largest English fair dedicated to the world of coffee. Lavazza is present with its ¡Tierra! product.
- **M&A Award (Milan)** – Lavazza receives the KPMG award for the acquisition of Carte Noire, category "Italian Mergers&Acquisitions abroad".



## May

- **Acquisition of Kicking Horse Coffee** – Lavazza acquires 80% interest in Kicking Horse Coffee, a Canadian leader in the organic fair-trade coffee segment.
- **Seeds & Chips (Milan)** – Lavazza sponsors Seeds&Chips Global Food Innovation Summit, one of the top Food Innovation events worldwide, focused on sustainability issues.
- **Salone del Libro (Turin)** – Lavazza supports Salone del Libro, the book fair held in Turin. Lavazza is present at both the Caffè Letterario and Gastronomica, the area created in partnership with Slow Food Editore and dedicated to food culture and communication.
- **Festival dell'Economia Circolare (Pollenzo)** – The second edition of Festival dell'Economia Circolare (circular economy festival) is attended by major representatives of the industry, press, government and cultural world. Lavazza offers its compostable capsule range.
- **Roland Garros (Paris)** – Lavazza is the official coffee partner of the second Grand Slam tournament.

## June

- **Nuvola** – All employees move to the new Headquarters, Nuvola.
- **Expo Kazakistan 2017 – ISSpresso (Astana)** – The ISSpresso machine is showcased in the Kazakhstan pavilion at Expo 2017, whose theme is 'Future Energy'.
- **CoCoTea 2017 (Turin)** – Lavazza supports the 4<sup>th</sup> International Congress on Cocoa Coffee and Tea, a conference for academia and industry researchers specialised on coffee, cocoa and tea sciences and the related products.



## July

- **Wimbledon** – Lavazza is the official coffee partner of the Wimbledon tournament.
- **Hamburg Open (Hamburg)** – Lavazza sponsors the Hamburg's tennis tournament for male professionals in the ATP World Tour 500 Series.

## August

- **US OPEN (New York)** – Lavazza is the official coffee partner of the fourth Grand Slam tournament.



## September

- **Acquisition of Espresso Service Proximité** – Lavazza announces the acquisition of ESP, a company founded in 2009 to market Lavazza (capsule and machine) espresso coffee systems in France, particularly for the OCS (Office Coffee Service) sector.

- **Opening Flagship Store Lavazza (Milan)** – Lavazza opens its first Flagship Store in Milan on 19<sup>th</sup> September.

## October

- **CSR and Social Innovation fair (Milan)** – Lavazza is present at the CSR fair offering its coffee and sharing its experience.
- **Acquisition of Nims** – The Lavazza Group acquires 80% interest in Nims S.p.A., an Italian firm specialised in distribution and direct door-to-door sale of coffee capsules and coffee machines throughout Italy.



## November

- **FICO Eatly World (Bologna)** – Lavazza partners with FICO Eatly World, where it manages a café and an educational area aimed at illustrating the origin of coffee and roasting techniques.
- **Presentation of the 2018 Lavazza Calendar (Milan)** – Lavazza presents the general public its 2018 Lavazza Calendar "2030: What Are You Doing?" dedicated to the 17 Sustainable Development Goals of the United Nations and created in collaboration with photographer Platon.



## December

- **Launch of Jolie Plus Star Wars (Milan)** – The limited-edition Jolie Star Wars coffee machine is launched.

## Lavazza's arrival in Canada and acquisition of Kicking Horse Coffee

In 2017, Lavazza accelerated its growth in North America through the acquisition of 80% stake in the leading Canadian organic fair-trade coffee company: Kicking Horse Coffee Ltd.

Over the last several years, Kicking Horse Coffee has distinguished itself with remarkable growth in both Canada and the United States. The newly acquired company represents for Lavazza one of the "local jewels" the Lavazza Group continues to seek as part of its globalisation and international diversification strategy.

In recent years, the Canadian company has constantly grown at a double-digit rate and, thanks to this acquisition, Lavazza's growth and development prospects both in and outside of Canada increase significantly.

In addition, Kicking Horse Coffee has always stood out for its quality coffee, along with strong sustainability values, and has created a brand that is perfectly complementary to the Lavazza portfolio.



## Lavazza and Nims: consolidation of a relationship lasting more than 20 years

In October 2017, the Lavazza Group acquired an 80% stake in Nims S.p.A. aiming to consolidate the business in the single-serve coffee segment in Italy. The operation joins two companies with shared values, tradition and business culture that have worked together for more than twenty years. To date, Nims has served more than a million customers in total, manages 260,000 active and extremely loyal customers and more than 3,000 employees working throughout Italy to bring all the quality of Lavazza into homes and offices.

In line with the recent acquisitions — Carte Noire in France, Merrild in Denmark and Kicking Horse Coffee in Canada —, Lavazza is seeking to promote and respect the brand equity of Nims, sharing expertise and values but maintaining its independence and autonomy.

The goals of this acquisition are to enhance the common elements on which the two companies' vision is based: customer care, high product quality and development of the men and women who work in the company.

The operation, which will be concluded by 2018 with the acquisition of the remaining 20% of Nims' capital, represents an important step in Lavazza Group's development strategy aimed at reinforcing the leadership by improving its ability to reach the end consumer.





*A coffee like you've never seen before:  
Lavazza's first  
Flagship Store*

On 19 September 2017, Lavazza launched its first Flagship Store in the heart of Milan, a unique space designed to offer an innovative experience in the authentic world of Lavazza coffee. The essential daily ingredient is presented here in a surprising way, to be discovered in its original expressions on a multi-sensory path embracing tradition and innovation, from the classic Italian espresso, to the exclusive Coffee Design creations, moving through the various extraction systems to a celebration of the art of roasting. Different expressions with a sole purpose: to enhance the quality and uniqueness of Lavazza coffee in all its forms. The launch of Lavazza's first Flagship Store wants to celebrate the experience of more than 120 years of company history and the creativity applied to coffee.

## Group Governance

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Appendix

In Lavazza, sound family governance provides effective support to an industrial approach aimed at creating value not only in the short-term, but also over a longer period. This method allows the management group, delegated by the owners in recent years, to define growth and development strategies and plan medium and long-term actions to continue to grow significantly as a global player in the sector.

Lavazza has a Corporate Governance policy setting out the guidelines to be adopted at Group level in this regard.

The corporate governance model adopted by the Parent Company is a traditional one and features a **Board of Directors**, chaired by **Alberto Lavazza**, and a **Board of Statutory Auditors**, chaired by **Gianluca Ferrero**.

The central body in the governance system is the **Board of Directors**, which is vested with full powers to set strategic policy to ensure that the Group is managed properly and efficiently.

In addition to the Chairman, Board members include Vice Chairmen Giuseppe and Marco Lavazza, Chief Executive Officer Antonio Baravalle and Directors Antonella Lavazza, Francesca Lavazza, Manuela Lavazza, Pietro Boroli, Gabriele Galateri di Genola, Robert Kunze-Concewitz and Antonio Marcegaglia.

The Board of Statutory Auditors is responsible for overseeing compliance with the law and the Articles of Association, respect for correct administration principles and, in particular, adequacy of the internal control system.



### Board of Directors

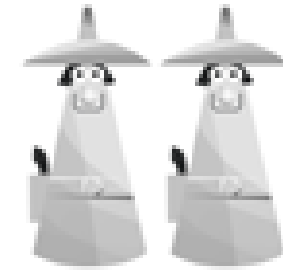
#### CHAIRMAN

Alberto Lavazza



#### VICE-CHAIRMEN

Giuseppe and Marco Lavazza



#### CHIEF EXECUTIVE OFFICER

Antonio Baravalle



#### DIRECTORS

Antonella Lavazza  
Francesca Lavazza  
Manuela Lavazza  
Pietro Boroli

Gabriele Galateri di Genola  
Robert Kunze-Concewitz  
Antonio Marcegaglia

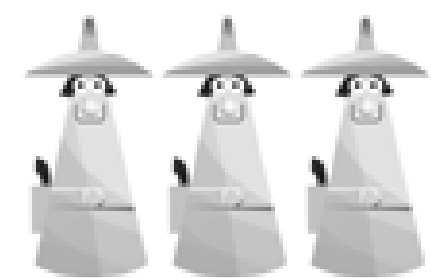


#### CORPORATE DEPARTMENTS

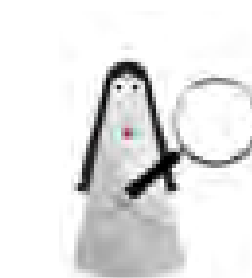
- Program Management Office
- Global Public Relations & Events
- Institutional Relations & Sustainability
- Coffee Machines Development & Production
- Food, Packaging & System R&D
- Marketing
- Business Unit Sales
- Operations
- Finance
- Human Resources and Property & Facility
- Legal & Corporate Affairs
- Quality
- Purchasing

### Board of Auditors

Gianluca Ferrero  
Angelo Gilardi  
Lucio Paquini



### Supervisory Board



### Internal Audit





## Sustainability Governance

The Institutional Relations & Sustainability (IR&S) Department, set up in 2016 and reporting directly to the Chief Executive Officer, performs a management, planning and programming role for sustainability initiatives. It promotes, amongst other things, in the various Group Departments, the adoption and integration of CSR principles in corporate strategies and processes.

The Department's main responsibilities include:

- managing the Sustainability Report realization;
- defining and managing the community engagement programme;
- managing corporate relations, representing Lavazza in the different national and international trade associations and institutions;
- assessing the organisation's environmental impact and designing offsetting mechanisms;
- redefining Lavazza's Supplier Code of Conduct and managing, together with the different corporate Departments, the supplier monitoring process for CSR matters;
- conceiving, managing and monitoring sustainability projects funded by the Lavazza Foundation.



## Internal control and risk management system

Lavazza's internal control and risk management system consists of tools, rules and internal procedures and organisational structures that allow the Group's activities to be managed in a way that is consistent with the Company's strategic and operating objectives.

The internal control system is organised on three levels:

- first-level control: consisting of line controls, designed to ensure that operations are conducted properly and are carried out by the same operating and business Structures;
- second-level control: consisting of risk and compliance controls, which aim to ensure, amongst other things, that the risk management process is carried out correctly and that business trading complies with standards;
- third-level control: consisting of internal audit controls, carried out by the Internal Audit Department, which periodically assesses the completeness, adequacy, functionality (in terms of efficiency and efficacy) and reliability of the organisational structure of other internal control system components.

The main business Functions and bodies responsible for the control activities are:

- **the Supervisory Body:** vested with autonomous powers of initiative and control, delegated to oversee the operation and observance of Lavazza's Organisational, Management and Control Model as per Legislative Decree No. 231/2001, as well as to keep it up to date;
- **Internal Audit:** Department reporting directly to the Board of Directors, delegated to implement an effective Internal Control System through audits of system completeness, efficacy and efficiency;
- **Risk Management function:** Function, created at the end of 2016, belonging to the Finance Department, responsible for risk management and assessment.

In addition, the Legal & Corporate Affairs Department manages compliance work on current legal requirements and regulations.



### Risk Management at Lavazza

As part of a more general development path embarked on by the Lavazza Group in 2017, a structured risk management system has been set up, based primarily on three elements:

- the creation of a dedicated Risk Management function, within the Finance Department;
- the implementation of a model for managing financial risks connected with green coffee procurement, and the resultant gradual application of a hedge derivatives trading strategy;
- the setting up of a broader Enterprise Risk Management (ERM) system, and the resultant dissemination of a risk identification and management culture.

Defining an ERM model helps the company in adopting an integrated risk management system. This system will progressively enhance the development of an efficient model for analyzing, measuring and managing risks. It will also reinforce the company's decision-making process related to business risks and opportunities, as well as the monitoring system of the company's overall risk profile.

Ever since the start of the project, the ERM system has engaged top management in comprehensively identifying and analysing the significant risks for the Group, and has hence focused attention on the top risks that could impact on the achievement of the Strategic Plan's goals. The Board of Directors has examined the outputs of this analysis and has been able to share the top risks identified.

In addition to the creation of the Risk Management Function, during 2017 the overall governance of the ERM system was defined — with particular attention to best practices — and the process and responsibilities were formalised through a Policy, to be completed in 2018.

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## Sharing Lavazza's values



*“Although individual expertise is essential, the best results are achieved by working together.”*

**LAVAZZA CODE OF ETHICS**

Lavazza has produced the three documents below in order to share its values with stakeholders:

**The Code of Ethics**

This is the document that sets out the ethical principles, values and rules of conduct that inspire and guide the way Lavazza does business. These should inspire the work of all those who, in various capacities and with different responsibilities, make a direct or indirect contribution to achieving the company's mission. It is from this Code that stem the other two Codes defined by the Company for sharing its values with stakeholders: the Employees' Code of Conduct and the Supplier Code of Conduct. The Code of Ethics is an integral part of all the contracts entered into by Lavazza and is available on the Company's website<sup>1</sup>.

**The Employee Code of Conduct**

The Lavazza Group has promoted the adoption, by all the Companies in the Group, not only of the Code of Ethics, but also of the Employee Code of Conduct. This provides guidance and support for each employee, and has the function of outlining the main ethical rules and rules of conduct to be adopted in the employee's daily working life. It also complements the Internal Control System, which the Lavazza Group is committed to applying continuously and effectively.

**The Supplier Code of Conduct**

In the conviction that, for Lavazza, the suppliers are key partners for business success, the Company wished to define, starting from the Code of Ethics, a document detailing the mutual commitments and responsibilities. The Supplier Code of Conduct is a tool for sharing values with all Lavazza's suppliers operating in the different countries worldwide. In 2017, a new edition was drawn up, which will be described in the next section.

<sup>1</sup> <https://www.lavazza.com/en/about-us/company/code-of-ethics.html>




## 2017: the new Lavazza Supplier Code of Conduct

In 2017, Lavazza updated its own Supplier Code of Conduct which sets out the values that must guide the relations between the Group and its suppliers. The idea for revising Lavazza's 2013 Supplier Code of Conduct arose in 2016 at the same time as the Group's decision to subscribe to the UN Global Compact. The process of revising the document, which started and ended in 2017, was coordinated by the Institutional Relations & Sustainability Department and involved various functions and specialised partners both inside and outside the Group. In fact, on the one hand, an internal working group was set up consisting of the Parent Company's Departments and Functions interested in the themes discussed in the Code (Institutional Relations & Sustainability Department, Health Safety & Environment Function, Purchasing Department, Human Resources Department, Legal Department). On the other hand, special collaborative arrangements were set up in this area with external specialist partners, including Oxfam Italia Onlus, ITC-ILO (International Training Office of the International Labour Organisation: the Turin team of the ILO and Geneva Office dedicated to the help desk activity), Save the Children Italia Onlus and the OECD (Organisation for Economic Cooperation and Development).

When revising the content of the previous edition of the Supplier Code of Conduct, the aforementioned working group took the following references into consideration:

- the ten principles of the Global Compact regarding the themes of "Human Rights", "Employment", "Environment" and "Fight against corruption";
- the Global Compact's "Supply Chain Sustainability" document which features a specific section dedicated to the supplier code of conduct;
- the UN "Universal Declaration of Human Rights";
- the ILO's "International Labor Standards";
- "Children's Rights and Business Principles" developed by Save the Children, UNICEF and UN Global Compact.

Lavazza asks its Suppliers to sign and accept the Supplier Code of Conduct and to act in accordance with the rules it sets out. All Lavazza's Suppliers must comply with the Code and ensure that their subcontractors (where applicable) and any third party working on their behalf, operate in full compliance with the values expressed in the Code.



## Lavazza and Save the Children: a new shared-value project



Lavazza and Save the Children have been collaborating in children's support projects for more than 15 years. A relationship built on trust and mutual esteem, which has led the two organisations to decide to go beyond the classic NGO-donor dynamic and start a more challenging process of collaboration: the Children's Rights and Business Principles project<sup>2</sup>.

Children's Rights and Business Principles are the guidelines developed by Save the Children, Global Compact and UNICEF to support businesses in respecting and promoting children's rights in the day-to-day running of their business activities.

Lavazza has decided to adopt these principles and embark on a new collaborative path with Save the Children, which has provided two days of workshops dedicated to Lavazza's employees in various Global Functions: Human Resources, Communication, Public Relations, Procurement, Coffee Buying Department and Sustainability. Children's Rights and Business Principles and their applicability to Lavazza's business were analysed during the workshop. After a first training phase for Lavazza employees, specific plans and projects were defined with the various business Functions with the aim of promoting children's rights in Lavazza's operations to be performed in 2018.

It is through this type of ongoing activity that Lavazza wanted to create together with Save the Children a long-term social sustainability project, designed to promote the development of good sustainability practices in the day-to-day work within the company.

<sup>2</sup> <http://childrenandbusiness.org/>



## Financial Performance of the Lavazza Group

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	2017	Ratio %	2016	Ratio %	2015 (*)	Ratio %
<b>Sales of goods and services</b>	2.014,8	100,0%	1.895,7	100,0%	1.471,4	100,0%
<b>EBITDA</b>	200,8	10,0%	178,5	9,4%	128,9	8,8%
<b>EBIT</b>	67,0	3,3%	61,7	3,3%	46,0	3,2%
<b>Profit before taxes</b>	61,5	3,1%	62,1	3,3%	873,2	59,4%
<b>Profit (loss) for the year</b>	<b>44,7</b>	<b>2,2%</b>	<b>82,2</b>	<b>4,3%</b>	<b>802,1</b>	<b>54,6%</b>
<b>Net working capital</b>	456,9		406,8		375,5	
<b>Net fixed assets</b>	1.238,90		1.053,90		363,7	
<b>Total uses</b>	<b>1.695,80</b>		<b>1.460,70</b>		<b>739,2</b>	
<b>Net financial position</b>	-457,7		-687,5		-1.351,10	
<b>Equity</b>	2.153,50		2.148,20		2.090,30	
<b>Total sources</b>	<b>1.695,80</b>		<b>1.460,70</b>		<b>739,2</b>	
<b>CAPEX</b>	99,2		101,8		63	
<b>Headcount</b>	3.085		2.829		2.598	
<b>ROS</b>	3,40%		3,40%		3,30%	
<b>ROI</b>	4,00%		4,40%		6,80%	
<b>ROE</b>	2,10%		3,80%		38,40%	

Values expressed in million of Euros.

(\*): The figures for 2015 have been reclassified to reflect the introduction of new accounting standards which resulted in the elimination from the income statement of the extraordinary items – classified by nature among other income statement items – and the elimination from the assets side of the balance sheet of the item "Treasury shares" – previously included among net fixed assets – and its reclassification to the equity and liabilities section of the balance sheet, under "Equity".

The Lavazza brand continued to gain momentum steadily in 2017, constantly increasing its international footprint, yielding revenue growth of three times the market average of 2%. All of this was made possible by investing constantly and focusing on safeguarding the profitability of the business and expanding margins — fundamental to the Group's long-term financial sustainability.

In 2017, in addition to the full integration of the Merrild and Carte Noire brands, Kicking Horse Coffee, ESP and Nims joined the Group and are poised to further boost profitable growth. Lavazza was also included among the top 100 brands in Global RepTrak® 2018, the annual ranking of the companies with the strongest reputations in the world.

The Group's organic growth will be the main focus in 2018, in accordance with the guidelines of the strategic plan: internationalisation, brand reinforcement and further expansion of operating margins.

**Sales of goods and services** amounted to €2,014.8 million, up 6.3% compared to 2016.

This performance was driven by the expansion in the Group's key countries: France, which is Lavazza's second reference market, Germany, the United Kingdom and the United States, which grew at a healthy pace by value and in terms of market share.

Lavazza maintained its leading position in Italy, which accounted for approximately 37% of the Group's total revenues. The product portfolio and the clear strategy of segmenting the product range to suit the various customer types thus allowed new important products to be brought to the market across all channels, in line with consumption trends.

**Operating income (EBIT)** amounted to €67 million, up 8.5% compared to €61.7 million for 2016; EBIT margin was essentially in line with the previous year.

**EBITDA** was €200.8 million, increasing by 12.5% compared to €178.5 million for the previous year; EBITDA margin was 10% (compared to 9.4% in 2016).

**Net financial position** stood at €457.7 million compared to €687.5 million at 31 December 2016, as a result of the acquisitions finalised in 2017.

**Net profit for the year** was €44.7 million, essentially in line with the figure for 2016 (net of the positive effects generated by non-recurring components of about €35 million).

	2017	2016	2015
<b>Direct economic value generated</b>	<b>€ 2.052.130</b>	<b>€ 1.922.563</b>	<b>€ 2.317.092</b>
a) Revenues	€ 2.052.130	€ 1.922.563	€ 2.317.092
<b>Economic value distributed</b>	<b>€ 1.904.976</b>	<b>€ 1.763.837</b>	<b>€ 1.464.894</b>
b) Operating costs	€ 1.612.303	€ 1.518.254	€ 1.181.094
c) Employee wages and benefits	€ 228.164	€ 206.158	€ 167.694
d) Payments to providers of capital	€ 32.925	€ 30.984	€ 25.862
e) Payments to government	€ 18.911	-€ 10.392	€ 77.654
f) Community investments	€ 2.202	€ 2.870	€ 3.075
g) Other	€ 10.471	€ 15.963	€ 9.515
<b>Economic value retained</b>	<b>€ 147.154</b>	<b>€ 158.726</b>	<b>€ 852.198</b>

In the three-year period 2015-2016-2017, the Lavazza Group was able to generate a positive economic value due to ever-increasing globalisation with the acquisition of new companies and an ability to innovate.

The "Direct economic value generated", includes, in addition to sales revenues, dividends received and non-recurring income, which in 2015 amounted to €822.8 and represented the gain on the sale of Keurig Green Mountain Inc. shares.

The "Economic value distributed" to stakeholders increased sharply during the three-year period in question. In detail:

- operating costs include the cost of green coffee, the price fluctuations of which were mitigated by the hedging operations carried out. The increase in operating costs in 2017 can be attributed primarily to the commercial and sales costs for fees paid to customers for promotional activities;
- payments to providers of capital refer mainly to dividends paid to shareholders;

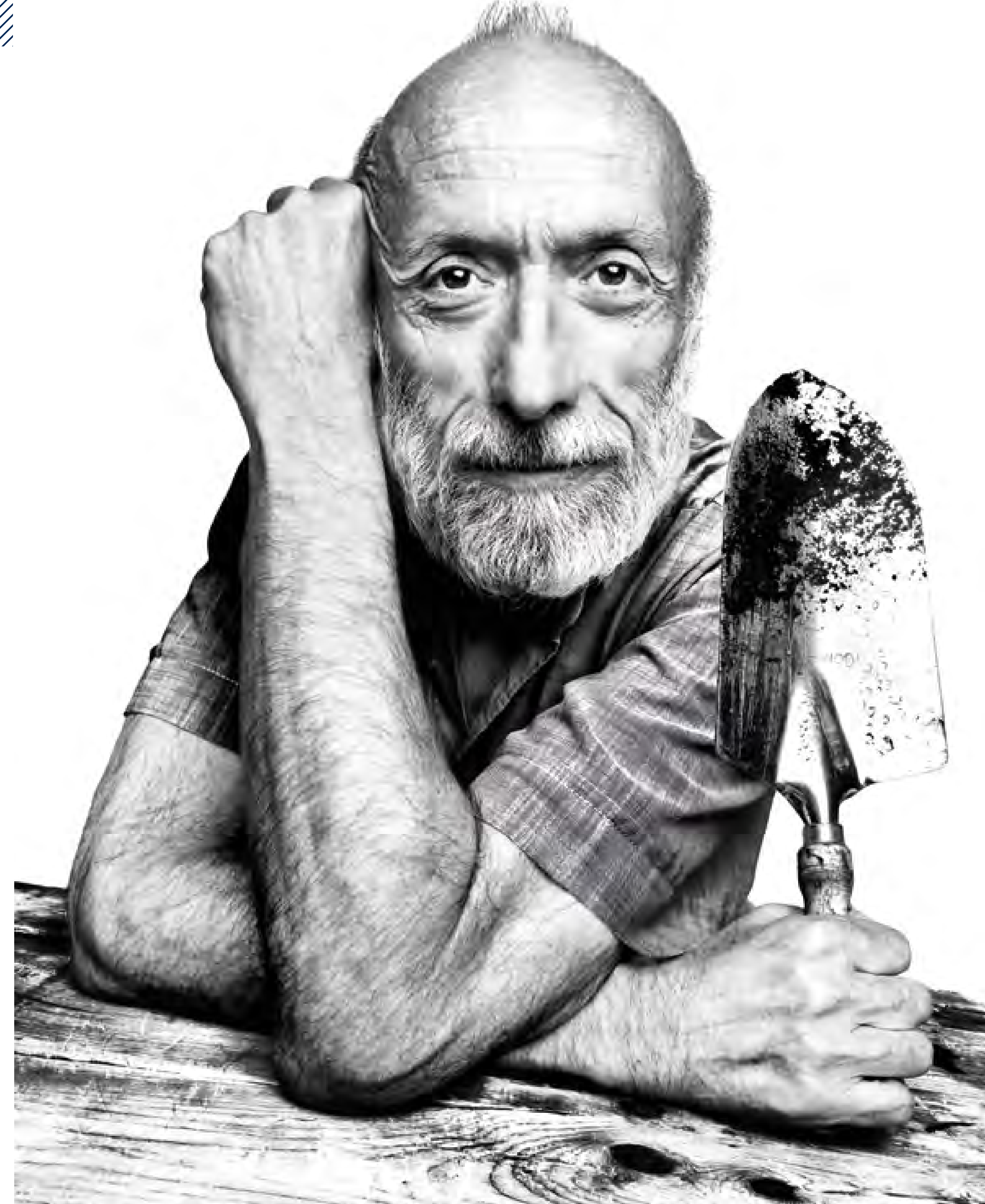
- payments to government refer primarily to income.

The "Economic value retained" was positive in the three-year period considered and represents the difference between the economic value generated and the economic value distributed. It fell in 2017 due to non-recurring income reported in 2016.





# 2 Sustainability at Coffee Roots the Lavazza Foundation



## Coffee is threatened by ongoing climate change.

Coffee is a product of the land, and like land, it is threatened by the ongoing changes in our climate. The current climatic instability is menacing the supply of high-quality coffee. If we fail to take action to stem this phenomenon, millions of hectares risk vanishing in the span of a few decades, and millions of coffee growers risk losing their livelihoods and thus being forced to migrate.

It is not only Earth which provides us with coffee, the product at the core of our business, but also about 25 million farmers. Lavazza wants to cooperate with them in order to jointly face climate change effects, promote good agricultural practices and support a sustainable social development.



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## The commitment of Lavazza Foundation

This story begins in 2002, when Lavazza's commitment towards coffee growing countries led to the Company's first sustainability project, ¡Tierra! This project was intended to promote sound agricultural practices, protect the environment and support the economic and social development of coffee-growing communities.

The first beneficiaries were small coffee growing communities in Peru, Honduras and Colombia. In the following years, the ¡Tierra! project was spread to other coffee growing communities in India, Brazil, Tanzania, Ethiopia and Vietnam.

To coordinate, manage and effectively implement economic, social and environmental sustainability projects in coffee growing countries, in 2004 the Company established the non-profit Giuseppe and Pericle Lavazza Foundation. Ever since, the Foundation has been promoting and financing a wide range of sustainability projects in coffee-producing countries, in some cases on its own and in others through public and private partnerships.

The Foundation has five directors: Professor Giovanni Zanetti, President of the Foundation, Professor Giacomo Büchi, Professor Arnaldo Bagnasco and Antonella and Giuseppe Lavazza. The Foundation's secretary is Mario Cerutti, Lavazza's Chief Sustainability Officer.

The projects supported by the Lavazza Foundation are primarily intended to increase coffee yields and quality, while also promoting entrepreneurship among coffee growers and improving their living conditions.

The main tools used to achieve these goals are:

- the spread of good agricultural practices that foster coffee quality and respect for the environment;
- support for coffee growers in building and managing their own organisations, like associations, cooperatives and companies.

Organised growers can thus gain access to broader markets, obtain services useful to improving production and enjoy better access to credit and to wider markets.



## Objectives of Lavazza Foundation projects



to promote  
**gender equality**  
within families and communities



to help young people realise their full potential through  
**training programmes**  
that motivate them not to abandon coffee growing lands and to become coffee entrepreneurs instead



to promote the diversification of production  
in order to reduce risks and facilitate  
**food production**



to support  
**reforestation**



to spread farming techniques that enable  
growers to respond effectively to the  
**effects of climate change**

Another distinctive element of the Foundation's projects is that they include an on-site component involving mainly local stakeholders. This ensures direct engagement with coffee growing communities.



## International Coffee Partners

Since 2001, Lavazza has been a founding partner in International Coffee Partners (ICP), an organisation that brings together seven European coffee companies committed to sustainability projects in coffee-producing countries: Franck, Joh. Johannson Kaffe AS, Lavazza, AB Anders Löfberg, Neumann Kaffe Gruppe, Paulig Group and Tchibo.

Its mission is to develop and monitor projects that spread agricultural best practices among small coffee growers, while fostering their direct involvement, so that they take charge of improving their working and living conditions.

The projects are based on the PPP (public-private partnership) approach, and involve international organisations, NGOs and national institutions, as well as private entities.

This approach is shared by the Lavazza Foundation, which has many years of experience with maximising the results of development projects through strategic partnerships formed with public or private partners on a pre-competitive basis.

The entire industry benefits from synergistic collaboration pursuing the economic, social and environmental sustainability of coffee production based on the pooling of skills, resources and expertise.

What is more, such collaboration gives rise to a leverage effect that yields meaningful results.

From 2001 to the present, ICP projects have involved over 70,000 coffee-growing families in 12 countries around the world<sup>1</sup>.

<sup>1</sup> Source: <http://www.coffee-partners.org/>




## Coffee and Climate: coffee threatened by climate change

Climate change poses a real threat to coffee: it results in lower product quality and gradually restricts the areas suited for coffee growing.

In 2010, Lavazza became a founding member of Coffee&Climate<sup>2</sup>, an initiative that seeks to study the effects of climate change on coffee and provides small growers the technical tools they need to respond effectively to this challenge.

From 2010 to 2015, approximately 4,000 coffee growers benefited from technical support aimed at increasing the resilience of their production systems. The pilot projects were implemented in Vietnam, Tanzania, Trifinio (an area on the border among Guatemala, Salvador and Honduras) and Brazil.

To spread and ensure access to the knowledge gained, Coffee&Climate has also prepared a technical manual in various languages that is available online.

The second phase of the initiative (2015-2018) involves an expansion of the number of projects to encompass up to 70,000 growers.

<sup>2</sup> For more details: <http://www.coffeeandclimate.org/>

**coffee & climate**



**A new commitment: Lavazza experts help growers hone their knowledge**

In 2017, Lavazza made an additional pledge to coffee growing communities. While continuing to support projects focused on proper coffee growing techniques, Lavazza also wishes to place its coffee-processing expertise at the community's disposal.

In 2018, Lavazza's experts will be committed to providing training courses for growers who have already benefited from the Foundation's projects. The courses will be offered both in coffee growing countries and at the Lavazza Headquarters in Italy and will be taught directly by Lavazza employees.

They will delve into the methods and criteria of coffee sensory analysis, processing techniques, evaluation of coffees from the various production areas and identification of sensory traits by provenance. This project will also involve the participation of the Lavazza Training Center with regard to the organisation of espresso training courses: after the experience in Kolkata with Save the Children, which will be discussed in the following section, Lavazza has decided to broaden its focus to embrace other geographical areas as well.

**Partnerships of Lavazza Foundation**

**NON - PROFIT ORGANISATIONS INVOLVED:**



India



Dominican Republic, Haiti



Guatemala



Colombia



Ecuador



Brazil, Ethiopia, Tanzania, India

**SUPPLIERS AND INTERNATIONAL BODIES INVOLVED:**



Vietnam



Colombia



## 2017 results

### GUATEMALA

Project in support of a women coffee producers' community Maya Poq'omch'i - in cooperation with Verdad y Vida

### TRIFINIO (GUATEMALA, EL SALVADOR, HONDURAS)

ICP project in support of local young producers

### DOMINICAN REPUBLIC AND HAITI

Caffè Quisqueya: binational project for the spread of Good Agricultural Practices - in cooperation with Oxfam

### CUBA

Project in support of producers with a focus on youth and women - in cooperation with Oxfam

### COLOMBIA

1. Project for the spread of good agricultural practices in Meta region - in cooperation with Carcafé
2. Project for the spread of connectivity in remote areas in Meta region - in cooperation with ALO&partners and MAKAI

### ECUADOR

Cacao Corretto: project for strengthening coffee and cocoa supply chains - in cooperation with COSPE

### PERU

ICP project to promote the organisation of producers at San Martin

### BRAZIL

- 2 projects in support to small coffee producers in Minas Gerais - in cooperation with ICP and HRN Stiftung

### INDIA

1. Tierra project in support of small producers in Karnataka
2. Save the Children Project to fight child mortality in western Bengala
3. Save the Children project to promote trainings and professional integration of youth in Calcutta.

### INDONESIA

ICP project to strengthen small Robusta coffee producers in Sumatra

### VIETNAM

Project to improve the resilience to climate change of coffee cultivation in DakLak - in cooperation with OLAM

### ETHIOPIA

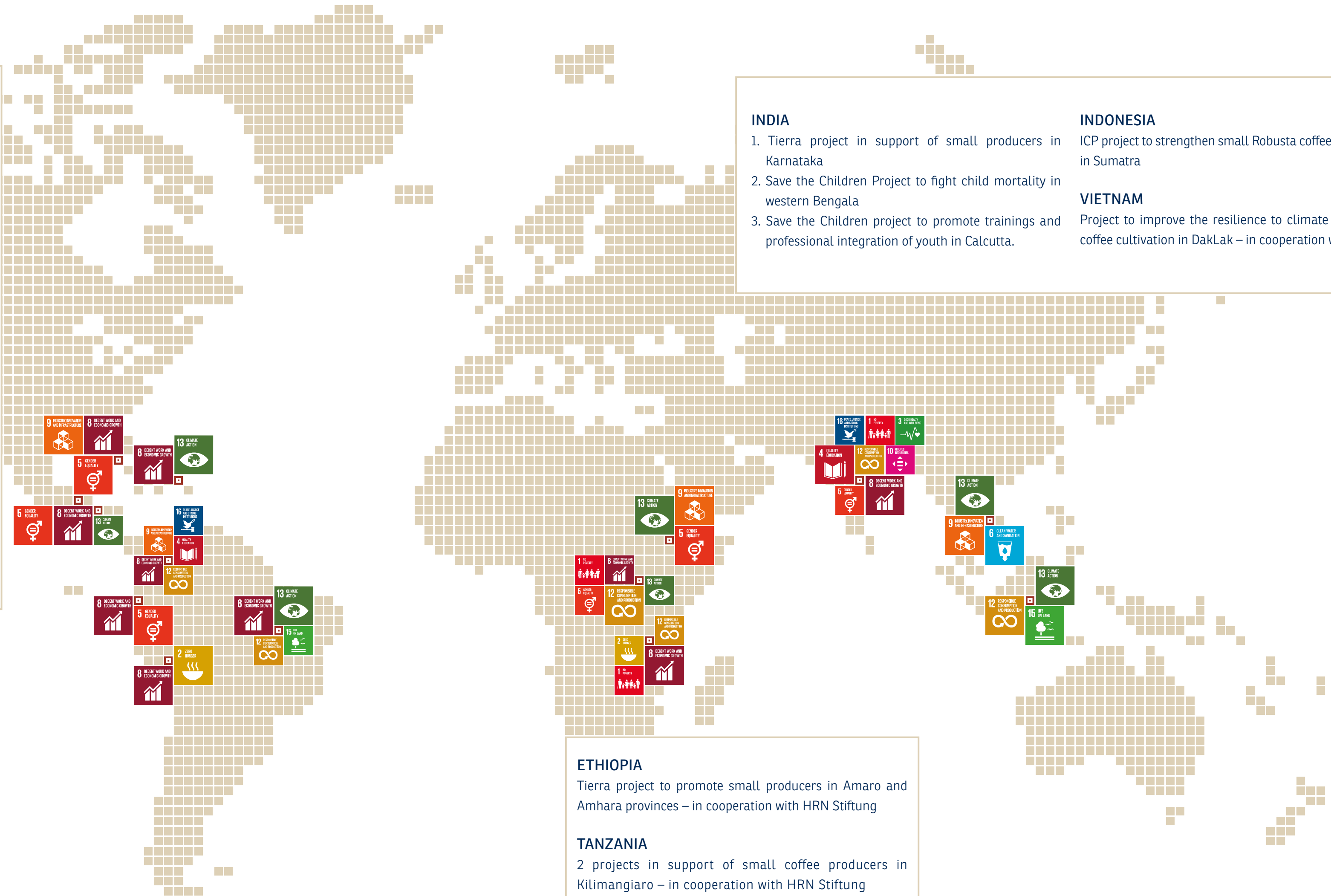
Tierra project to promote small producers in Amaro and Amhara provinces - in cooperation with HRN Stiftung

### TANZANIA

2 projects in support of small coffee producers in Kilimangiaro - in cooperation with HRN Stiftung

### UGANDA

1. Project in support of small producers in Kalungu region - in cooperation with Sucafina
2. ICP Project to spread good sustainable agricultural practices



**15** countries

**20** projects

**90.000** direct beneficiaries and more

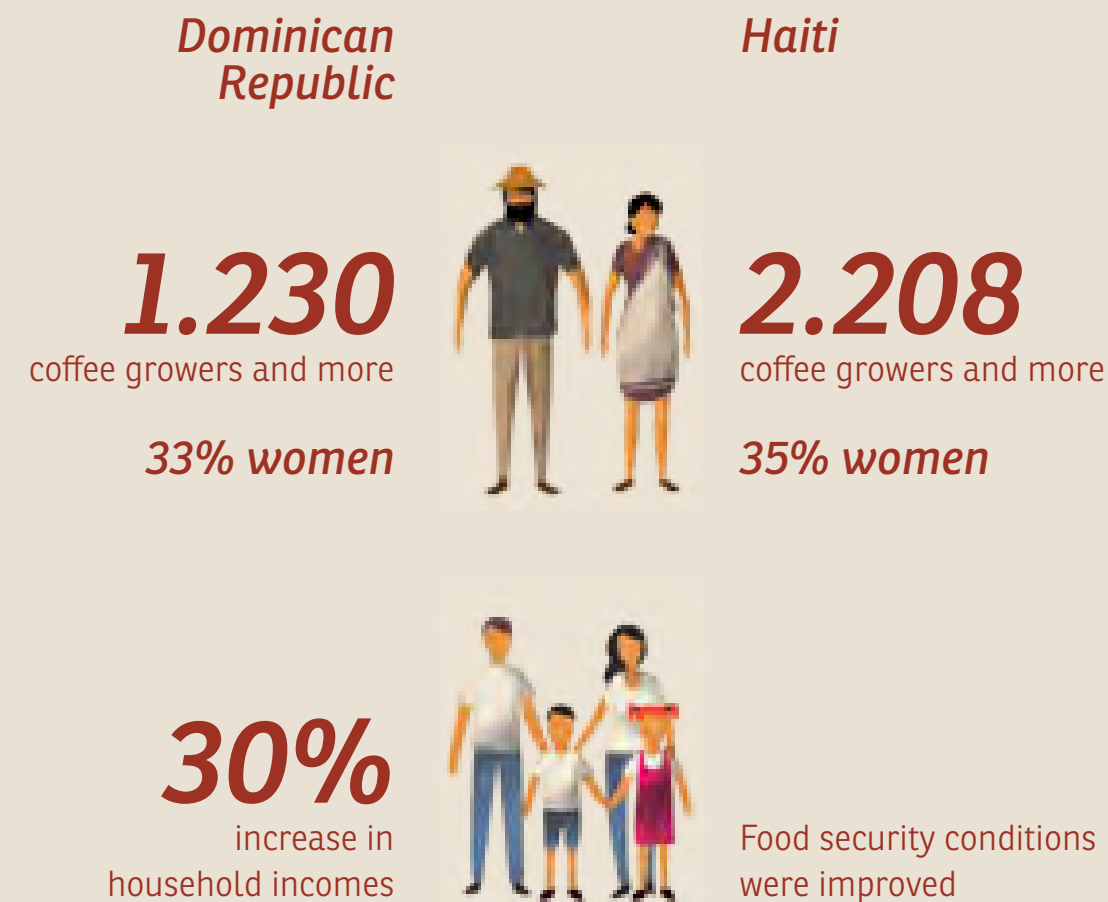
More information about Lavazza Foundation projects can be found at: <https://www.lavazza.co.uk/en/sustainability/foundation.html>




 **Lavazza remains committed**  
 **to the Dominican Republic and Haiti**

Since 2014, the Lavazza Foundation, in partnership with Oxfam, has been participating in a project supporting coffee growers in the Dominican Republic and Haiti. The first phase of the project was concluded in 2017, with excellent results. Therefore, Lavazza Foundation decided to support this project until 2020.

Unfortunately, Hurricane Matthew, in October 2016, devastated 80% of crop production in the southern part of Haiti, compromising the first coffee harvest expected in the project area.





## In Kolkata, where the future can be found in a coffee cup

For many years, the Lavazza Foundation has been supporting Save the Children with two projects in India, in the Kolkata area:

- “Thousand Days” project, focused on combating infant mortality through prevention and treatment of malnutrition;
- “New Horizons” project, aimed at supporting marginalized young people through professional training and work placement programmes.

In November 2017, Lavazza decided to expand its support for the New Horizons project by providing young people from Kolkata with the training needed for a career as a barista.

The partnership with WEGA, which donated the coffee machines, made it possible to set up a training workshop. Fifteen young men and women participated in the training programme, consisting of classes on green coffee, the use of the machines and the techniques for preparing the perfect espresso. The workshop space will continue to be used for future training initiatives and a small coffee shop will be open to the public, where young trainees can work as baristas.

This project is yet further proof of the need to form partnerships: collaboration between Lavazza, Fresh And Honest (Lavazza Indian subsidiary), Save the Children, WEGA and local partners proved essential to the initiative's success.





## New projects



### Partnering with COSPE to support Ecuadorian coffee growers

#### CHALLENGE

In all of Ecuador, there are around 50,000 families (80% of whom are small growers) involved in growing high-quality Arabica coffee, with average yields of 481 kg per hectare. Despite public investment, in recent years the amount of coffee produced has fallen by 15% at the annual level, due above all to the lack of technical support for small growers, the failure to coordinate and the absence of up-to-date studies of the production system. In addition to benefiting coffee growers, developing this system could provide work for thousands more in the related sectors of distribution, agri-business, craft and transport.

However, local coffee production is characterised by poor plantation management, widespread use of chemical products and old coffee plants that offer low-quality and irregular yields.

#### OBJECTIVES

In late 2017, the Lavazza Foundation decided to pledge its support for the project "Cacao Corretto" realized by COSPE, a non-profit organization, active in 25 countries in the world with about 75 projects focused on sustainable development, human rights respect and peace among peoples. This project seeks to reinforce the coffee production system in the provinces of Carchi and Imbabura, in addition to improving product quality.

The main aims of the project will be:

- to increase uniformity of coffee production from both a qualitative and quantitative standpoint;
- to establish a small coffee-roasting activity to add value to the product and boost household incomes (it is expected that the average annual incomes generated by coffee sales will increase by 10% and 20% by the end of the project);
- to involve public institutions more closely in the promotion and marketing of coffee, increasing opportunities for dialogue between coffee-growers and local institutions.

The project seeks to promote agroforestry and food security in the coffee production system through a process of training and awareness-raising targeting growers from associations and community leaders, with a focus on women. Lavazza will also hold training courses on coffee quality directly taught by Lavazza employees.

#### BENEFICIARIES

500 coffee growers in the provinces of Carchi and Imbabura



### The Lavazza Foundation's commitment embraces Cuba

#### CHALLENGE

The Cuban coffee sector faces problems relating to limited national production, insufficient quality management and the need to revitalise areas with poor productivity. In collaboration with Oxfam and AICEC (the Agency for Cultural and Economic Exchange with Cuba), the project focuses on improving the coffee sector in the provinces of Santiago and Granma.

#### OBJECTIVES

- To contribute to planting approximately 6,000,000 new high-quality coffee plants.
- To support the revitalisation of areas with poor productivity by involving women and young people.

#### BENEFICIARIES

The 2,600 coffee growers and over 500 specialists and professionals involved in the project.





**Uganda: Kalungu cherries**

**CHALLENGE**

The Ugandan coffee sector faces various challenges. In detail:

- most farmers are not organised and not capable of efficiently managing production and marketing;
- growers need training in good agricultural practices;
- the involvement of women and young people in the coffee value chain remains very limited.

**OBJECTIVES**

The project focuses on the Kalungu district of central Uganda and supports coffee growing communities by providing training in sustainable farming practices. It is realized in cooperation with Sucafina, coffee exporter and Lavazza supplier, and with the Kahawatu Foundation.

- strengthening coffee growers' associations;
- increasing coffee yields by providing around 6,000 growers with the skills, knowledge and motivation they need to adopt a system of good agricultural practices aimed at increasing productivity and reducing the environmental impact of production;
- fostering the improvement of living conditions, social development and economic growth of the communities to which the project is targeted.

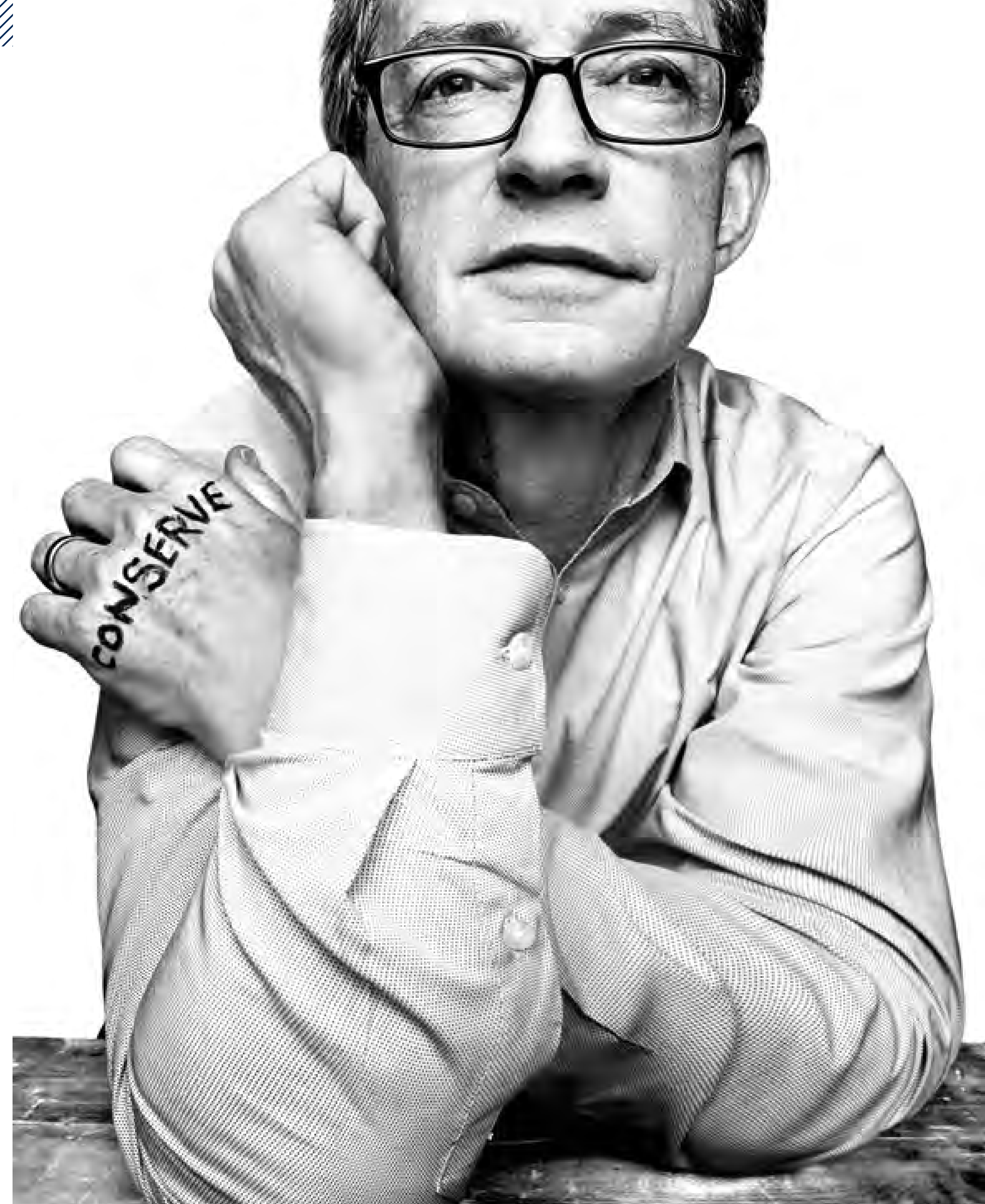
**BENEFICIARIES**

6,000 coffee growers.



# 3 From Bean to Cup

*A Journey Made Up of People*



*The coffee bean journey  
from plant to cup*

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Appendix





*"Coffee is a product that unites. Trust and mutual esteem underpin our relationship with the suppliers."*

MARINELLA, LAVAZZA COFFEE BUYER

## The origin

### The Producers

About three quarters of the coffee produced worldwide is grown by small holders who cultivate it on their land, often a small plot that they own together with their families.

The main coffee production phases are: planting, annual care of the plantation, harvest, treatment of cherries and drying.

Coffee harvesting periods vary depending on weather conditions, altitude and species produced: mainly Arabica or Robusta.

After the harvest, coffee arrives at the processing facility, where it undergoes different types of process: dry, wet or semi-washed processing. Drying takes place mainly on the "patio", a large area where the coffee is spread out, or using large drying ovens with the aim of reducing product humidity from 50-60% to 12-13%.

The coffee is then selected and put into jute bags. It is then ready for sale and embarkation.

**20 mln**  
producers worldwide  
and more

**17**  
countries from which  
Lavazza buys coffee



## The purchase

### The Coffee Buyer and the Coffee Taster

Lavazza buys its coffee thanks to two professional figures who travel together in the country of origin: the coffee buyer and the coffee taster. They are responsible for dealing with coffee exporting companies, which have to supply the raw material following specific "Lavazza standards".

Compliance with Lavazza quality standards is verified by coffee tasters. They taste the coffee and identify the qualities necessary for producing Lavazza blends. It is precisely due to the work of these professionals that the taste characteristics of Lavazza coffee, the so-called "cup profile", are kept constant over time.

The coffee is then purchased by the coffee buyer, who agrees the price with the supplier based on quality parameters, availability and also in relation to the prices of the raw material at world level. Moreover, it is organised the shipment of the purchased coffee and its arrival at the customs warehouses and at Lavazza's plants.

## The journey

### The Coffee Buyer and the Shippers

Coffee buyers organise the coffee's journey. They in fact, take care of the relations with the shipping companies and warehouses.

Coffee bags are loaded into containers and embarked.

Each individual container is checked against monitoring forms to verify: general conditions, intact seals and presence of damage.

The coffee travels on board ships on a 35-day sea voyage before reaching the destination port (Italy and France).

## The arrival

### The Coffee Taster and Logistics Operators

When it reaches the port, the sealed coffee container is taken to the customs warehouse and opened in the presence of a customs officer who gives customs clearance: that is, all the customs formalities required to make the product available for production. A sample is taken from each container and then sent to Lavazza's Laboratories where coffee tasters carry out the necessary tastings and analyses.

In addition, the coffee taster ensures that the amount bought in the producer countries matches the quantity received.

A specific identification code is given to each lot of coffee to identify characteristics such as the embarkation month or the price fixed.

The lot is held in the customs warehouse until the analyses are completed and it is judged fit for processing at the plants.

## The processing

### The Workers

When it reaches the plant, the raw material undergoes a number of visual and humidity checks, according to specific reference and control standards.

Once these checks have been passed, the coffee is put in storage silos.

Depending on the plant in which the coffee is processed, the origins are roasted separately and then mixed to make the blends, or, in other cases, the blend is made before the roasting phase.

Various controls are carried out on packaging integrity during the packing phase. Each plant has a small tasting laboratory, where all the finished product lots are tasted by personnel who have received special training in the field, to check that the right blend is contained in the pack and whether there are any defects.

A check on the finished product's roasting grade is then carried out at the end of the line.

## The sale

### The Sales Agents

Lavazza's sales team works in three segments: retail, food service and vending and operates in different geographical areas split into several districts.

The sales team structure features the following personnel: Area Managers, District Managers and Agents.

They work on consolidating and expanding the customer portfolio, managing orders and informing customers about new product features. Knowledge about product quality is essential for sales and for developing a dialogue and trusted relationship with customers.

## The Training Center

### The Trainers

The Training Center is an institution specialised in providing training and information about the culture of Italian espresso worldwide. It was opened in 1990 as a natural evolution from the Coffee Research and Study Center founded by Lavazza in 1979.

The Training Center's main aim is to spread the art of preparing coffee in order to preserve the excellence of the product quality, during both preparation and consumption.

The Training Center's main activities include training and dissemination of the coffee culture amongst customers and Lavazza employees. It also provides support in running Corporate events. In addition, in 2017 the Training Center and Lavazza Sustainability Department jointly developed a pilot project to spread the art of the espresso in coffee producing countries, with training courses for young baristas living in disadvantaged conditions.



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## The Lavazza Standards

In traditional green coffee trading practices, coffee is purchased following common international standards. Beyond that, Lavazza has defined its own purchasing standards by identifying so-called "Lavazza types". In fact, the different types of green coffee have been standardised according to specific characteristics defined by Lavazza.

The Company has developed these standards to ensure the uniformity of coffee quality and with the aim of providing its consumers with the same consistent taste, known as the "cup profile". These standards apply internationally and cover coffee quality, beans dimensions and sensory profile. In addition, for each standard Lavazza defined the maximum number and type of defects allowed.

The Lavazza standards have been revised and extended over time. Specific standards have also been defined for those countries of origin where small quantities of coffee are bought. Lavazza standards currently exist in relation to various countries: for Arabica (e.g. Brazil, Colombia, Central American area) and for Robusta (e.g. Vietnam and Indonesia). The coffee not purchased using Lavazza standards (a marginal portion of the Company's purchases) is bought using international standards as a reference.

Specific Lavazza Carte Noire standards have also been defined in recent years.





## The relationship with the suppliers: trust and shared values

For Lavazza, the relationship with the suppliers is based on trust and respect for shared values. Passion for excellence, Team spirit, Gratefulness, Transparency, Integrity, Foresightedness. Lavazza has enshrined these values in its supplier code of conduct and it asks all its suppliers to respect and share them.

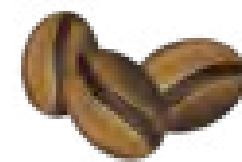
Lavazza manages purchases in two ways:

- **Direct purchases**, namely coffee purchases, entrusted to the Coffee Buying Department of the Parent Company's Operations Department;
- **Indirect purchases**, namely all types of purchase other than those that are directly business-related and, hence, other than the purchase of green coffee, which is entrusted to the Group's Purchasing Department (e.g. purchases relating to the ICT, Facility&General Services, Marketing, Logistics, Packaging areas, etc.).

Lavazza buys most of the coffee volumes from long-established exporters. The aim is that of providing a secure guarantee both in quality terms and from the standpoint of "country risk" and financial solidity. At the same time, Lavazza researches and assesses new potential suppliers to always ensure that consistency of the sensory profile of the product.



### The Countries from which Lavazza buys coffee are mainly:

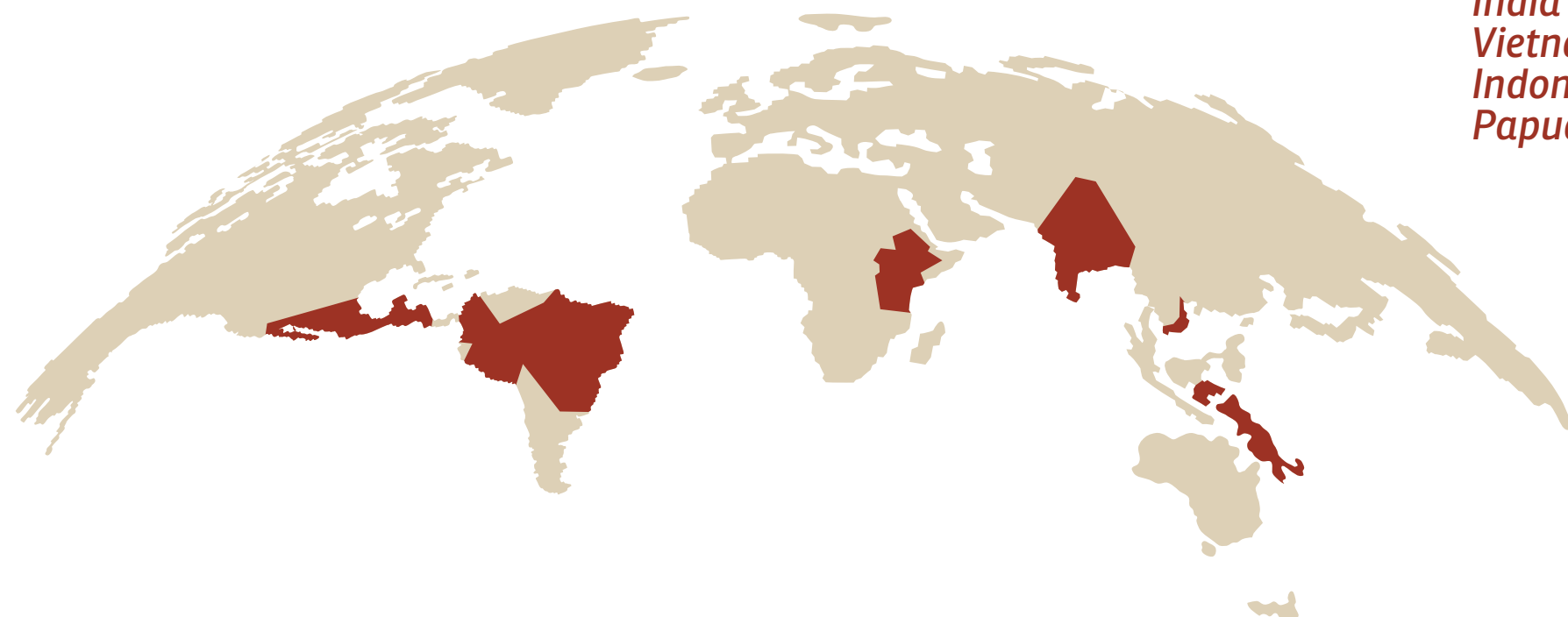


**CENTRAL AMERICA**  
 Mexico  
 Guatemala  
 Honduras  
 El Salvador  
 Nicaragua  
 Costa Rica

**SOUTH AMERICA:**  
 Brazil  
 Colombia  
 Peru

**AFRICA:**  
 Tanzania  
 Kenya  
 Uganda  
 Ethiopia

**ASIA:**  
 India  
 Vietnam  
 Indonesia  
 Papua New Guinea



The green coffee procured is shipped directly from the producer countries. Once the product has reached its destination, it is stored in various Italian warehouses and then transported to Lavazza's plants for the different processing phases. The three finished product production plants are in Turin and Gattinara in Italy and Lavérune in France. The decaffeination process is carried out in the Pozzilli plant in Molise, Italy. Distribution is organised with 3 main logistic hubs in Italy and a central warehouse for each subsidiary. All movements between central warehouses are carried out with full vehicles and, where possible, intermodal transport is used. Secondary distribution is allocated to specialist logistics operators.

In Italy Lavazza organises its own coffee distribution using three central storage warehouses:

- the one in Turin, from which the coffee is distributed to Lavazza's subsidiaries (France, Great Britain, Germany, Austria, Sweden, United States, Australia);
- a distribution centre in Novara, used as a supply hub for the foreign distributors;
- a central hub in Milan, from which the coffee is distributed to the Italian market.

The Gattinara plant does not have a warehouse: its production is transported to the Novara and Milan distribution centres.

The network in the subsidiaries includes a central warehouse in each country – located in a strategic position and correlated with sales volumes –, from which the secondary distribution is organised.





Indirect purchases, on the other hand, are managed centrally and delegated to the Group's Purchasing Department which reports directly to the CEO. Lavazza's various subsidiaries feature local operating units coordinated by the Group Purchasing Department.

The purchasing process is regulated in specific policies (e.g. Procurement policy) and procedures that define the tasks to be performed daily and the related responsibilities. This process is guided by principles of transparency, competitiveness and segregation of duties.

During the suppliers' selection phase, Lavazza asks its subsidiaries to adopt selection criteria able to assure and preserve:

- product and service quality;
- the highest health and safety standards;
- business continuity;
- the company and brand image;
- minimal environmental impact.

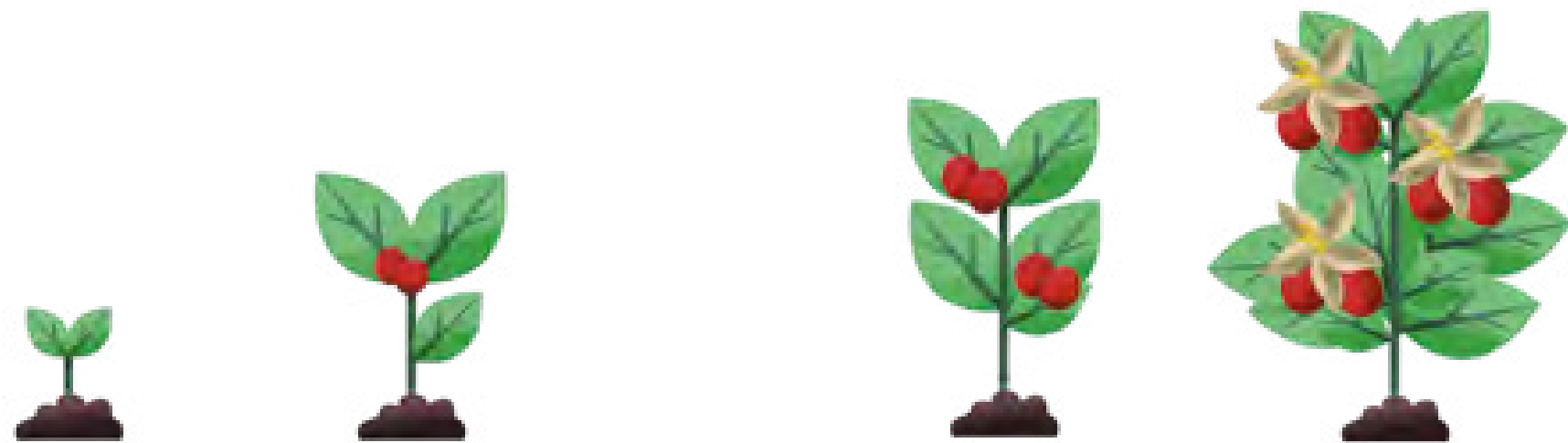
In 2017, the Purchasing Department strengthened its relations with Lavazza's subsidiaries, having further developed the reporting system and started to define the new Purchasing Portal, which will be implemented in 2018/2019 and will provide for the integrated management of the purchasing and suppliers' relations process (qualification, assessment, CSR aspects, etc.). This portal will enable:

- access to integrated data and objective supplier risk management indicators;
- facilitated supplier management and communication;
- increased data transparency.

In addition, in 2017 the Purchasing Department, working with and in support of the Institutional Relations & Sustainability Department, adopted the 17 Sustainable Development Goals. To do so, specific projects have been launched with the aim of engaging Lavazza's suppliers on sustainability themes.

With reference to the additional dissemination goal that Lavazza has set itself "Goal 0 – Spread the message", the Purchasing Department has recognised its fundamental role in ensuring that the social and environmental themes are acknowledged and respected by the entire pool of suppliers. The approach adopted has changed gradually from a level in which legislation is merely applied in operational terms to a proactive approach in supplier management marked primarily by:

- dissemination of change, also thanks to greater buyer awareness about sustainability themes;
- integration of sustainability principles in supplier selection and management process;
- implementation of shared improvement plans in the sustainability field.



Even though Lavazza's business context has always been more focused on globalisation, the Company continues to buy a large part of its goods and services (apart from green coffee) from local suppliers, advisors and partners.

In 2017, the value of purchases made by Luigi Lavazza S.p.A. from national suppliers rose by 24 % compared to 2016. The percentage of

purchases from local suppliers represents about 80% of total purchases. In general, the approach favouring local suppliers is also confirmed by the figures of the subsidiaries falling within the scope of the 2017 Sustainability Report.



### Purchases subdivided between national and international suppliers <sup>1</sup>

	2015		2016		2017	
	M€	%	M€	%	M€	%
National suppliers	€ 374,83	83%	€ 427,04	81%	€ 530,28	82%
International suppliers	€ 79,40	17%	€ 101,75	19%	€ 115,23	18%
<b>Total</b>	<b>€ 454,23</b>	<b>100%</b>	<b>€ 528,78</b>	<b>100%</b>	<b>€ 645,51</b>	<b>100%</b>

<sup>1</sup> It is specified that:

- "local" purchases ("national suppliers") have been considered to be those made with suppliers based in the country to which the Companies included in the analysis scope belong;
- the 2017 figures, compared to the scope indicated in the Methodology Note, do not include Lavazza Sweden.



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## Quality management: new features for 2017

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Appendix

The "Lavazza Enterprise Data Warehouse Area Quality" and "Lavazza Plant Quality Measures" projects were launched during 2017 with regards to Quality management. These projects were realized thanks to the support of various Departments and business Functions such as: IT, Operations, Supply Chain, Coffee Buying Department, Logistics, Production Plants, Research&Development, Sales and Customer Service.

The "Lavazza Enterprise Data Warehouse Area Quality" project was created with the aim of simplifying and making the entire product traceability process accessible. It aims to enhance interconnection between supply chain information thanks to a new business intelligence platform. In this way, information can be better integrated, consistent, practical and used at different levels in order to provide an effective support to decision making and monitoring processes. During 2017, product specifications and data collecting activities have been realized in Gattinara and Turin plants, with the aim of completing the project in 2018.

The aim of the "Lavazza Plant Quality Measures" project is to define unique standardisable parameters enabling all production process quality measures to be represented at a level suitable for aggregation. During 2017 a new model was designed to monitor process capability in the plants using specific indicators, so that the coherence between specific requirements and process capabilities can be assessed. The monitoring of specific indicators will enable documentation of parameters such as: control plan compliance; the level of non-conformity observed and coherence between product specifications and process capabilities. The project will be completed by 2019.



## Certifications

PROCESS/SYSTEMS Certifications	Plant / Subsidiary
 <b>ISO 9001:2015</b> Quality Management System	Turin, Gattinara, Sri City, Pozzilli, Lavérune
 <b>HACCP (Ref. Codex Alimentarius)</b> HACCP System – International Food Standards	Pozzilli
<b>FSSC 22000</b> Food Safety Management System	Turin, Gattinara, Sri City, Lavérune
PRODUCT Certifications	
 <b>UTZ</b> Product Sustainability Standard	Turin, Gattinara, Lavérune
 <b>Rainforest Alliance</b> Product Sustainability Standard	Turin, Gattinara, Sri City, Pozzilli, Lavérune
 <b>Confida</b> Italian Vending Products Standard	Turin, Gattinara
 <b>BIO</b> European regulatory framework governing organic foods	Turin, Gattinara, Pozzilli, Lavérune
 <b>NOP</b> US federal regulatory framework governing organic foods	Turin, Gattinara, Pozzilli, Lavérune
 <b>NON GMO Project</b> US voluntary third-party non-GMO verification program	Lavazza USA Subsidiary
Certifications of a Religious Nature	
 <b>Kosher</b> Jewish Religious Certification	Turin, Gattinara, Sri City, Pozzilli
 <b>Halal (Specific Standard for Malaysian requirements)</b> Muslim Religious Certification	Turin, Gattinara, Pozzilli

# 4 Care for People and Local Communities



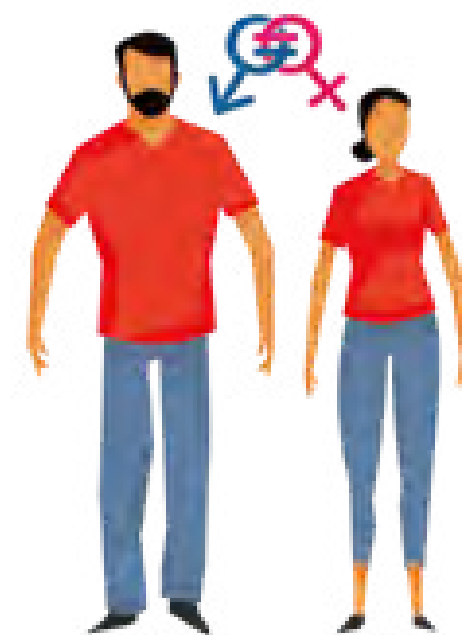
## "2030: what are WE doing?"

At Lavazza, people have always been a precious resource. It is for this reason that the focus on its employees' wellbeing is a cornerstone of the Company's policies.

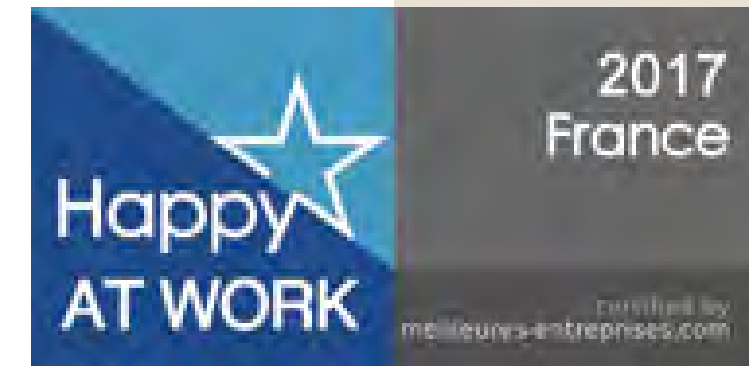
In 2017 was the year when Lavazza welcomed new companies such as Kicking Horse, NIMS and ESP and the integration of these companies and their people has been an essential step for Lavazza in its transformation into a major international group.

In 2017, Nuvola Headquarters welcomed more than 600 employees. Nuvola has been an important project for the local area. It helped in regenerating the surrounding urban district and engaging with local communities: in fact, many initiatives supporting the local area have been delivered through the community engagement programme.

In Nuvola numerous training and engagement initiatives for Lavazza employees have also been organized and they all had sustainability as their main focus. In particular, the launch of the Lavazza Calendar "2030: What Are You Doing?" was accompanied by the launch of the internal communication campaign "2030: what are WE doing?" which aims to involve all the Group's employees worldwide on sustainability issues. The campaign will feature numerous communication and active engagement initiatives for employees during 2018, with the aim of engaging everyone in the achievement of the Sustainable Development Goals in their daily lives.



## Carte Noire rewarded with "Happy at Work 2017"

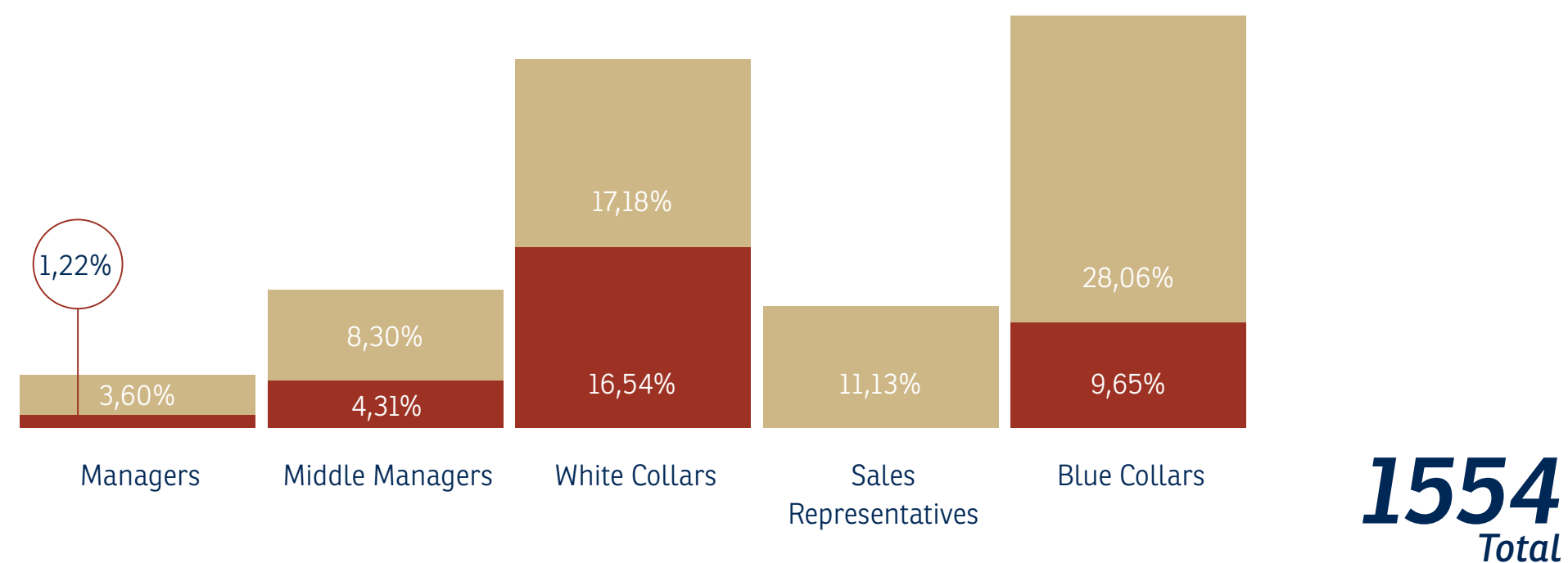


In 2017 the French subsidiary Carte Noire won the Happy At Work 2017 award, ranking as the best company in France for its employees satisfaction level. This award was given on the base of a questionnaire to which 85.4% of the company's employees took part, expressing themselves with reference to: pride, pleasure, motivation, positive working environment, wage recognition and professional development. In particular, 85% of employees, would recommend their job giving the Carte Noire workplace a total assessment of 4.37/5.

## Lavazza people: key figures

Percentage of employees,  
by professional category and gender

2015



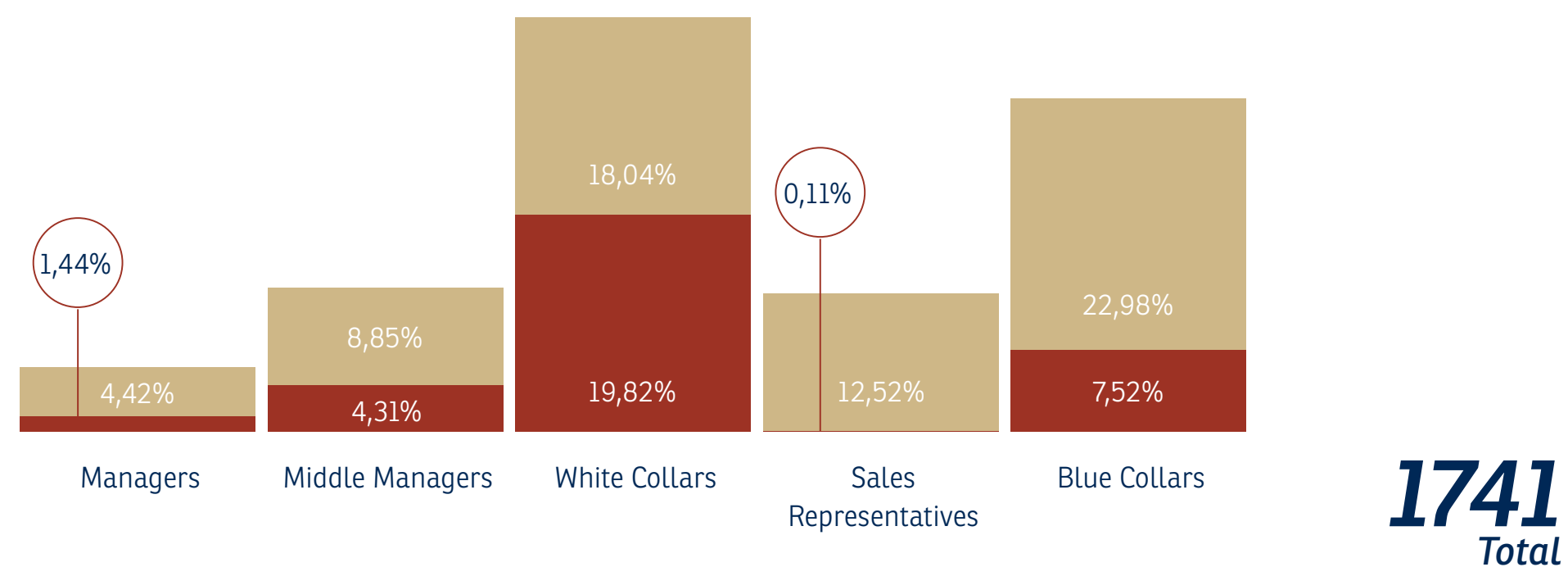
The percentage of employees with permanent-term contract for the subsidiaries falling within the scope of the 2017 Sustainability Report is 96%<sup>1</sup>.

The employees of the subsidiaries of Lavazza Group falling within the scope of this report with a full time contract were 2423, of which 1603 men and 820 women, while 43 women and 7 men had a part time contract.

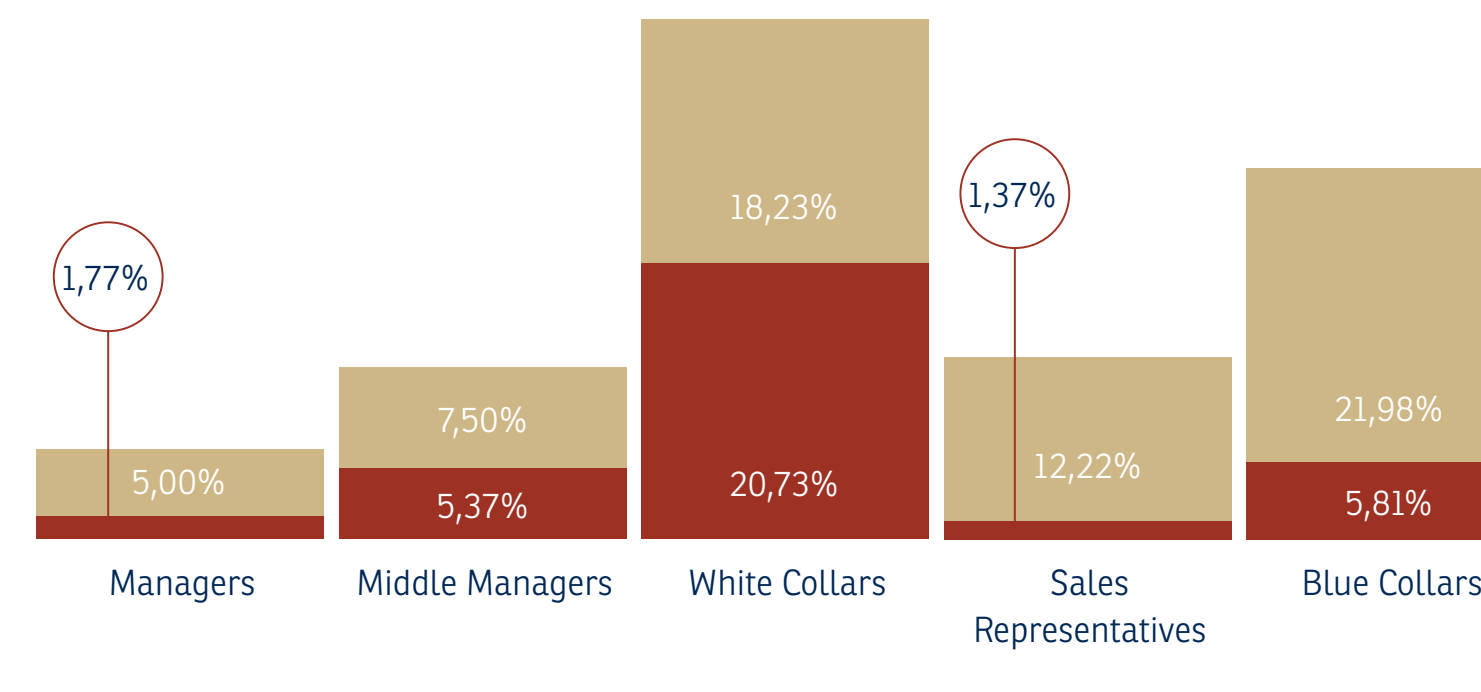
<sup>1</sup> In 2017 the employees with fixed-term contract were 111: 54 men and 57 women and the employees with permanent-term contract were 2368: 1556 men and 812 women.



2016



2017





**Ratio of women's to men's average salary, by professional category**

**Middle Managers**  
2017

**92%**

2016: 93%  
2015: 94%

**White Collars**  
2017

**94%**

2016: 94%  
2015: 96%

**Blue Collars**  
2017

**95%**

2016: 101%  
2015: 102%

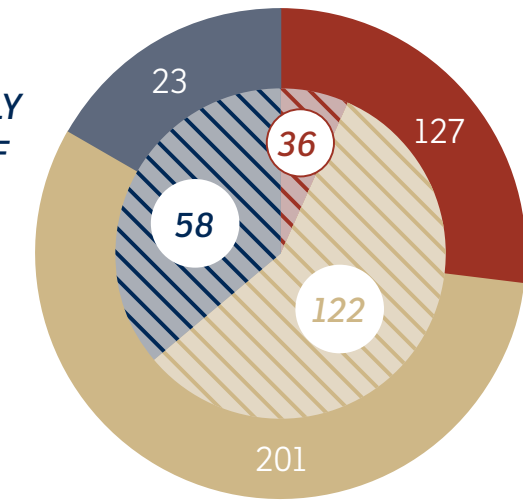
**Sales Representatives**  
2017

**130%**



**Hiring and termination of employment by age in 2017**

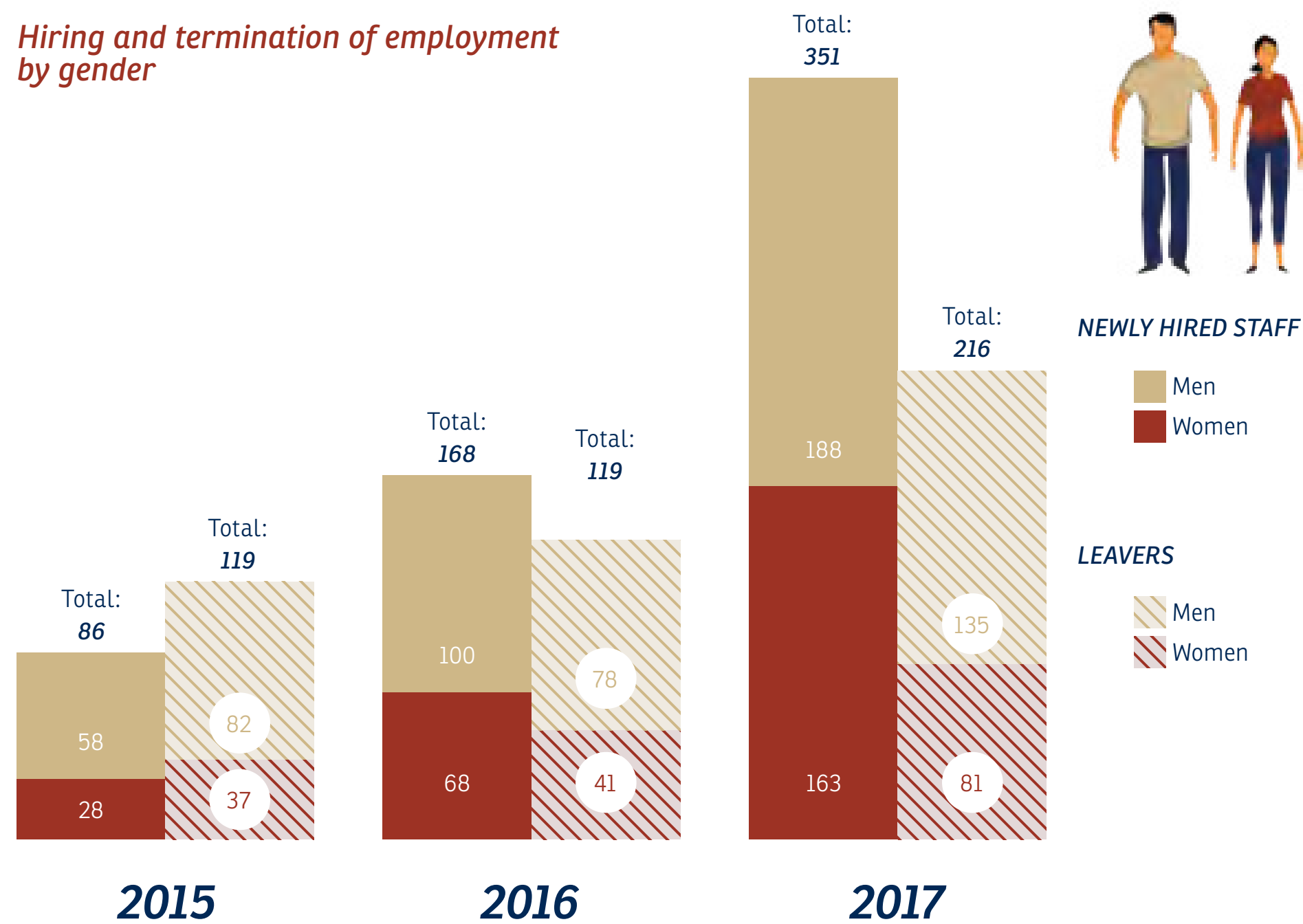
TOTAL NEWLY HIRED STAFF  
**351**



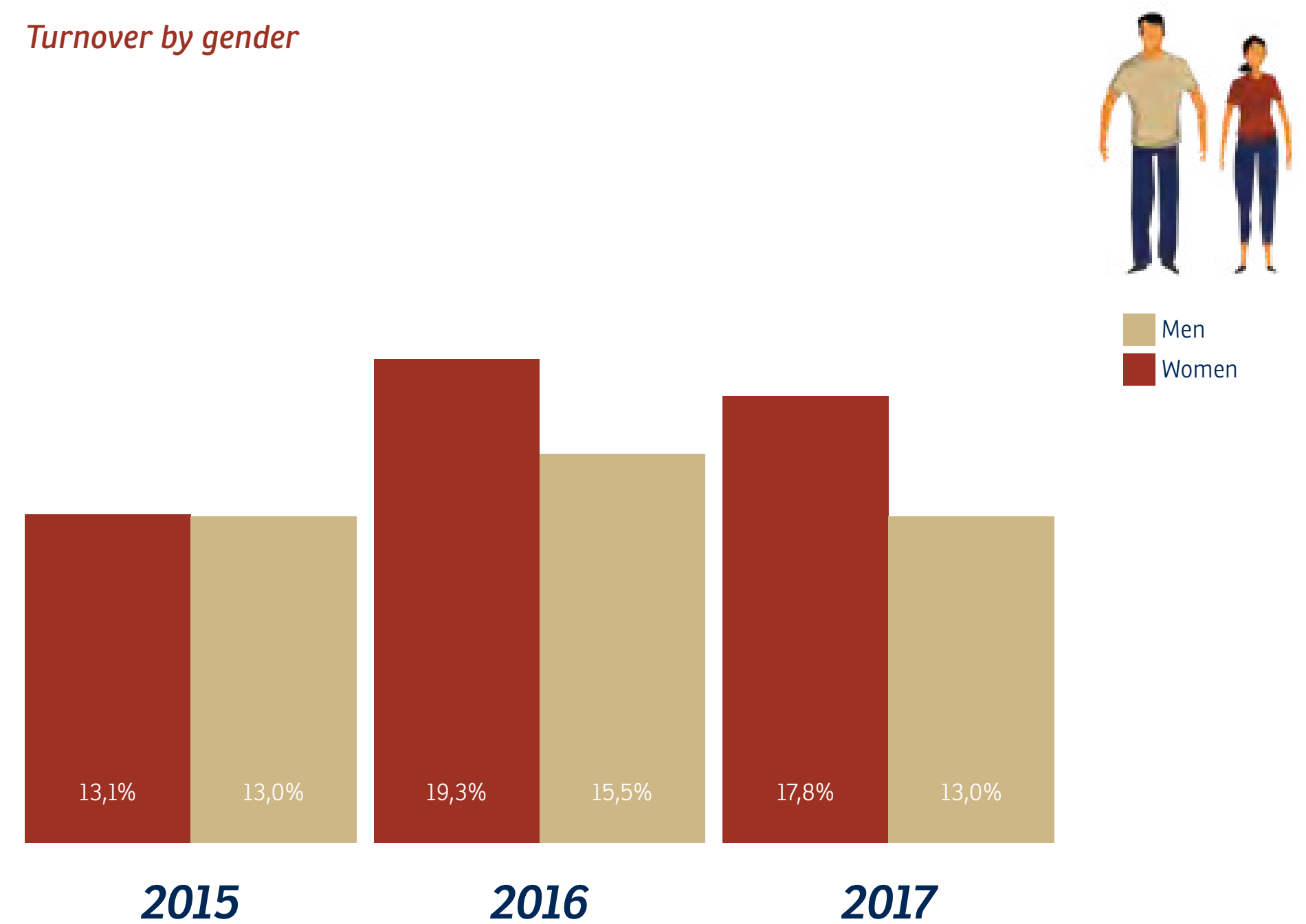
TOTAL LEAVERS  
**216**



**Hiring and termination of employment by gender**

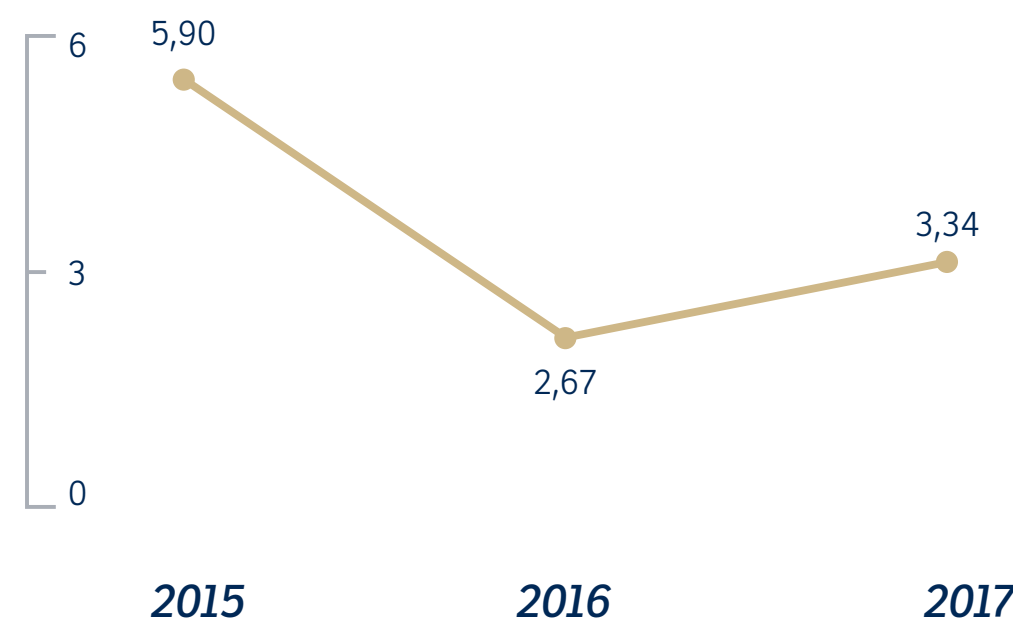


**Turnover by gender**

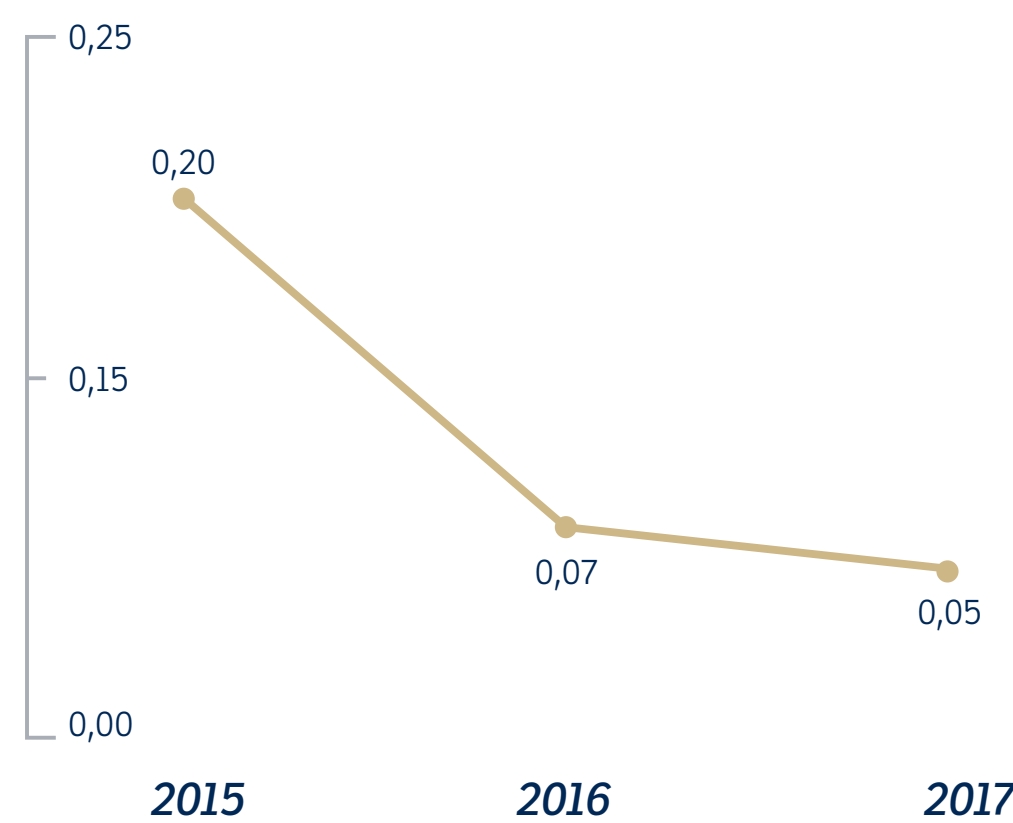


## Work accidents: frequency and severity indexes

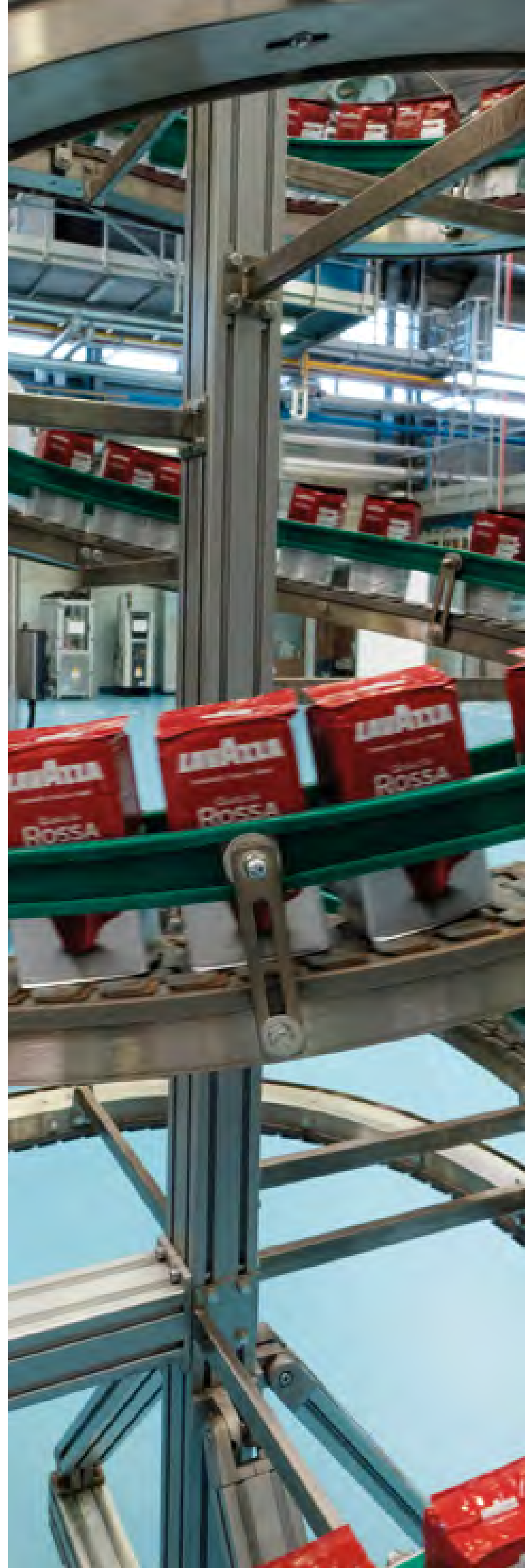
Frequency indexes of Luigi Lavazza S.p.A.



Severity indexes of Luigi Lavazza S.p.A.



The accident index calculation has considered events occurred in the last three years and affecting Lavazza personnel involving more than 1 day's absence from work, net of accidents occurring whilst travelling between home and workplace and vice versa (commuting accident). According to the above-mentioned reporting rules, with reference to all the companies included in 2017 Sustainability Report scope (refer to Methodological Note) 19 work accidents were recorded. In particular: 9 at Luigi Lavazza SpA, 4 at Carte Noire Operations SaS and 6 in the other foreign subsidiaries. Of the latter, one fatality occurred following a car accident involving a sales area employee of Carte Noire SaS during working hours.



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## Training and development: the levers for a successful company

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For Lavazza, the central focus on people represents a strategic component in its pursuit of growth and continuous improvement goals. In fact, growing as a company means helping its people to develop their skills.

### Training initiatives

Lavazza considers staff training to be an essential element for developing people, their talent and their potential. For this reason, the training initiatives implemented during 2017 involved not only Lavazza employees, but also a number of external personnel, such as the training initiative designed for the Food Service Sales Force, which also included external agents.

Lavazza provides its organisation with a broad training offer, able to cover all the needs identified by both the Performance Management process and organisational requirements, and also designed to develop specific skills for every professional category.

Lavazza's training offer features:

- **corporate initiatives:** defined and structured to provide a common base in terms of knowledge and/or behaviours. The corporate initiatives can be institutional, namely recurrent (e.g. Induction, Leadership for Growth, Model 231, safety training) or relating to specific projects or organisational needs (Performance Management Plus, Language training, etc.);
- **ad hoc initiatives by professional category:** defined and structured based on specific needs;
- **catalogue courses:** conceived and structured to strengthen performance, according to the needs arising from the Performance Management process and related to the four pillars of Leadership;
- **external training:** training initiatives required for specific needs, such as for example certification paths for specific skills.



## Training initiatives of 2017

### 1 DEFINITION OF THE TRAINING CATALOGUE

Following the Performance Management process started in 2016, a training catalogue for Lavazza employees was issued in 2017 (examples of catalogue courses: Project Management, Time Organisation and Optimisation, Problem Solving, etc.). A specific individual training plan has been defined for Parent Company Professional and Manager categories, as the result of proposals defined and agreed during the Performance Management process. Lavazza's Training Portal contains all the catalogue courses available, which Lavazza personnel can sign up to.

1

### 2 LEADERSHIP FOR GROWTH

A specific management training and development programme, organised in 5 modules, has been defined. This programme included 6 classroom training days and additional personal coaching with the persons involved.

2

### 3 ENGAGEMENT ACTIVITIES AIMED AT MARKETING DEPARTMENT PERSONNEL

Focus groups were organised to identify the needs of the people involved and a meeting held with the CEO during which several initiatives were launched and the Marketing priorities defined.

3

### 4 ITALIAN SALES FORCE TRAINING

Special training sessions were organised for the Lavazza Sales Force ("Insieme per Crescere" project, started during 2016), which involved both District Managers, Area Managers, Area Assistants and Agents. Other training days are planned for 2018 alongside mentoring activities in the field.

4

The project was launched starting with a survey targeted both at employees, and external personnel, to map and assess Lavazza's selling style and create a common set of knowledge and skills.

Mentoring and assessment meetings followed this first awareness-raising phase. They aimed to provide participants with precise feedback on their own personnel sales profile, as well as to identify improvement areas.



5

### 5 TRAINING AT NUVOLA

Training initiatives have been organised on the technologies available in the New Headquarters and to provide information about the new facilities. The **Nuvola Ambassadors**, a group of Lavazza employees guiding their colleagues through the moving phase in the New Headquarters, have played a key role in delivering these services.



6

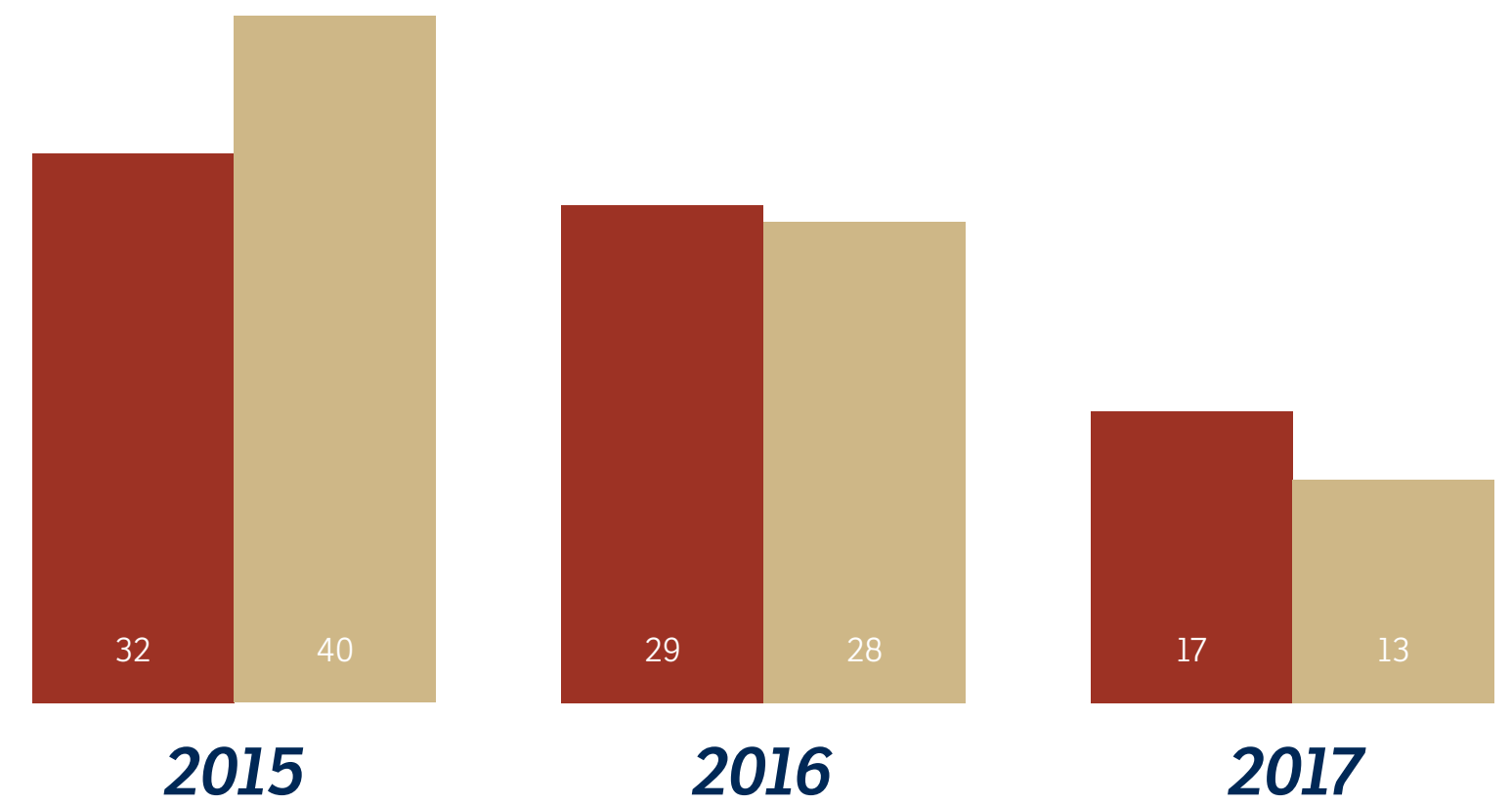
### 6 IN-PLANT TRAINING

Special training courses on the continuous improvement theme have been organised with regard to the Gattinara and Turin plants (in the case of the Gattinara plant the courses concerned the Kaizen model, whilst the World Class Manufacturing model applies in the case of the Turin plant). A special staff training and engagement programme has been drawn up for both plants on the continuous improvement models identified.

The decrease in average training hours in the three-year period is due to the fact that intensive training dedicated mainly to the Blue Collars category was provided in 2015. In fact, the 2015 restructuring and reorganisation of the Turin plant included a period when lines were shut down and intensive training sessions were dedicated to developing and reinforcing plant personnel skills.



Average training hours by gender



Average training hours by professional category

	2015	2016	2017
Managers	36	33	4
Middle Managers	37	36	24
White Collars	32	25	14
Sales Representatives	15	11	10
Blue Collars	49	34	13

## The Performance Management process

Lavazza's Performance Management process assesses the employee following two factors: Performance and Leadership.

The Performance factor includes personal objectives (MBO), where applicable, and improvement objectives. The Leadership factor, on the other hand, involves assessing the employee's performance against the 4 pillars of Lavazza's Leadership Model: Accountability, Innovation, Integration and Leading People.

### ACCOUNTABILITY

- Showing determination in taking responsibility for the projects assigned, considering opportunities and risks with a prompt, pro-active approach
- Pursuing results tenaciously, even in uncertain situations, while acting in a manner consistent with the stated objectives
- Taking decisions responsibly while learning to accept failures in pursuit of improvement

### INNOVATION

- Generating ideas and making original, innovative contributions to the growth of the business and the ongoing improvement of the organisation, processes and operating activities
- Succeeding in identifying opportunities to initiate innovation processes
- Keeping an open mind to change and different opinions and supporting innovation. Being curious, staying updated and taking advantage of opportunities for change, learning and growth.

### INTEGRATION

- Promoting and supporting opportunities for cooperation within the organisation to reach decisions and results swiftly. Proving able to act in the company's common interest
- Leveraging the network opportunities and believing in the value of dialogue
- Creating and enhancing collaborations both internally and externally to the company, useful to achieving results in accordance with company values

### LEADING PEOPLE

- Guiding and inspiring others to do their best in pursuit of results. Being clear in communicating the meaning of objectives, initiatives and requests and verifying that they have been understood by listening closely and asking for feedback
- Seeking and giving constructive feedback
- Creating and maintaining a positive, motivating and constructive environment that fosters the pursuit of outstanding results

The concept underpinning the Performance Management process is that of the shared Leadership whereby, in a growth-focused Group, each person can make their own personal contribution.

The main aims of this process concern, amongst others, the development of people and organisational culture; guidance on professional and career development; fairness and consistency of criteria in assessments.

During 2017, a consultation process was started to gather feedback on the first assessment cycle completed in 2016. Experiences, opinions and expectations were shared in four focus groups involving managers from different business units, on the basis of which a number of actions were identified to simplify and disseminate the model. These actions have already been promoted and implemented since January 2018.

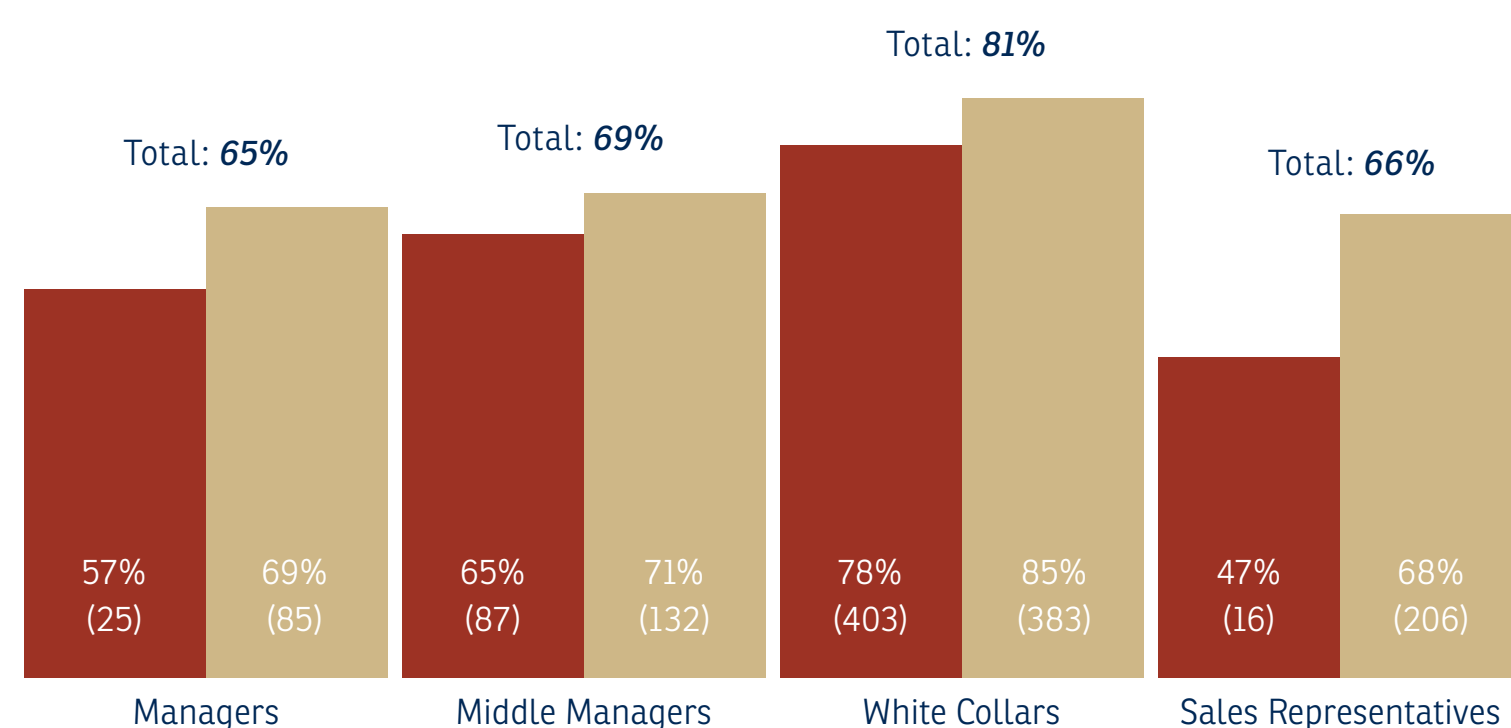
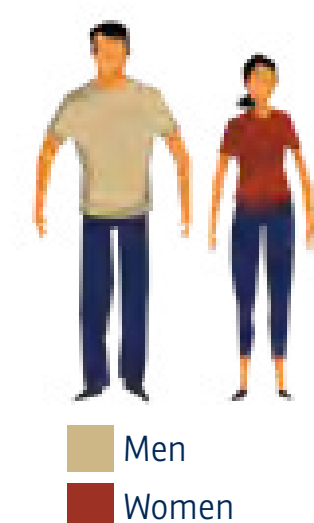
During 2017, the Performance Management process involved employees in the following Companies falling within the reporting scope of this Sustainability Report:

- Luigi Lavazza S.p.A.;
- Carte Noire Sas;
- Lavazza Coffee (UK) Ltd;
- Lavazza Deutschland GmbH;
- Lavazza France S.a.S.;
- Lavazza Kaffee GmbH;
- Lavazza Premium Coffees Corp. (USA).



## Performance management

Percentage and number of employees involved in the Performance Management process in 2017, by professional category and gender<sup>2</sup>



**61%**  
out of the total of women involved in the process

**50%**  
out of the total of men involved in the process

**54%**  
(1337 employees) involved in the process out of 2479

<sup>2</sup> Data given in the tables regarding the Performance Management process refers to the employees of the following companies, falling within this Sustainability Report scope:

- Luigi Lavazza S.p.A.
- Lavazza Coffee UK Ltd
- Luigi Lavazza Deutschland GmbH
- Lavazza Kaffee GmbH (Austria)
- Carte Noire SaS
- Lavazza France
- Lavazza Premium Coffees Corp (USA).

<sup>3</sup> In the case of Carte Noire SaS, seven people, belonging to the White Collar category, are included in the MBO system. In this regard, a project is currently underway to update the mappings of qualifications contained in the system.

Percentage of employees involved in the MBO programme and falling within the Manager/Middle Manager category, by gender<sup>3</sup>

Gender	Position	2015	2016	2017
Women	Managers	84%	68%	68%
	Middle Managers	66%	93%	55%
Men	Managers	96%	83%	78%
	Middle Managers	69%	92%	65%



## **Nuvola:** a new way of experiencing sustainability at Lavazza

The transfer of Lavazza employees to Nuvola, the new Headquarters, was completed in 2017.

As described in previous editions of the Sustainability Report, Nuvola is not merely Lavazza's new Headquarters, but an area that communicates with the city, endowed with spaces for events, conference rooms, restaurants, a design school and an interactive museum celebrating Lavazza's history.

The decision to build Lavazza's new Headquarters in a former industrial area fits in with the company's desire to invest in the Turin area through an innovative process, designed to create a dialogue with the city's residents and focused on sustainability.

Values expressed by Nuvola are shown by adherence to LEED® criteria, the acronym for Leadership in Energy and Environmental Design: the world's most widespread recognition of the energy-environmental performance of buildings.



### **Nuvola's figures**

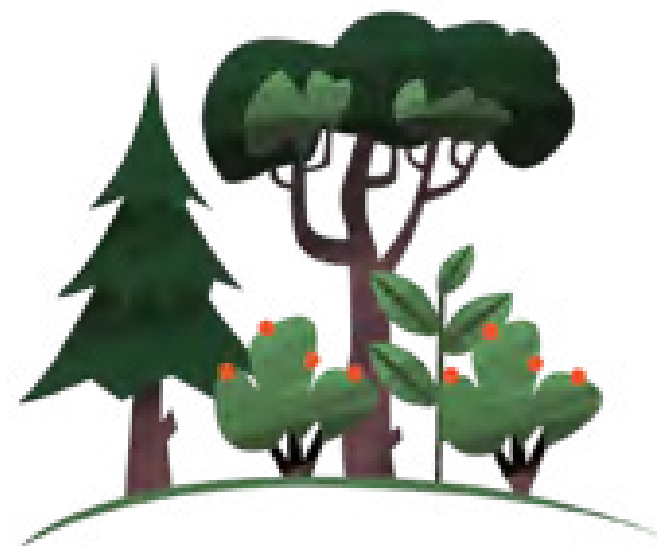
**18.500m<sup>2</sup>**  
Total area of the block

**15.000m<sup>2</sup>**  
Lavazza's Headquarters Offices

**1.600m<sup>2</sup>**  
Museum and Historical Archive

**6.600m<sup>2</sup>**  
Multifunctional space

**3.500m<sup>2</sup>**  
Green Piazza





LEED Platinum Certified

## LEED certification

The 2009 LEED Italia system is organised into five environmental categories, plus two additional ones that reward the building's excellence:

- Sustainable Sites
- Water Efficiency
- Energy & Atmosphere
- Materials & Resources
- Indoor Environmental Quality
- Innovation
- Regional Priority

How does Nuvola meet the different certification criteria?

### Sustainable Sites

Site sustainability reflects the attention paid to the choice for Nuvola's location. In fact, this category's credits reward the decision to build inside urban areas needing innovation; redevelopment and communal areas open to everyone. The Bistrot, the Green Piazza and the Lavazza Museum meet this criterion. In addition, this criterion rewards the promotion of alternative transport options, which will be analysed in the box dedicated to sustainable mobility.

### Water Efficiency

The Nuvola project proves that it is possible to build in a smart way, reducing water consumption and reaching maximum operational performance. Rainwater is collected in an underground tank equipped with suitable filtering systems, and is then used to irrigate all outdoor green areas through high-efficiency irrigation systems.

In addition, strategies are in place for saving and recycling fresh drinking water: for example, all HQ taps have been equipped with special tap aerators, which limit water consumption to 1.9 litres a minute, whereas a standard-jet tap consumes about 7 litres.

Rainwater is used for WC flushing, so as not to affect fresh drinking water consumption.

### Energy & Atmosphere

Nuvola aims to reduce energy consumption through the implementation of the best energy technology. For instance, the full LED lighting is able to maximise natural light and minimise consumption, as well as to recover heat in an efficient way.

### Materials & Resources

In order to minimize atmospheric emissions generated by road transport, more than 20% of construction materials in Nuvola have been sourced regionally within a maximum distance of 350 km. Moreover, those 20% construction materials contained recycled components. In addition, FSC (Forest Stewardship Council) certified materials and products have been used in Nuvola, for wood components, representing at least 50% of the economic value of the products. The most interesting figures:



**90%**  
of waste from demolition  
work recycled

**23%**  
construction material  
with recycled content



**31%**  
construction material  
sourced regionally  
(mainly concrete, steel and iron)

### Indoor Environmental Quality

Nuvola's cladding is constructed according to given technical specifications to maximise energy saving and ensure high thermal, visual and acoustic comfort. Low impact materials, namely paints and other coatings without or with a very low content of volatile organic compounds, have been used for the building.

The lighting system favours natural light usage, due to the wide availability of glazed surfaces that also provide an adequate view of outdoors.

### Innovation and Regional Priority

These categories concern exemplary performance and innovative practices. Nuvola is innovative because:

- **It promotes alternative transport:** the urban transport network located within 400 metres from the main entrance of the new Headquarters has 425 various bus and tram line transits in total, far higher than the 200 daily transits required by the LEED protocol;
- **It uses innovative technologies for waste water:** in Nuvola 100% of water needed for WC flushing is non-drinking water;
- **It reduces water usage:** there is an 80.3% saving in drinking water usage for WCs in Nuvola, far higher than the 45% threshold established by the LEED protocol for exemplary performance.

In addition, the following schemes have been promoted in Nuvola:

- **An Educational Program:** with the aim of providing Lavazza personnel with special training on sustainable buildings.
- **A Green Clean Policy:** that the companies in charge of cleaning the building have to observe with the aim of reducing people's exposure to chemical and biological products and organic substances that have a negative effect on air quality.

<sup>4</sup> Data based on the cost of material (including labour – excluding plant and transport)





## Promoting sustainable mobility

Lavazza has decided to subscribe to the "JO JOB" initiative<sup>4</sup>, the Company Carpooling system, which encourages the sharing of private cars between two or more people when travelling to and from home and work.

The project fosters the use of low-emission and alternative-fuel cars with the aim of reducing the use of vehicles with fuel from oil and derivatives. The system uses an app to identify which colleagues make the same journey, or whether there are employees of neighbouring companies with whom shared journeys can be arranged.

This system reduces local traffic and improves outdoor air quality and enables staff to participate in incentives made available by the Company. Lavazza, for example, has decided to reserve 21 car parking spaces in the indoor car park solely to cars taking part to the carpooling scheme, corresponding to about 10% of total parkings in the new Headquarters.

**In 2017**

**3.593**  
kg of CO<sub>2</sub> saved

**53.590**  
km travelled

**4.308**  
Trips made



<sup>4</sup> For more informations, visit <https://www.jojob.it/>

## Community Engagement: the importance of local communities

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Appendix

Lavazza's Community Engagement scheme is a programme of activities designed to enhance the area in which the company operates, both with its own Headquarters and the production plants. The purpose of the Community Engagement programme is to improve the social, cultural and environmental situation of local communities.

The Community Engagement initiatives follow well-defined criteria. They support specific beneficiaries such as local associations, NGOs, Universities and Hospitals and work together with relevant institutional and local stakeholders, such as Local Councils. In addition, the Community Engagement programme does not merely limit its support to donations or sponsorships, but promotes Lavazza engagement in the co-planning of activities together with the local communities.

In line with the activities carried out in 2016, in 2017 Lavazza wanted to maintain its support to different projects in Italy. Amongst them, the following:

- The "Gruppo Noi" social project, which involves more than 80 schools in the Piedmont Region and aims to create a network among schools, police forces, mediation centres and mental health services, to combat bullying.
- Support to "I Luoghi del Bello" project, which focuses on the themes of education and care for common areas in the district where the Nuvola Headquarters is located.

In 2017, Lavazza supported educational and urban regeneration activities aimed at children, youngsters and adults. The goal of the work carried out in 2017 was that of supporting the Aurora district in its urban regeneration path, linked to Nuvola's building.



In addition to the initiatives undertaken in the city of Turin, the Community Engagement programme has set up various projects in the towns of Settimo Torinese, Gattinara and Pozzilli, where Lavazza's Italian production plants are based.

In Settimo Torinese, Lavazza supports the "Festival of Innovation and Science", an high-profile event of scientific dissemination that includes several activities and events to engage schools, families and companies on the topic of innovation.

In Gattinara, Lavazza supports "Festa dell'Uva", an event that celebrates the Gattinara wine and represents an opportunity to promote food tourism and local culture with musicals, and cultural exhibitions linked to the wine market.

In Pozzilli the Museo dei Costumi in Molise has been created, with the ambition to become a reference point for the popular culture of Molise region. The support of Lavazza aims at ensuring the functioning and the strengthening of the museum and the cultural activities connected, such as: education programs and combined study/work experiences with schools.

The objective for the next years is to define and realize a community engagement program that encompasses also Lavazza subsidiaries abroad.



## StripOut! - Recycling is an art

Between 2016 and 2017, Lavazza completed a momentous change when it moved from its historic site to the new Nuvola Headquarters. All the furniture in the new site would be new and Lavazza put in place the StripOut! project to avoid the disposal of all the old furniture. The aim of this project, coordinated by the Institutional Relations & Sustainability Department, was to give new life to the old office furniture and equipment.

**4.000 items relocated**  
between May 2016 and November 2017

some donated to:

**18 associations**  
**18 schools**  
**6 Police Force structures**  
**2 hospitals**



some bought by

**694 Lavazza employees**

all sale proceeds were donated to:

- **Istituto per la Ricerca e la Cura del Cancro di Candiolo** (Candiolo Institute for Cancer Research and Treatment)
- **Lega Italiana Fibrosi Cistica c/o Ospedale Regina Margherita** (Italian Cystic Fibrosis League c/o Regina Margherita Hospital)
- **ADISCO – Associazione Donatrici Italiane Sangue Cordone Ombelicale** (Italian Association of Umbilical Cord Blood Donors)

One of the project's innovative aspects was the calculation of the environmental impact in terms of CO<sub>2</sub>e from the non-disposal of furniture. The analysis was conducted using the LCA (Life Cycle Assessment) methodology, internationally recognised for assessing the environmental impact linked to the life cycle of a system or product.

**87.522,70 kg**  
of not disposed furniture

**25t of CO<sub>2</sub>e**  
not emitted  
equal to

**112 journeys**  
from Turin to Rome  
with a EURO 5 vehicle



# 5

## Continuous Improvement and Commitment to Environmental Sustainability



## Innovation is a value orientation and a daily goal.

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Appendix

Innovation drives Lavazza's business development and is the key to its success. It is a value statement and a daily objective. At Lavazza, studying how to constantly diversify the consumer offer and seeking to integrate environmental sustainability into products and processes are systemic and ongoing processes.

In 2017 Lavazza's Research & Development Department was divided into the following two areas reporting directly to the Chief Executive Officer:

- **Coffee Machines Development & Production:** Department dedicated to coffee machine innovation, development, production and technical service, in turn subdivided into four areas: Coffee Machines Development, Coffee Machines Production, Design and Technical Service;
- **Food, Packaging & Systems Research & Development:** Department dedicated to the innovation, research and development of Food products (studying raw material from its selection, preparation, and cup profile), Systems (area dealing with product transformation processes) and Packaging (area dedicated to packaging design, industrialisation, graphics, legal and commercial wording).

In 2017 also various Lavazza coffee machines were redeveloped and restyled. In particular, the new range of Firma machines consisting of four new models received their first preview: *Inovy*, *Inovy Mini*, *Inovy Compact*, and *Inovy & Milk*. These are new models with a focus on compactness, quality performance and Italian design.





## The commitment to continuous improvement

In recent years, important investments in the industrial area have been realized in order to upgrade plants in technological and organisational terms. In particular, during the past four years (2014-2017) Lavazza invested more than €82 million in the Gattinara plant and €57 million in the Turin plant.



## Investments in the Lavérune plant

Work on redesigning production in the Lavérune plant was completed in 2017, resulting in improvements in terms of the quality of coffee, cup profile and type of packaging used. Significant environmental savings were achieved as a result of ecodesign efforts focusing on portioned products, involving the introduction of a self-protecting capsule to replace the previous poly laminate structure. Eliminating the packaging protecting the product and reducing the volume of packaging materials made it possible to reduce the virgin raw material required to produce and optimise distribution of the finished product.

Investments in the Lavérune plant were also made to improve working conditions and safety, and a group of coffee tasters was trained with the aim of conveying Lavazza's expertise and huge experience as regards coffee quality.

In 2017, the French plant obtained new quality and food safety certifications, bringing it into line with Lavazza and market standards<sup>1</sup>.

In 2017 the plant's final layout was completed following the transfer and assembly of lines from the former Czech Republic plant, an operation carried out without ever halting the production.

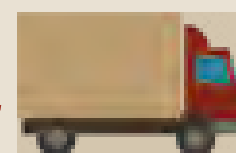
With the acquisition of Carte Noire, the French Lavérune plant became part of the Lavazza Group's industrial system. This means that today, alongside Turin and Gattinara in Italy, it is one of the hubs where all Lavazza Group products are produced. Thanks to a €21 million investment, the entire plant was reconfigured and modernized and it is now open to future developments thanks to hi-tech production lines.

<sup>1</sup> See Chapter 3 for the certifications obtained.

### Savings achieved in 2017:

**568 trucks**

loaded with  
**33 pallet**



**145.666 kg**  
of polypropylene

**321.480 kg**  
of paper  
(virgin fibre cardboard and recycled corrugated cardboard)



In addition to the investments made in its own production plants, Lavazza has concentrated on developing and consolidating multi-purpose and multi-functional skillsets for its people, as part of its continuous improvement initiatives. A person responsible for continuous improvement initiatives has been identified for each production plant. Moreover, experienced operators have been involved in pilot projects focusing on the simplifying and resolution of problems. The problems identified during the production process are tackled in groups through a detailed analysis of the issue encountered, identification of the related cause, choice and implementation of the solution to be adopted and measurement of the results achieved. The continuous improvement measures increased in the Settimo Torinese plant in 2017 and were consolidated in the Gattinara plant, where positive results were achieved in terms both of efficiency and environmental impact (reduction in energy, scrap/waste, format change times down by 70%, etc.).

## Lavazza awarded the Kaizen Award

In 2017, Lavazza was selected as one of the five best Large Organisations in the Continuous Improvement culture. It was recognised for its application of Kaizen methodologies to develop natural work teams through the Daily Kaizen (developing leadership from bottom up, continually) and multiple skillsets.

The term "Kaizen" is made up of a combination of two Japanese terms, KAI (change, improvement) and ZEN (good, best), and means change for the better, continuous improvement. The Kaizen method is a set of techniques that allows thought, analysis and improvement, through people and operating efficiency.

Coined in the Eighties by Masaaki Imai, a manager in Toyota, it is now applied in a large number of companies worldwide. The Kaizen method is associated with the concept that improvement is achieved "in the field" by observing inefficiencies and defining the necessary improvements.

Investments made under the 2013–2017 Lavazza Industrial Plan allowed plants to be restructured, installations to be renewed, layouts to be reconfigured and performance of the industrial system to be raised. A decision was made to invest in

people with the multi-skills project: this has enabled employees to be developed through the personal improvement and greater responsibility of line operators, increasing work quality.

The challenge launched by Lavazza was to boost productivity by increasing the overseeing capacity of operators on the lines. The path taken to achieve this result started with developing special teams and applying the Daily Kaizen in the Gattinara plant. Team leaders were appointed to bring improvements in the plant, and these became the first contact for operators as well as the first change agents. In this way, team leaders became in-house trainers able to guide teams of operators in this skills development process, through a cascade mechanism. A daily meeting dedicated to the Daily Kaizen has been set up within the departments, with the aim of analysing the previous day's results and defining improvement measures. Problems not resolved in the daily meeting are taken to the next level, to a meeting which may also be attended by managers. The result of this process was to make line operators become fully-fledged drivers, capable of broadening their skills not only in terms of production,

but also quality and maintenance. The simplest and most recurring skills of maintenance staff were transferred to the line operator who took on the role of driver, becoming more and more autonomous. This enabled maintenance staff to devote their time to tasks with a greater technical content. It is thanks to these measures that team leaders are able to transfer the mentality of change to line operators, who in turn will play an active role in the immediate resolution of problems and will help to achieve targets and objectives more easily.

*"The Kaizen Award was for us the recognition of an added value: the value of people."*



## Lavazza's Health, Safety, Energy and Environment Management System

In compliance with the **Corporate Policy for Health, Safety, Energy and Environment** implemented through the adoption of the **Occupational Health & Safety, Energy and Environment Group Guidelines**, in 2017 Lavazza continued to develop and implement its **Health, Safety, Energy and Environment Management System (SG-SSEA)**, conforming to standards ISO 14001, ISO 50001 and OHSAS 18001.

Originally conceived to involve the Italian production plants, the Headquarters and the Innovation Center, the SG-SSEA has gradually extended its scope to include the Carte Noire Operations plant in Lavérune (France), already ISO 14001 and OHSAS 18001 certified.

All SG-SSEA documentation is managed through the **SG-SSEA Portal**, which makes it possible to archive and manage all the procedures, records and documents associated with the System.

In 2017, the SG-SSEA was subject to an internal audit by the Lavazza Audit Team, involving onsite inspections at the Turin, Gattinara, Pozzilli and Lavérune plants and Headquarters. The results of the **internal audits**, along with the essential elements of the SG-SSEA, were analysed during the first **review of the SG-SSEA by the management** in October 2017.

The main goals achieved and activities carried out in 2017 as part of Lavazza's SG-SSEA were:

- renewal of **ISO 14001 and OHSAS 18001 certifications** for the Carte Noire Operations plant in Lavérune;

- formalisation of **environmental operating procedures** regarding main environmental issues (e.g., noise, water discharge, waste, atmospheric emissions, etc.);
- establishment of an **Energy Team** to evaluate energy improvement projects. This team monitors the consumption of energy resource; collaborates in developing and implementing the Management System; proposes and implements improvement actions in terms of energy performance. It is coordinated by the Lavazza Energy Manager and composed of personnel belonging to the Sustainability Department, Technical Area (Engineering, Plant), Purchasing Department, Controlling Unit and Facility Management;
- as regards health and workplace safety issues, the development of a special App called **"Virtual Control Tour - Safety"** that, by using a tablet able to simulate a guided path in the working areas and several defined check points, allows to assess the state of maintenance of work environments as regards main safety-related aspects and report any necessary corrective action. This is a practical measuring tool created to facilitate the control activities carried out by those in charge of security-related issues. This App has been fully adopted by the Group's Italian plants starting from October 2017.





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## Lavazza's environmental performance

Lavazza wants to commit responsibly to a sound environmental sustainability process involving all players in the supply chain, with the aim to identify areas of improvement on processes, which the organization has the power to influence and control. Redefining the Company's processes and products by applying the novel perspective of environmental sustainability and efficiency is a way of adequately responding to an evolving market, where the increasingly strict environmental regulations and the expectations of stakeholders.

In pursuit of this goal, over the years Lavazza has honed its skills in assessing the environmental impacts of its products and the organization's activities, with the aim of mitigating and preventing such impacts in a process of ongoing

improvement. It is according to this perspective, that environmental sustainability criteria are gradually becoming part of the approach of evaluating products and initiatives, through both ongoing education and raising-awareness activities and the effective use of the results of the LCA analyses conducted.

The awareness-raising process goes hand-in-hand with the expansion of the scope of the Sustainability Report, which this year also includes the activities of the Lavérune production plant and several subsidiaries and expands some categories of indirect emissions, as discussed below.



To measure and report the way that the various stages of the supply chain contribute to environmental impact, Lavazza has used the Carbon Footprint indicator<sup>2</sup>.

In order to quantify and report greenhouse gas emissions at a corporate level, considering the Company's direct and indirect emissions as a whole, Lavazza adopted the following methodologies: ISO 14064:2006 standards<sup>3</sup>; the GHG Protocol Corporate Standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD); the Publicly Available Specification (PAS) 2050:2011, developed by DEFRA (Department for Environment, Food and Rural Affairs, UK), Carbon Trust and the British Standard Institute (BSI).

<sup>2</sup> Sum of greenhouse gas emissions (3.1.3.5) and removals (3.1.3.6) in a product system (3.1.4.2), expressed as CO2 equivalents (3.1.3.2) and based on a life cycle assessment (3.1.5.3) using the single impact category (3.1.5.8) of climate change, (as defined by ISO/TS 14067/2013)

<sup>3</sup> UNI ISO 14064- 1 Part 1: Specification with guidance at the organisation level for quantification and reporting of greenhouse gas emissions and their removal.



Categories of emissions analyzed are briefly described below.

**SCOPE 1**

**Direct Emissions**

- Direct emissions from combustion of natural gas to generate thermal power used for heating and the manufacturing process
- Direct emissions from the combustion of diesel oil used to fuel vehicles owned by the Company and that are used for handling goods within the manufacturing plants<sup>4</sup> and to fuel the fleet of company cars
- Fugitive emissions related to loss of refrigerant fluids used in some equipment (heat pumps, refrigeration and air conditioning systems)<sup>5</sup>.

**SCOPE 2**

**Indirect Emissions**

- Emissions from consumption of purchased electricity.

**SCOPE 3**

**Other Indirect Emissions**

- Emissions from the production of green coffee
- Emissions from the production and disposal of raw materials packaging
- Emissions from the consumption of water in the manufacturing plants and Headquarters
- Emissions from the treatment of waste
- Emissions from the distribution of finished products<sup>6</sup>
- Emissions from the disposal of coffee after consumption.

The environmental impact is represented as the percentage of distribution over the entire value chain. The system scope includes the Headquarters, the sales branches and the Italian manufacturing plants in Turin, Gattinara, Verrès and Pozzilli, the production plant in Lavérune and the subsidiaries Lavazza France and Merrild. It includes the flows of green coffee, raw materials, packaging materials and the distribution of finished products.

The system scope excludes the production of food raw materials other than coffee (i.e., solubles) and the consumer phase, understood as both the production of coffee machines and their use by consumers.

As shown by the chart, the trend of relevant impacts was unchanged, with the greatest impact generated by green coffee cultivation and procurement, followed by the production and disposal of packaging and the disposal of coffee after consumption. Activities linked to the manufacturing plants and offices and for the distribution of finished products do not contribute significantly to the Organisation's total emissions. The following charts represent the trend of tonnes of CO<sub>2</sub>-equivalent emissions (direct and indirect) both in absolute terms and in relation to tonnes of processed coffee. To ensure comparable data, it was decided to report impact performance based on a similar system scope. Accordingly, for 2017 the first chart includes the same categories of emissions considered in the three-year reporting period, whereas the second shows the impact for the new categories included (the Lavérune production plant and the subsidiaries Lavazza France and Merrild).

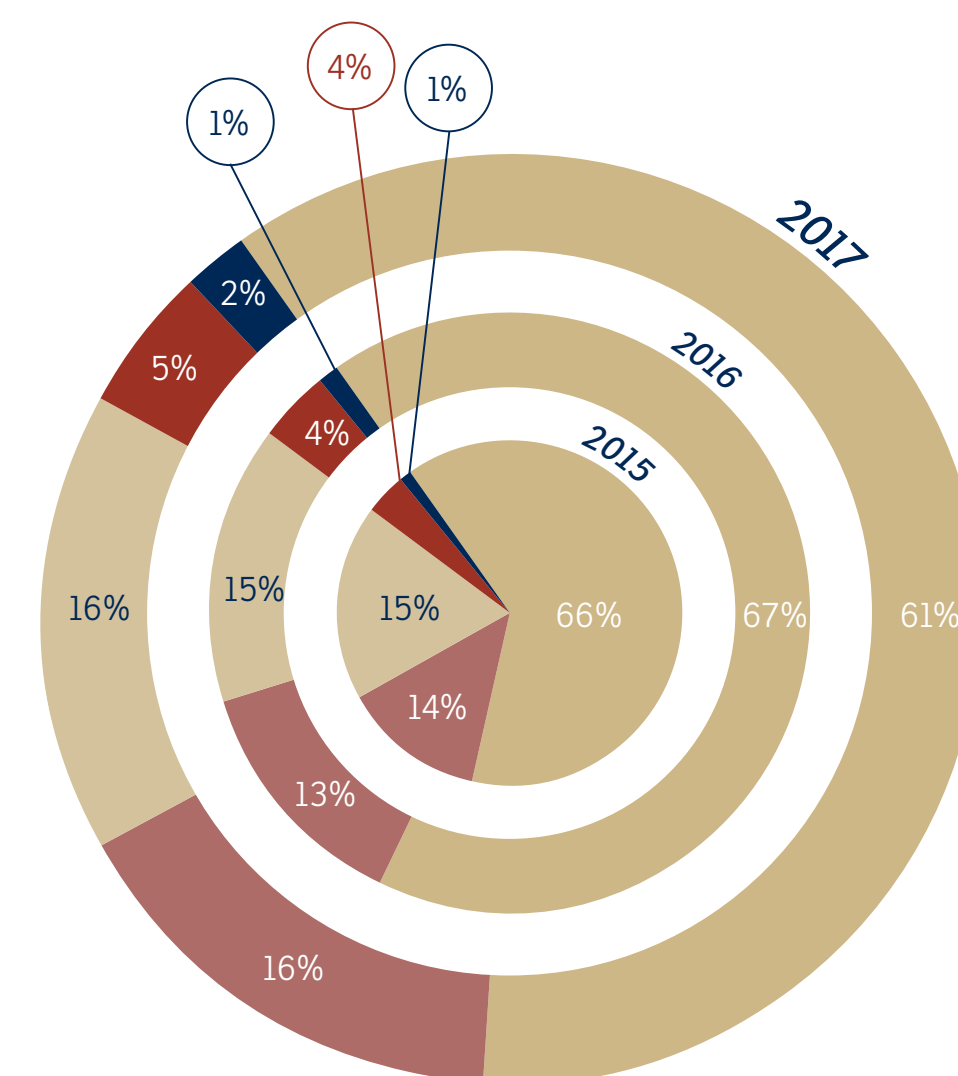
<sup>4</sup> In 2016 and 2017, no vehicles owned by the Company were used for handling goods within the manufacturing plants.

<sup>5</sup> In 2017, no impacts were reported for this category of emissions.

<sup>6</sup> In 2017, the local distribution in France, Germany, Austria, UK, USA and Australia was also taken into account.

**Breakdown of Lavazza's GHGs (%)**

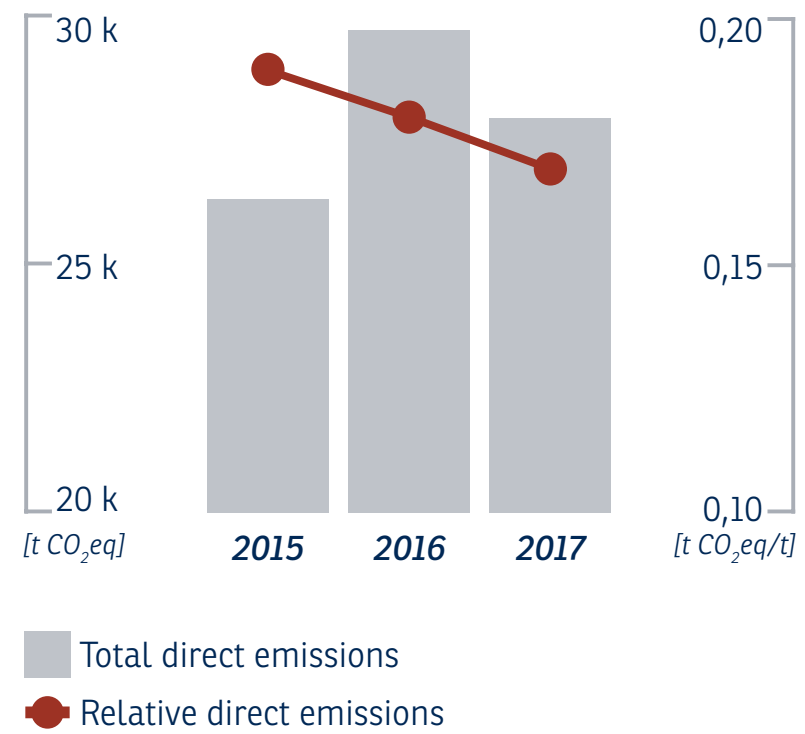
- Green coffee
- Packaging
- Disposal of coffee after consumption
- Emissions related to manufacturing sites
- Distribution of finished product



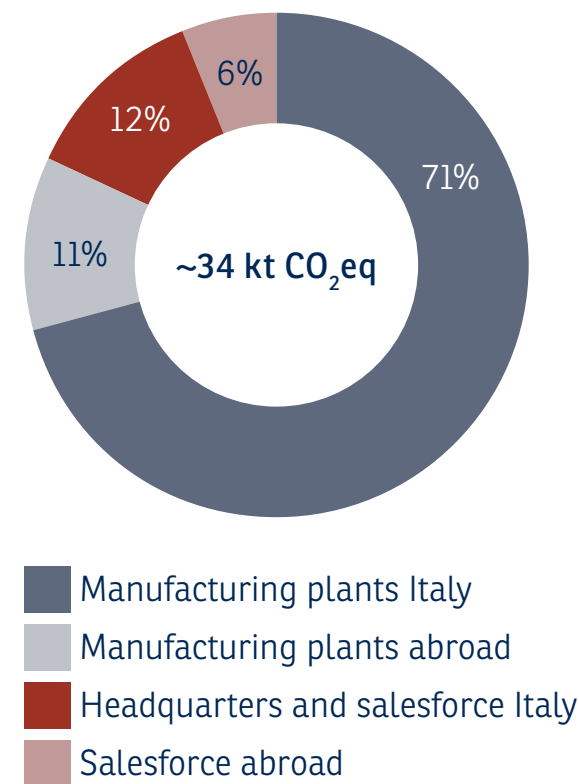
### Direct Emissions

In the category of direct emissions considered, the overall impact declined in 2017, primarily due to efforts to renovate the Turin and Gattinara plants, in addition to the new electric heating system used at Headquarters.

#### DIRECT EMISSIONS SCOPE 1



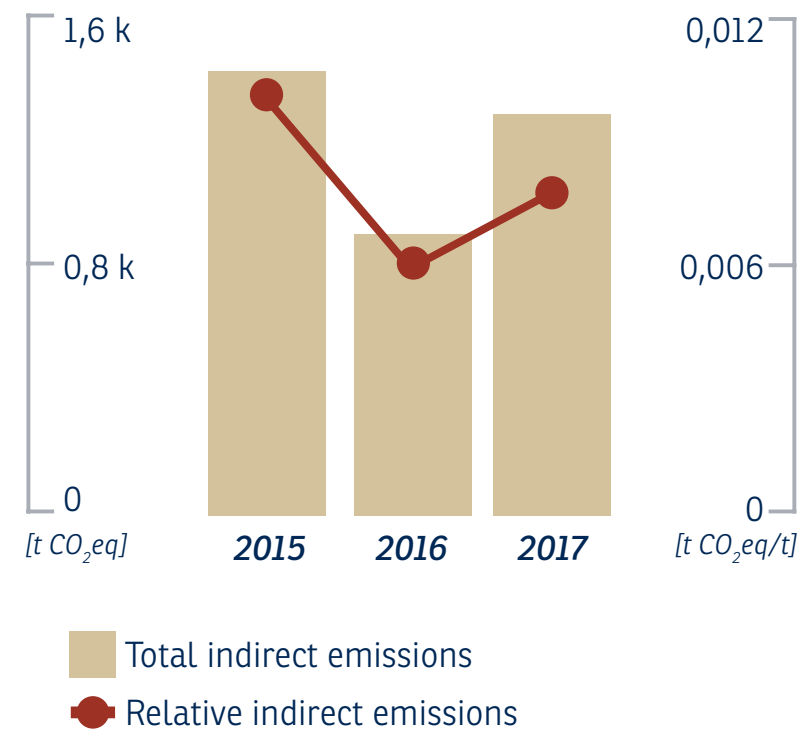
#### BREAKDOWN OF DIRECT EMISSIONS



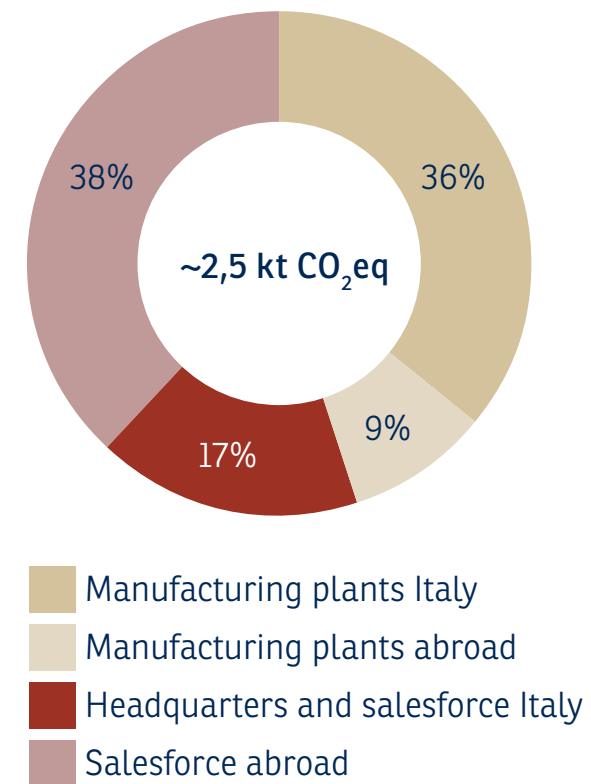
### Indirect Emissions and Other Indirect Emissions

There was a slight increase in indirect emissions in 2017, attributable to the change of the renewable energy source selected for LEED certification of the Headquarters, along with an increase in production and the larger number of operating units considered.

#### INDIRECT EMISSIONS SCOPE 2

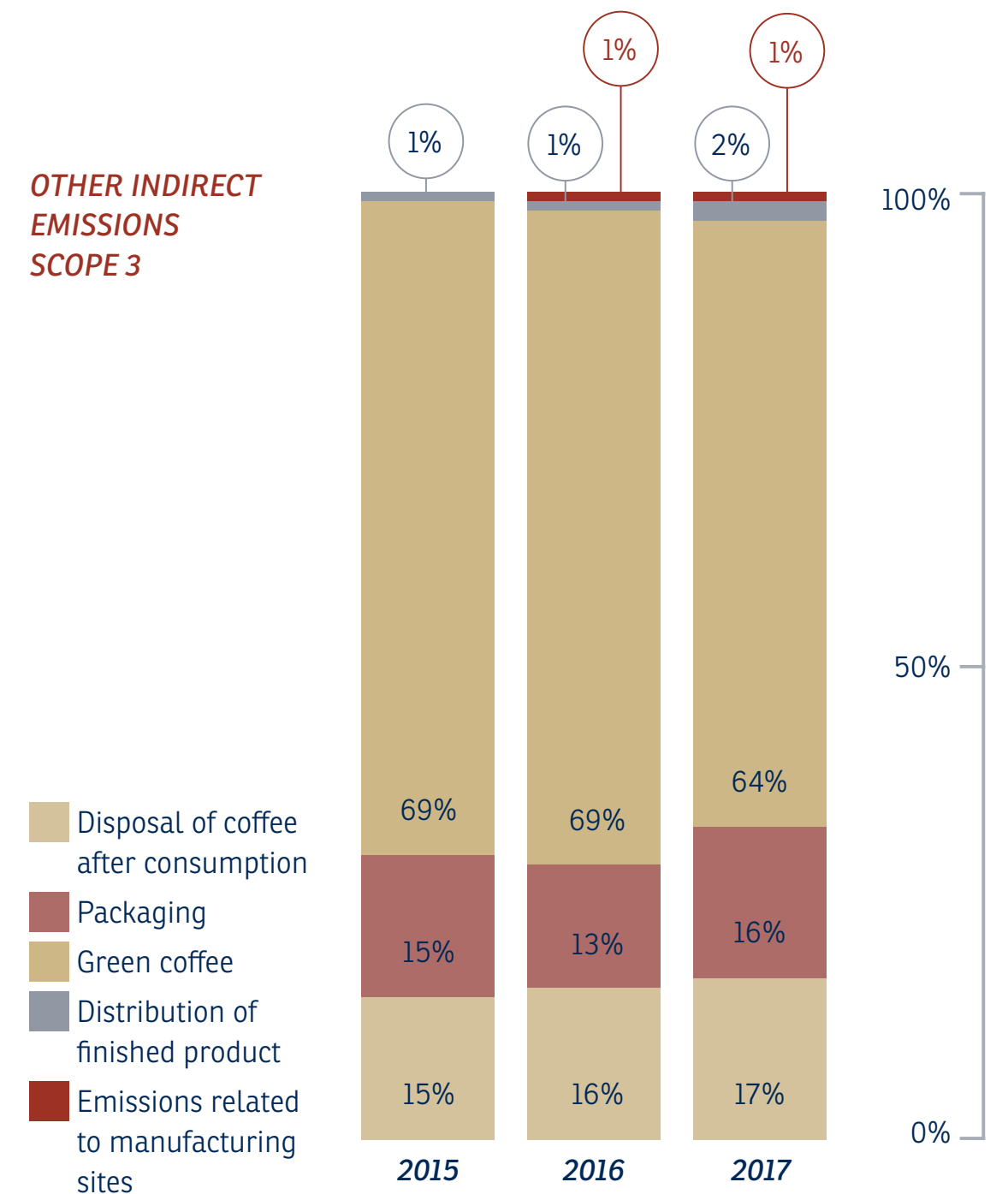


#### BREAKDOWN OF INDIRECT EMISSIONS



Over the years, the Group has also made a priority of expanding scope 3 categories, which are associated with the company's core business but are not under its direct control. For example, as part of this process, attention was devoted to how the local finished product is distributed in France, Germany, Austria, the United Kingdom, the United States and Australia and how waste is managed in countries where products are marketed. Further information on environmental performances is provided in the paragraph below.

#### OTHER INDIRECT EMISSIONS SCOPE 3



## Packaging GHG emissions

Lavazza designs its packaging to ensure a consistently high level of product quality and long shelf life, in addition to complying with the essential requirements of environmental directives and technical standards. Such standards encourage preventative measures in the area of packaging, throughout the production chain, with actions aimed at decreasing the use of raw materials, adopting non-polluting processes and technologies and reducing waste production.

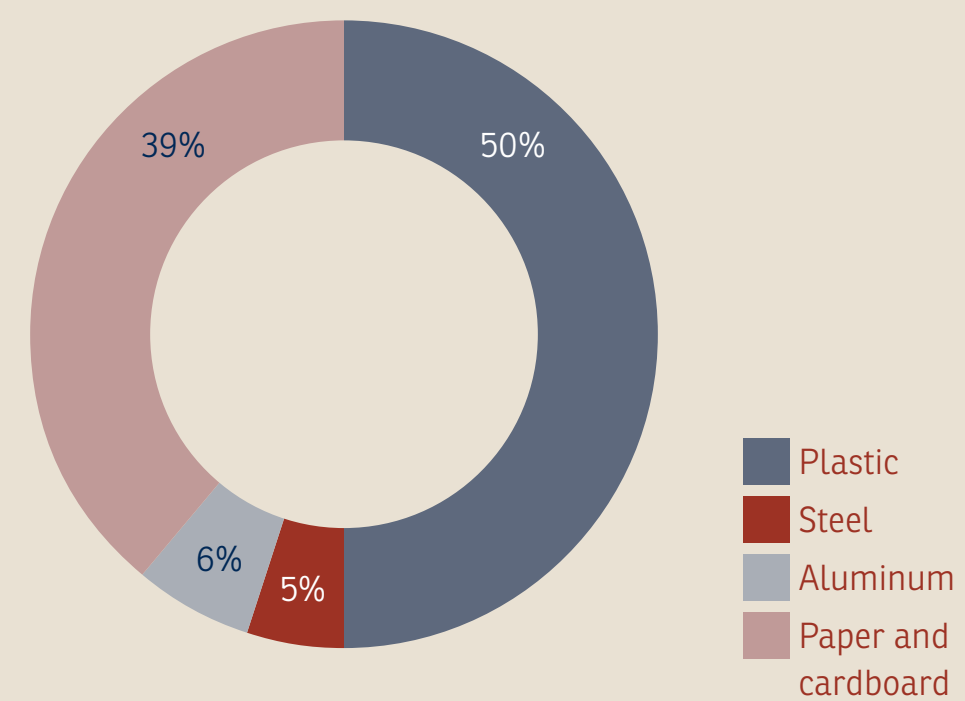
The combined analysis of product safety and quality, on the one hand, and environmental footprint, on the other, has yielded significant results with regard to product packaging, reducing processing scraps and optimising the procurement of virgin raw materials. A significant example of this approach is the development of the self-protecting capsule at the Lavérune plant, which allowed the elimination of some protective elements of product packaging and optimised logistics, thereby significantly improving the environmental footprint.

The main bulk material used in the Lavazza product line is plastic, followed by cellulosic components (paper and cardboard). Total primary, secondary and tertiary packaging materials amount to approximately 22,500 tonnes.

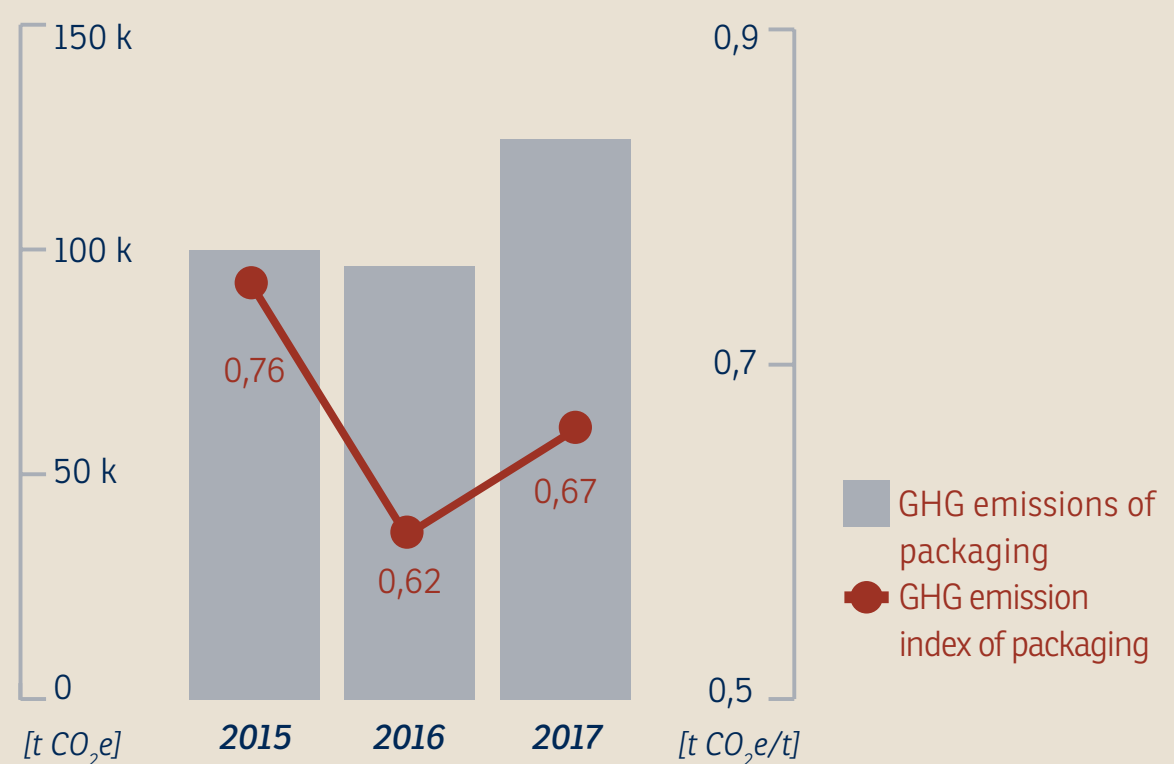
Sustainable package design can be fostered by constantly improving the system of environmental data reporting, with a special focus on raw materials used and processes adopted. To achieve this goal, new data collecting systems are currently being implemented in Lavazza, with the aim of identifying critical areas more swiftly as well as planning corrective measures and environmental improvement solutions.

Greenhouse gas emissions associated with packaging increased slightly in 2017. This was largely due to the expansion of the reporting scope, which now includes the Lavérune plant, and the modelling of the end of the packaging life cycle, in order to reflect finished product distribution worldwide.

Percentage breakdown by type of packaging material



GHG emissions - Packaging





The objectives of SG-SSEA include the continuous improvement of environmental and energy performance, which are constantly monitored according to individual factors of impact.

This section presents data and information regarding:

- energy consumption (electricity and heat),
- water consumption,
- waste water volumes,
- production waste and its management (disposal, recycling, etc.),
- substances harmful to the stratospheric ozone, (if any),
- substances harmful to the stratospheric ozone (if any),
- environmental fines (if any).

### Energy Consumption

The data reported herein refer to the electricity and heat consumption for industrial and civil use and fuel consumption for the corporate vehicle fleet.

The conversion factors used to calculate the energy indicators are those indicated by the "Indicator Protocols Set Environment (EN) Food Processing Sector Supplement Version 3.0 FPSS Final Version".

When calculating heat consumption for converting from m<sup>3</sup> to GJ, specific Italian coefficients were used according to the criteria adopted in the previous Sustainability Reports.

**100%**  
*electric energy  
from renewable sources  
for Italian and French plants*

### Electricity consumption

Electricity is consumed to operate the systems, production lines and ancillary services, such as for generating compressed air and for office work.

The chart represents the absolute amount of electricity consumed expressed in Giga-Joules and the specific energy consumptions (or indices) compared to tonnes of packaged coffee.

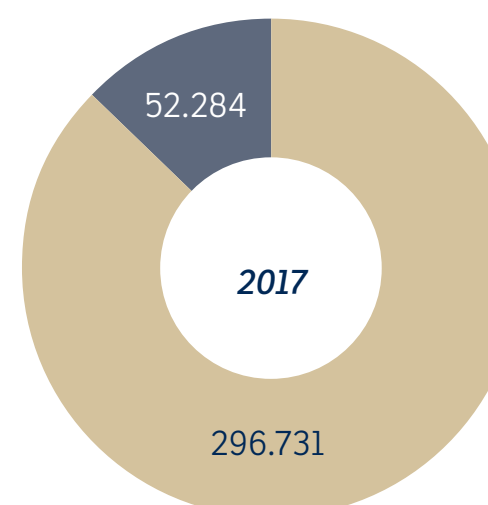
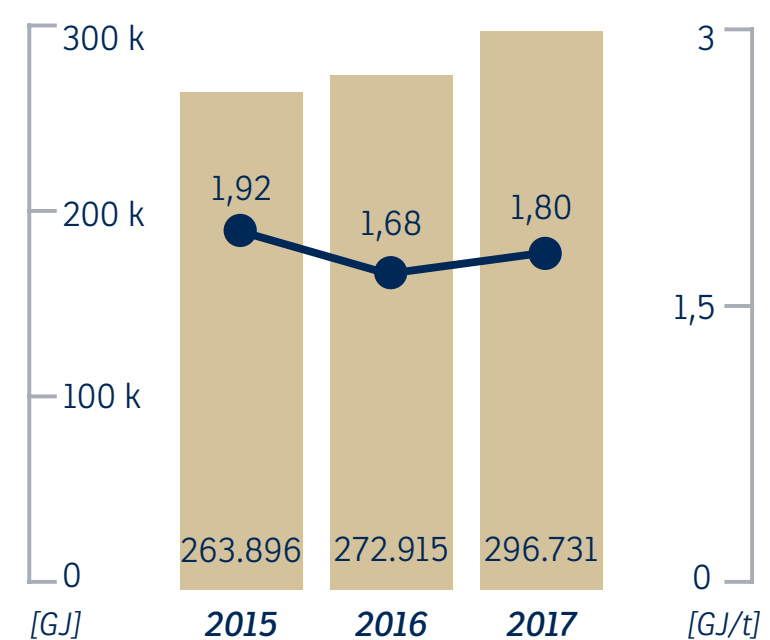
The increase of absolute electricity consumption in 2017, compared to the previous years, is attributable to the increase of production and operational units considered.

In 2015-2017 period, the implementation of a systematic improvement plan involved a series of both technical and management interventions aimed at making the productive process more efficient. These interventions included, on the technical side, the redevelopment of the set of compressors and the introduction of those used for lighting; from the management side, the achievement of high efficiency of the production lines, shutdown of utilities on stand-by, completion of special maintenance tasks in the various manufacturing plants. The extent of the results achieved resulted in the decrease in specific electricity consumption, which fell from 1.92 to 1.80

[GJ/t]. This result was achieved despite the installation of a number of cooling systems in various departments and an increase in the number of operating units within the reporting scope due to the gradual transfer of all personnel from the old Headquarters to the new one. This process entailed the simultaneous occupancy of two properties, with the resultant increased power consumption for general services. In addition, winter heating at the new Headquarters is based on the use of electric systems not involving the combustion of methane gas.

For an overview of total electricity usage by all organisational units within the reporting scope, the following chart provides the absolute values (in Giga-Joules) of the following companies: Lavazza S.p.A., Lavazza France, the French Carte Noire manufacturing plant and its Headquarters and the Danish subsidiary Merrild.

The relative specific electricity consumption (or index) compared to tonnes of packaged coffee corresponds to 1.74 [GJ/t].



■ Absolute electricity consumption [GJ]  
● Electricity consumption index [GJ/t]

■ Electricity consumption of Luigi Lavazza S.p.A.  
■ Electricity consumption of subsidiaries in scope

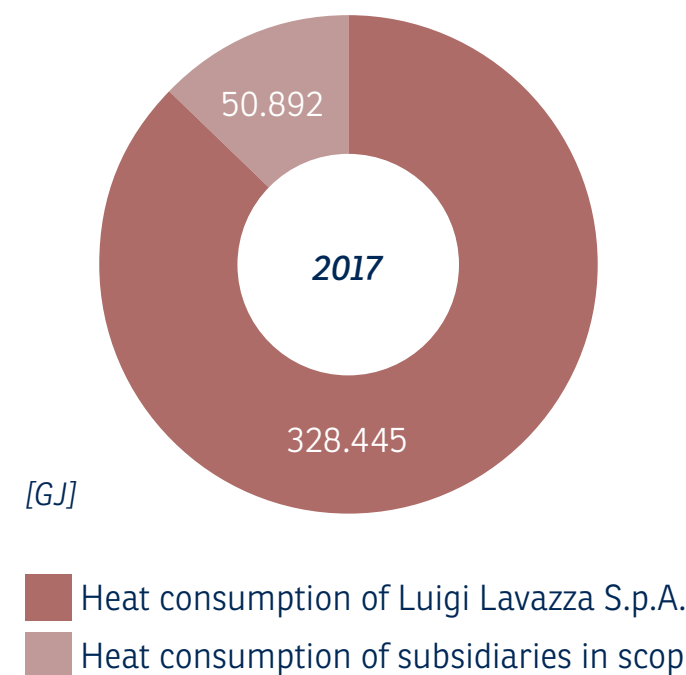
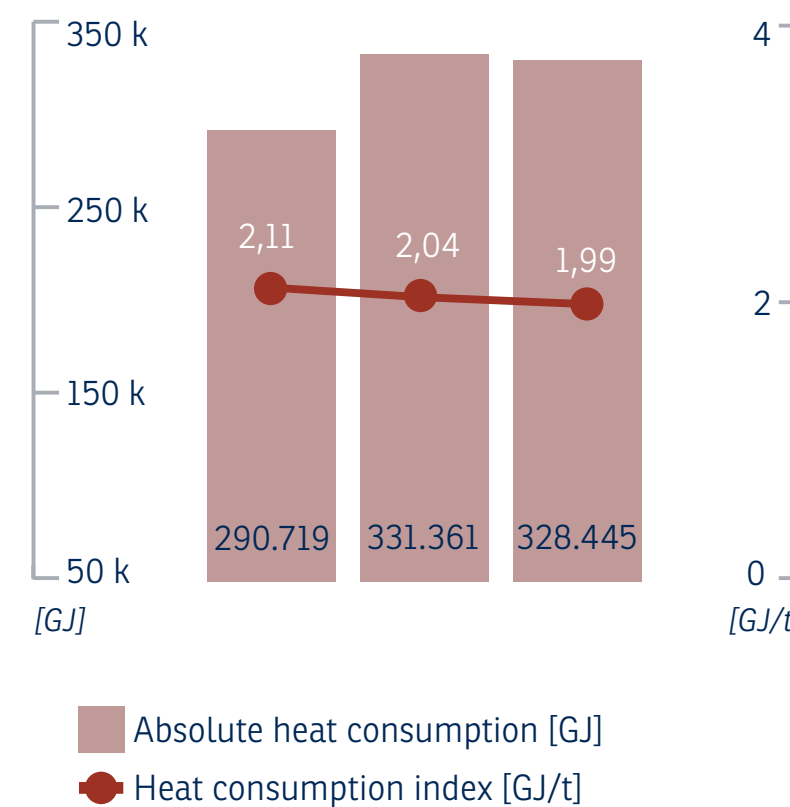
### Heat consumption

Heat consumption, which consists exclusively of the consumption of natural gas, is required to operate the production facilities, in particular the coffee roasting and decaffeination lines, and to generate heat for the buildings. The process component is proportional to the quantity of processed coffee, while the second aspect is dependent on external weather conditions.

The chart represents the absolute amount of heat consumed expressed in Giga-Joule of Luigi Lavazza S.p.A. and the specific heat consumptions (or indices) compared to tonnes of packaged coffee.

In the three-year period 2015-2017, process heat consumption remained stable, while energy used to heat buildings dropped significantly because of the newly upgraded thermal power stations in the manufacturing plants of Turin and Gattinara, as well as changes in the resources used to heat the Headquarters: the new Headquarters uses electric heating, whereas the old facility used natural gas. An overview of the thermal energy usage (in absolute terms, measured in Giga-Joules) of all organisational units within the reporting scope is provided in the following chart.

The relative specific consumption of natural gas (or index) compared to tonnes of packaged coffee corresponds to 1.94 [GJ/t] and is referred only to Luigi Lavazza S.p.A and Carte Noire Operations.



### Total energy consumption

The data of total energy consumption of Luigi Lavazza S.p.A. include electricity consumption, heat consumption and fuel consumption by corporate vehicle fleet.

In the three-year period 2015-2016-2017, the trend in absolute values displays an increase that is consistent on one hand with trend in the production of packaged coffee and on the other hand with trend in the electricity consumption for civil use included in the new extended reporting scope. Fuel consumption for the corporate vehicle fleet remains mostly stable.

The increase in specific energy consumption of about 1.5% is consistent with the energy usage of the non-industrial organisational units included in the new extended reporting scope.

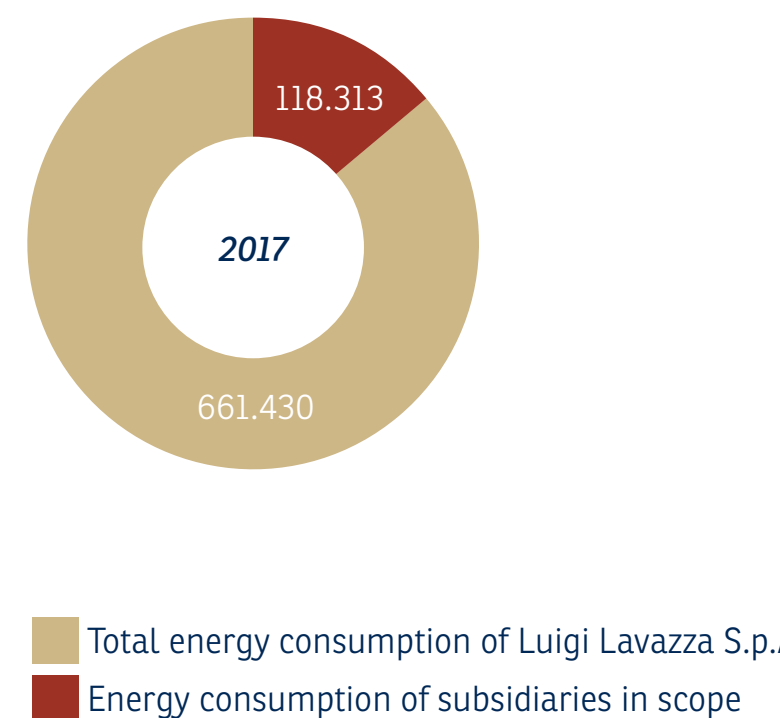
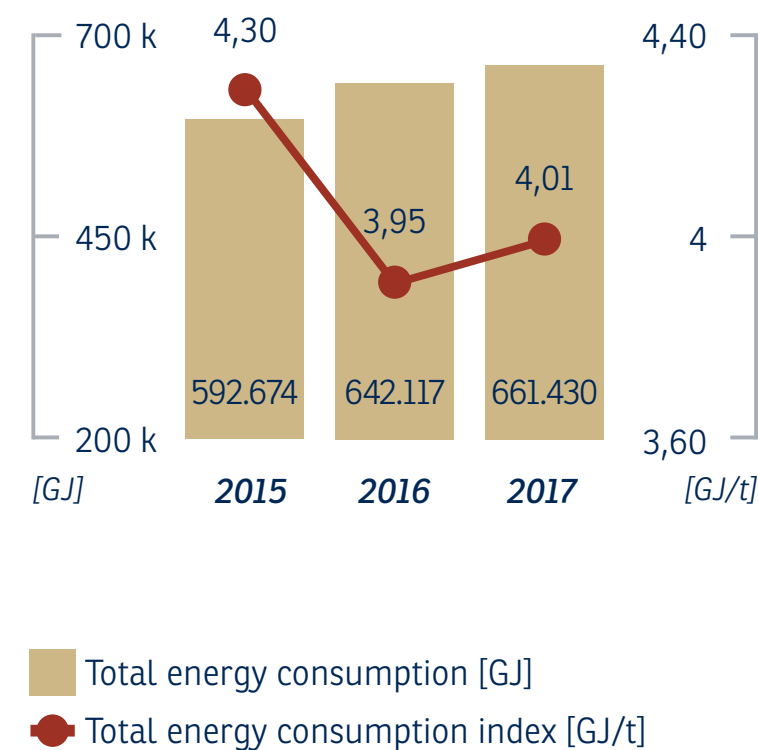
The accurate energy model developed in 2015 for all manufacturing plants in accordance with Italian Legislative Decree No. 102/14 - "Implementation of Directive 2012/27/EU on energy efficiency" and in accordance with standard UNI ISO 50001 - "Energy management systems - Requirements and guidelines for use" has proved decisive in identifying the improvements that the Company needed to introduce. In addition, the

energy monitoring system installed at the manufacturing plants in Turin and Gattinara, which is where the most of the energy is consumed, proved to be an essential tool to verify the effectiveness of the interventions implemented.

The energy simulation developed as part of the LEED certification process for the Nuvola, the new Headquarters, is another fundamental energy conservation tool. The simulation calculated the expected consumption levels for the new organisational unit; consistency with these consumption levels is periodically assessed through an automatic monitoring system installed with the precise aim of ensuring informed, efficient energy management.

The following chart provides an overview of the energy consumption of all organisational units within the reporting scope (in absolute terms, measured in Giga-Joules).

The relative index of total energy consumption compared to tonnes of packaged coffee corresponds to 3.87 [GJ/t]. Data refer to Luigi Lavazza S.p.A. and Carte Noire Operations.



### Water consumption

Most of water consumption of Luigi Lavazza S.p.A. is linked to the manufacturing plants and particularly to the coffee roasting and decaffeination processes, cooling of machinery used in the production of compressed air and for hygiene and sanitary use.

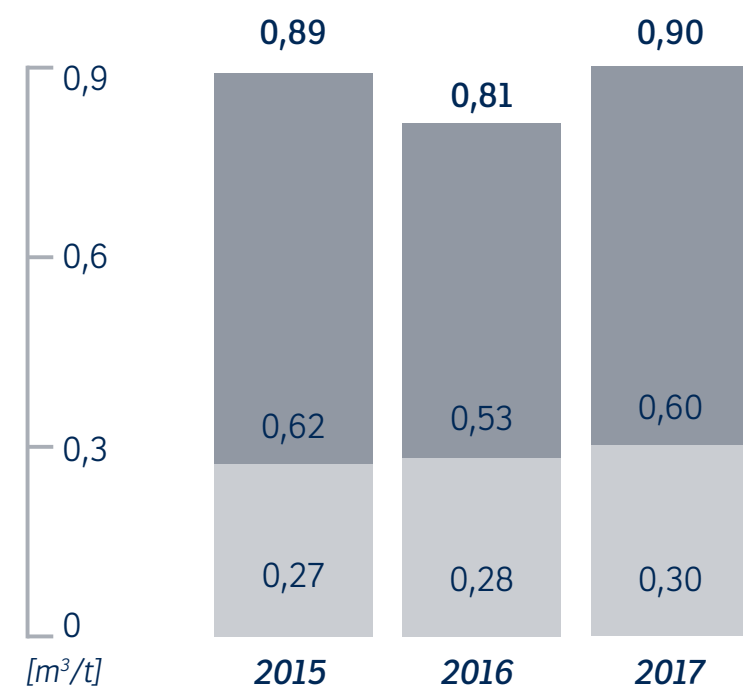
The chart shows the specific water consumption of Luigi Lavazza S.p.A. expressed in m<sup>3</sup> of water consumed (for civil and industrial use) compared to tonnes of packaged coffee.

The increase in civil water consumption is attributable to the increased workforce and simultaneous operation of two Headquarters (the Nuvola and the previous Headquarters).

The increase in industrial water consumption compared to 2016 was due to greater use of cooling systems (e.g. cooling towers serving compressors) due to higher summer temperatures than in the previous year.

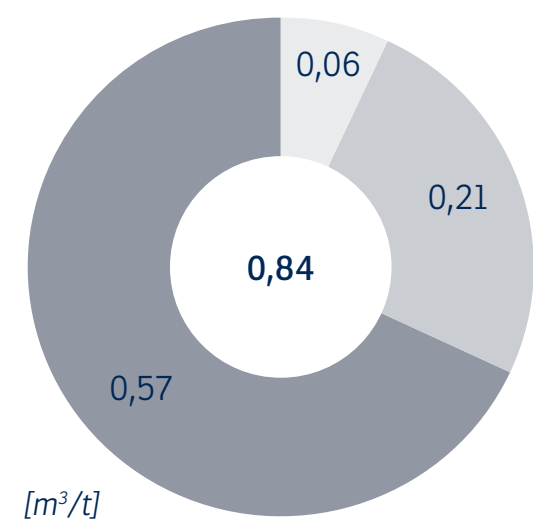
The chart shows the water consumption of Luigi Lavazza S.p.A. and Carte Noire Operations SAS in m<sup>3</sup> per tonne of packaged coffee. The water consumption index is 0.84 [m<sup>3</sup>/t].

#### WATER CONSUMPTION INDEX



■ KPI of industrial water consumption  
■ KPI of civil water consumption

#### WATER CONSUMPTION 2017



■ KPI of civil water at civil sites  
■ KPI of civil water at industrial sites  
■ KPI of industrial water

### Wastewater

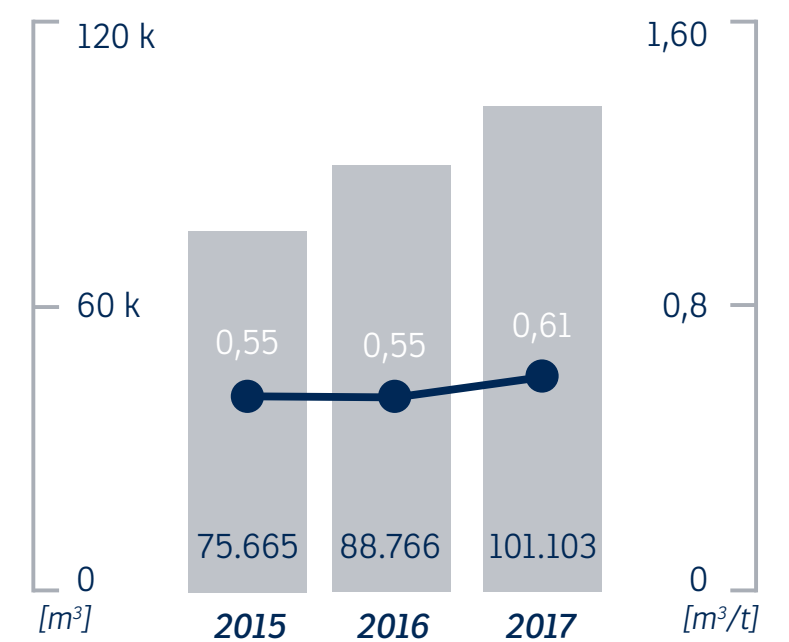
The chart represents all wastewater generated at the Italian manufacturing plants, included Nuvola and at the previous Headquarters. The chart shows the absolute wastewater expressed in m<sup>3</sup> of water discharged and the respective specific wastewater (m<sup>3</sup>) compared to tonnes of packaged coffee.

Absolute wastewater increased consistently with absolute water consumption.

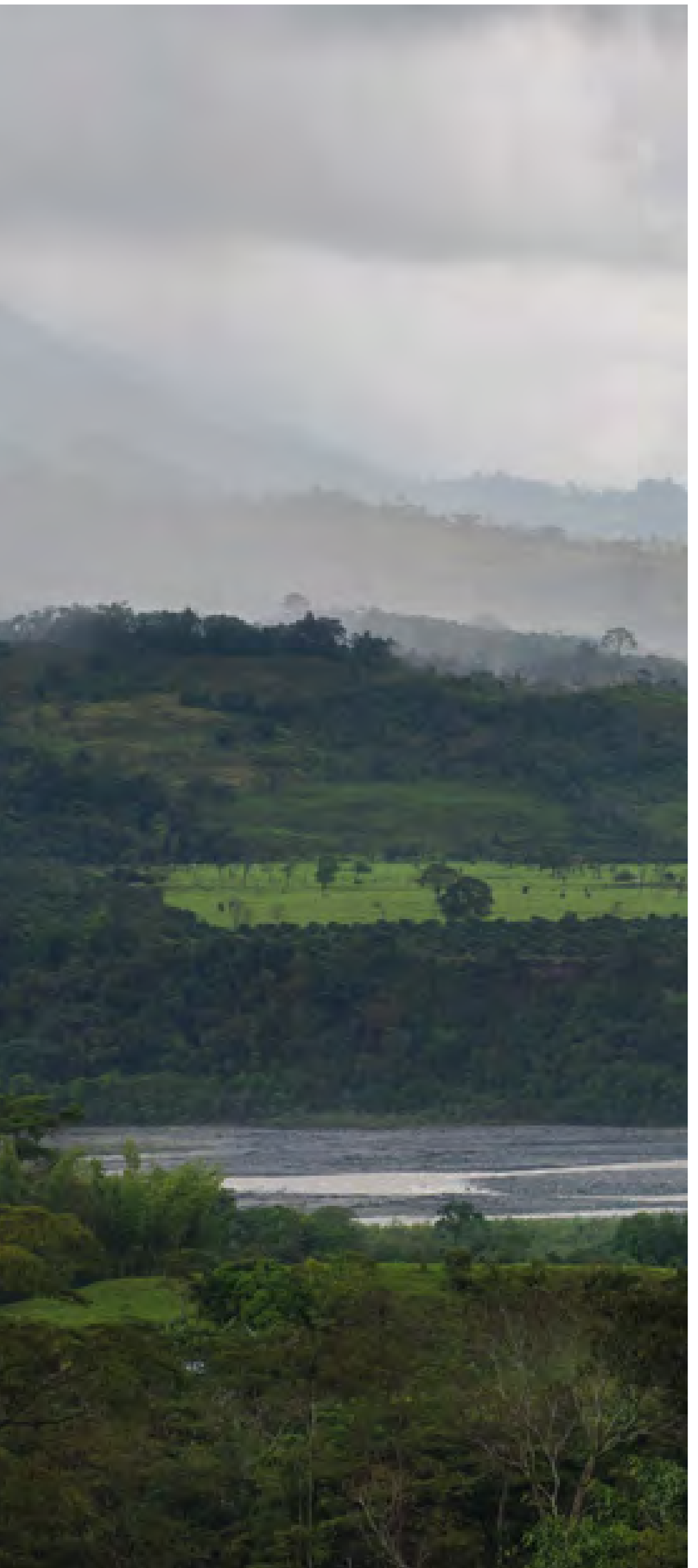
### Water reuse and recycling

The production process requires the circulation of cooling water in closed loops to operate the systems and plants.

#### WASTEWATER



■ Total wastewater  
● KPI of wastewater/production





## Waste

The data about waste refers to Luigi Lavazza S.p.A. and includes:

- production waste,
- waste generated by administrative activities and advertising, with the exception of solid urban waste,
- WEEE (waste electrical and electronic equipment) due to the disposal of coffee machines.

Lavazza is actively committed to reducing the amount of production waste by improving its processes, progressively adopting methods for the efficient management of the temporary storage areas and by organising campaigns to raise awareness among employees.

The chart represents the amount of waste generated and expressed in tonnes, divided between waste classified as "hazardous", "non-hazardous" and total waste.



During 2017, the amount of total waste produced was higher than the previous year. This increase is due to the higher production of packaged coffee and the necessary decommissioning of obsolete plant.

Hazardous waste, after a temporary increase due to the disposal of a number of items in 2016, came back to 2015 values. The percentage of waste used for recycling compared to the total waste generated also increased for the same reason.

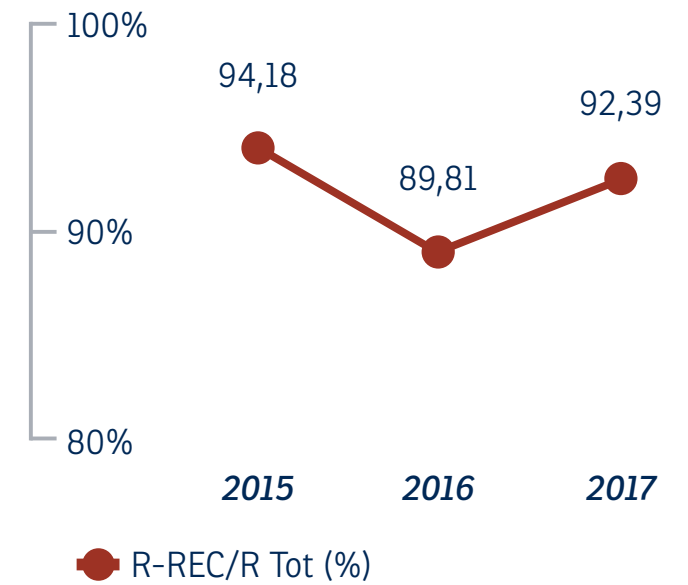
With regard to the kg of waste produced, (divided between hazardous and non-hazardous) per tonne of packaged coffee, we ought to point out that in 2017, 1 tonne of packaged coffee generated 54.43 kg of waste, of which 54.01 kg classified as "non-hazardous" and 0.42 kg classified as "hazardous". Waste generated per tonne of packaged coffee therefore increased from an overall 53.45 to 54.43 kg, up by about 1%.

This increase can be attributed to the process of vacating the old Headquarters.

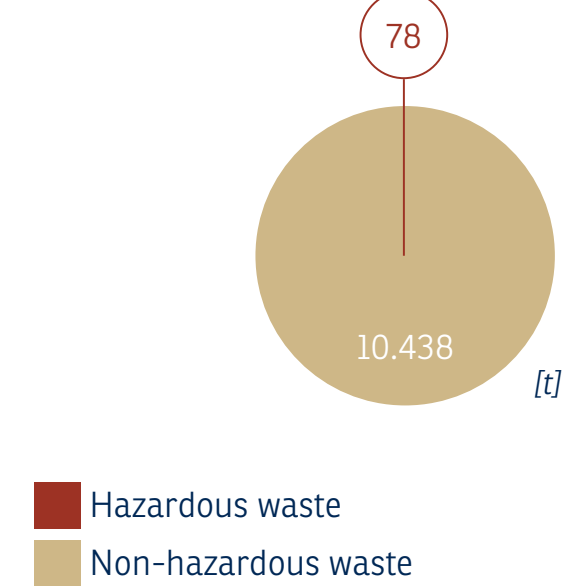
The types of waste produced (i.e.: coffee waste, paper and cardboard and WEEE) permit significant recovery of waste, as shown in the following chart, which presents the percentage of total waste produced subject to recovery.

## RECOVERED WASTE

Luigi Lavazza S.p.A.



## WASTE 2017



The chart represents the absolute waste produced by Luigi Lavazza S.p.A. and Carte Noire Operations Sas expressed in tonnes. The related specific index, calculated as tonnes of waste generated in respect of the packaged coffee produced, amounted to 53.85 [m³/t].

## Substances harmful to the stratospheric ozone

During 2017, there were no leaks of coolant gases containing ozone-depleting substances (HCFC). Maintenance of the equipment items that run on coolants is outsourced to specialised companies and equipment is being gradually replaced.

## Significant spills on soil, subsoil and aquifer

In the three-year period 2015-2016-2017, there were no significant spills of potentially polluting liquid substances.

## Environmental fines

In the three-year period 2015-2017, the Company was not charged any administrative fines and did not receive any formal complaints regarding environmental issues.



*Index*

*Methodological Note*

*1. The Lavazza Group:  
Globalisation, Growth,  
Sustainability*

*2. Sustainability at Coffee  
Roots: the Lavazza Foundation*

*3. From Bean to Cup:  
a Journey Made Up of People*

*4. Care for People  
and Local Communities*

*5. Continuous Improvement  
and Commitment to  
Environmental Sustainability*

*Appendix*

## Appendix



## Lavazza and the Global Compact

The United Nations Global Compact (GC) is the world's largest voluntary corporate citizenship initiative, which requires participating companies to adhere to a number of principles that promote the integration of sustainability in business. It was established as a result of the wish to promote a sustainable global economy that respects human and labour rights, safeguards the environment and fights corruption. The idea was first put forward in 1999 at the World Economic Forum in Davos, by Kofi Annan, former Secretary-General of the United Nations. He invited world economic leaders to sign a "Global Compact" with the United Nations, in order to work together to tackle the most critical aspects of globalisation.

In July 2000, the United Nations Global Compact (GC) was launched. The GC requires companies and organisations involved to share, sustain and apply, within their remittance, a set of fundamental, universally shared principles

Lavazza adhered to the ten principles in 2017, undertaking to renew its commitment on a yearly basis. Below is a description of the actions undertaken and the results achieved by Lavazza with regard to the criteria defined by the Global Compact.

### Human rights

#### PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights within their remittance

#### PRINCIPLE 2

Businesses should make sure that they are not complicit in human rights abuses, not even indirectly

### Labour

#### PRINCIPLE 3

Businesses should uphold the freedom of association of workers and the effective recognition of the right to collective bargaining

#### PRINCIPLE 4

Businesses should uphold the elimination of all forms of forced and compulsory labour

#### PRINCIPLE 5

Businesses should uphold the effective abolition of child labour

#### PRINCIPLE 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation

### Environment

#### PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges

#### PRINCIPLE 8

Businesses should undertake initiatives to promote greater environmental responsibility

#### PRINCIPLE 9

Businesses should encourage the development and diffusion of environmentally friendly technologies

### Anti-corruption

#### PRINCIPLE 10

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



## Global Compact

### Implementation of ten principles within business strategies and operational management

*Integration of sustainability in corporate functions and business units.*

*Implementation of sustainability in the value chain.*

The Lavazza sustainability reporting process, coordinated by the Institutional Relations & Sustainability (IR&S) Department, entails the involvement of the entire organisational structure of the Group Companies.

As part of the revision process of the Group sustainability strategy, the Lavazza value chain was analysed in order to identify the specific value generation macro-areas. Thanks to the contribution from the various corporate Departments, current and future sustainability initiatives linked to the business were identified.

During the monthly Managers' Meeting involving the Chief Executive Officer and those reporting directly to the latter, the Head of the IR&S Department presents the sustainability activities and the relative progress made.

The IR&S Department, established in 2016 and reporting directly to the Chief Executive Officer, is tasked with the management, planning and programming of sustainability initiatives, promoting the adoption and integration of CSR principles within the corporate business strategies and processes among the various Group Units.

The Department's main activities include:

- drafting of the Sustainability Report;
- Lavazza Foundation projects;
- community engagement initiatives;
- institutional relations;
- calculation and evaluation of the environmental impact and development of compensation mechanisms.

The expenses sustained in terms of sustainability in 2017, including the cost of staff working in the Department, amount to more than €1.8 million.



## Global Compact

### Sound management of policies and procedures related to human rights

#### HUMAN RIGHTS

**Principle 1.** *Businesses should support and respect the protection of internationally proclaimed human rights within their remittance.*

**Principle 2.** *Businesses should make sure that they are not complicit in human rights abuses, not even indirectly.*

#### COMMITMENTS, POLICIES AND OBJECTIVES

In order to share its values and the ethical and behavioural principles to which the Group aspires with its stakeholders, Lavazza has prepared the following three documents:

- Code of Ethics;
- Supplier Code of Conduct;
- Employee Code of Conduct.

The first two documents can be consulted both on the Lavazza Intranet and on its corporate website, while the third is only available on the corporate Intranet.

The Code of Ethics and the Supplier Code of Conduct contain explicit references to the principle of respect for human rights. In greater detail:

- **Code of Ethics:** respecting the rights and dignity of the communities in which the Group operates means for Lavazza acting in compliance with local and international laws and regulations. Lavazza chooses to work with players who recognise and respect the principles expressed in the Code. The company thus prefers to operate with players who, *inter alia*, protect human rights. Lavazza uses objective, impartial and comparable criteria, which reward those commercial partners whose activity is carried out in the full respect of internationally recognised human rights, labour and environmental principles.
- **Supplier Code of Conduct:** it includes Chapter 4 dedicated to "Labour & Human Rights", broken down into the following paragraphs: Legal Contract for Workers, Health & Safety, Non-Discrimination, Prevention of Forced Labour, Child Labour, Working Hours, Wages and Benefits, Privacy, Freedom of Association. As specified in the Code, Lavazza embraces the values expressed in the Universal Declaration of Human Rights and in the Fundamental Conventions of the International Labour Organization (ILO). Suppliers must always behave in such a manner so as to comply with these conventions and protect and promote

human rights in all their relationships, and always consider their counterparts as professionals and — first and foremost — human beings.

Lavazza adheres to the UN Global Compact's Ten Principles that derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, the Convention on the Rights of the Child, and the United Nations Convention Against Corruption and underlines, in particular, the importance of principle 1 and principle 2 referring to Human Rights.

If the Suppliers act in a country that has not ratified ILO standards (or any other above-mentioned convention), Lavazza may reserve the right to ask those Suppliers to demonstrate that they substantially respect the ILO standards on Forced Labour, Freedom of Association, and Child Labour.

The Supplier Code of Conduct was prepared taking as a reference internationally recognised rules, such as the United Nations Universal Declaration of Human Rights, the ILO International Labour Standards, The Children's Rights and Business Principles developed by Save the Children, UNICEF and UN Global Compact and the UN's Ten Principles of the Global Compact.

### ACTIONS IMPLEMENTED

In 2017, Lavazza established and launched, in partnership with Save the Children, the Children's Rights and Business Principles project. This project involves mapping the impacts of Lavazza's activities relating to children's rights and drawing up specific plans for the following corporate Areas:

- Lavazza Foundation
- Community Engagement
- Human Resources
- Purchasing
- Coffee Buying Department
- Marketing and Training Center
- Public Relations and Events.

This project aimed to introduce CSR issues into operating and corporate business activities. In February 2017, a one-day workshop was organised that explored the following subjects:

- key contents of the Children's Rights and Business Principles (CRBPs);
- principles deemed particularly significant for Lavazza;
- background on how CRBPs respond to the principles of the UN Global Compact;
- connection between the SDGs and CRBPs with reference to the business areas particularly significant to Lavazza;
- methods with which CRBPs can be integrated in corporate policies, codes, documents and practices.

Lavazza has established a specific programme of work with Save the Children designed to raise awareness about CRBPs among its suppliers. In 2017, Lavazza mapped its suppliers with the highest risk of child labour. Specific assessment, training and awareness initiatives will be implemented among Lavazza suppliers in 2018 in order to prevent child labour.

Lavazza requires its suppliers and partners to read and accept the Group's Code of Ethics and Supplier Code of Conduct, undertaking to comply with the values and principles set out therein.

The Code of Ethics, the Supplier Code of Conduct and the Employee Code of Conduct describe how to notify Lavazza about violations or suspected violations of the principles contained in the Codes (e.g., dedicated email address).

### MONITORING AND ASSESSMENT MECHANISMS

Lavazza has not received any reports and does not have any lawsuits underway with reference to the violation of human rights.

As indicated in Lavazza's Supplier Code of Conduct, the Company reserves the right to assess, with or without prior notice, Suppliers' compliance with the Code by Lavazza personnel or by organisations appointed by Lavazza.

Such controls may include facility inspections and worker interviews. Lavazza requires collaboration from Suppliers during these auditing activities and expects Suppliers to address shortcomings with regard to the Supplier Code of Conduct with targeted corrective measures and remedies. Where any non-compliance with this Code is reported by Suppliers or assessed by Lavazza during auditing activities, Lavazza may ask the Supplier to plan and implement any necessary corrective actions.

Lavazza reserves the right to terminate any relationship or agreement with Suppliers refusing to take corrective actions within a reasonable period of time, without any prejudice to any other rights and remedies set forth by the applicable law and consequential to such termination.

## Global Compact

Sound management of policies and procedures related to labour

### LABOR

**Principle 3.** *Businesses should uphold the freedom of association of workers and the effective recognition of the right to collective bargaining.*

**Principle 4.** *Businesses should uphold the elimination of all forms of forced and compulsory labour.*

**Principle 5.** *Businesses should uphold the effective abolition of child labour.*

**Principle 6.** *Businesses should uphold the elimination of discrimination in respect of employment and occupation.*

### COMMITMENTS, POLICIES AND OBJECTIVES

The tools used by Lavazza for sharing its ethical and behavioural values and principles with its stakeholders include specific references to employment policy and procedures. In greater detail:

- **Code of Ethics:** respecting the rights and dignity of the communities in which the Group operates means for Lavazza acting in compliance with local and international laws and regulations; Lavazza chooses to work with players who recognize and respect the principles expressed in the Code. The company thus prefers to operate with players who, *inter alia*, guarantee safe, secure, fair and dignified working conditions
- **Employee Code of Conduct:** the Lavazza Group intends to create a dignified working environment, based on the protection of individual freedom, dignity and inviolability, as well as the principles of integrity in interpersonal relations, which will allow all employees to work in peace and to the best of their abilities. Lawfulness, loyalty and fairness must guide the behaviour of all employees at every level. Because of this, the Lavazza Group condemns all form of discrimination and oppression in the workplace and demands that there should be no harassment or unfair conduct in internal and external work relations, requiring its employees to help keep the working environment respectful of the sensibility and dignity of others. The Lavazza Group selects and assesses candidates objectively during the hiring process on the basis of their professional skills and their personal characteristics.
- **Supplier Code of Conduct:** it includes Chapter 4 dedicated to "Labour & Human Rights", broken down into the following paragraphs: Legal Contracts for Workers, Health & Safety, Non-Discrimination, Prevention of Forced Labour, Child Labour, Working Hours, Wages and Benefits, Privacy, Freedom of Association.

As specified in the Code, Suppliers should establish recognised employment relationships with their workers that are in accordance with their national law and good practice. Suppliers should not do anything to avoid providing workers with their legal or contractual rights. Suppliers shall not discriminate in hiring and in employment practices on the basis of gender, race, colour, religion, sexual orientation, age, physical ability, political opinion, nationality, social or ethnic origin, union membership. Suppliers shall always treat their employees and workers with fairness, respect and dignity, guaranteeing equal opportunities to all. Lavazza requests Suppliers not to engage or take advantage in use of forced or bonded labour, involuntary prison labour, slavery, or trafficking of persons. Lavazza is against using any form of child labour, and believes that completely eradicating child labour is ultimately in the best interests of children. Lavazza knows that the biggest driver of child labour is poverty and therefore it requests that Suppliers engage in developing or participating in contributing to policies and programmes to reduce extreme poverty in the best interest of every child and engage in the effective abolition of any illegal form of child labour.

Suppliers shall comply with the relevant rules set forth by the International Labour Organization (ILO), especially convention 138 on the Minimum Age of Employment and Convention 182 on the Worst Forms of Child Labour. Suppliers shall not employ any person below the legal age of employment, as determined by the International Labour Organization's Fundamental Conventions and in respect of the local, social and legal framework if it sets a higher minimum age. If local laws allow the legal employment of young workers, Suppliers shall protect young persons of legal working age, until the age of 18, ensuring that they are treated according



to law; this includes measures to avoid hazardous and night jobs that could jeopardise their health, safety or morals.

Suppliers shall comply with all applicable national and international provisions of international labour standards and industry standards on working hours.

Suppliers shall comply with all applicable laws and collective agreements regarding wages and benefits.

Suppliers shall recognise the right of workers to join labour organisations, as well as their right to collective bargaining, if they choose. Likewise, Suppliers shall understand the importance of direct engagement between workers and management and promote open communication regarding working conditions without fear by workers of harassment, intimidation or reprisal.

Suppliers shall acknowledge the right of freedom of speech to every worker.

#### ACTIONS IMPLEMENTED

The three above-mentioned documents describe how to notify Lavazza about violations or suspected violations of the principles contained in the Codes (e.g., dedicated email address).

The Parent company's HR Department includes a Unit that deals with handling trade union relations. The staff employed in this Unit periodically meet workers' trade union representatives and, in the event of specific issues (supplementary contract, unemployment benefit, unemployment insurance, etc.), the trade union organisations themselves.

The above-mentioned Unit periodically submits a summary of the disputes that have arisen in the handling of employment relations to the Head of the HR Department.

As regards workplace health and safety (H&S), Lavazza:

- has implemented a Health, Workplace Safety, Energy and Environment Management System;

- provides for periodic audits to be carried out at its offices and plants (five audits were carried out in 2017);

- has a specific tablet app ("Virtual Control Tour") which provides a virtual guided path with special check points to be followed for assessing the state of maintenance of work environments as regards safety-related aspects and the reporting of any necessary corrective action;

- provides for its employees to receive specific workplace H&S training.

#### MONITORING AND ASSESSMENT MECHANISMS

During the 2015-2017 three-year period, Lavazza did not receive any complaints with reference to the violation of workers' rights, the proper regulation of working hours, trade union rights and the handling of working relationships, with the exception of:

- a case recorded in 2016 by Luigi Lavazza S.p.A., involving a legal labour dispute that resulted in a finding in favour of Lavazza;
- a legal labour dispute recorded by Luigi Lavazza S.p.A. in 2017 that is still going through the legal process;
- a legal dispute recorded in 2017 by Lavazza Premium Coffees Corp. that is still going through the legal process.

## Global Compact

### Sound management of policies

### and procedures related to environment

#### ENVIRONMENT

**Principle 7. Businesses should support a precautionary approach to environmental challenges.**

**Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.**

**Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.**

#### COMMITMENTS, POLICIES AND OBJECTIVES

Lavazza focuses strongly on the impact generated by its business and on measuring its environmental performance.

The tools possessed by Lavazza for sharing its ethical and behavioural values and principles with its stakeholders include specific references to environment protection. In detail:

- **Code of Ethics:** respecting the rights and dignity of the communities in which the Group operates means for Lavazza acting in compliance with local and international laws and regulations. Lavazza chooses to work with players who recognize and respect the principles expressed in the Code. The company thus prefers to operate with players who, inter alia, protect the planet's natural resources and do not hamper the conservation of biodiversity.
- **Employee Code of Conduct:** the Lavazza Group aims to apply the principles of the Code of Ethics, encouraging its employees to be judicious in their use of natural resources such as water, electricity and other resources including paper and products, adopting responsible forms of consumption and reducing waste and inappropriate use.
- **Supplier Code of Conduct:** it includes Chapter 5 dedicated to "Foresightedness", broken down into the following paragraphs: Compliance with environmental laws, Environmental Impacts and Hazardous Substances, Promotion of eco-innovation, Resource Conservation and Climate Protection, Biodiversity and Land rights and land grabbing. As specified in the Code, Lavazza is committed to respecting the environment all throughout the value chain and expects the same from its Suppliers. Suppliers must comply with all applicable environmental laws and requirements including but not limited to: obtaining and maintaining environmental permits and approvals for the conduct of regulated activities; the management and disposal of hazardous materials; releases of contaminants to air, soil

and water; the protection of natural resources and wildlife; the prohibition or restriction of specific substances and the recycling of materials and environmental claims.

Lavazza encourages Suppliers to collaborate in identifying the environmental impact on the complete production chain in order to minimise their negative impacts on it and work with Lavazza and local communities to further improve the environmental performances of products.

Lavazza expects Suppliers to design their processes in order to reduce waste of natural resources (with particular attention to water and energy conservation), and promote recycling and reuse. Therefore, Lavazza strongly recommends a pro-active approach towards innovative solutions and technologies aimed at proposing continuously improved and lower environmental impact products and services.

Suppliers shall have systems in place to prevent or mitigate accidental spills and releases into the environment. Suppliers shall engage in the development and use of climate-friendly products and processes to reduce power consumption.

Lavazza has also established and officialised a Corporate Policy for Health, Workplace Safety, Energy and the Environment, as well as Group Occupational Health & Safety, Energy and Environment Guidelines. What is more, it has drawn up a set of operating procedures concerning the main environmental aspects (e.g., noise, discharges, waste, etc.).

#### ACTIONS IMPLEMENTED

Lavazza has established and implemented a Health, Workplace Safety, Energy and Environment Management System based on internationally recognised standards and has a specific IT portal, in accordance with standards ISO 14001, ISO 50001 and OHSAS 18001.



The portal:

- makes it possible to archive and manage all the procedures, records and documents associated with the Management System;
- provides for a “common” area for every process – accessible to all employees for consultation and use of the respective documents – and a “private” area with limited access, where specifically appointed personnel can manage and amend documents.

#### MONITORING AND ASSESSMENT MECHANISMS

Lavazza measures and monitors its environmental performance with reference to the following aspects:

- energy consumption (electrical and thermal);
- water consumption;
- water discharge volumes;
- waste production and relevant management methods;
- substances that damage the ozone layer;
- any leakage onto the ground, into the subsoil and groundwater;
- any environmental fine;
- direct and indirect emissions.

For further details, please refer to the Chapter 5 in this document.



## Global Compact

Sound management of policies  
and procedures related to anti-corruption

### ANTI-CORRUPTION

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

#### COMMITMENTS, POLICIES AND OBJECTIVES

Lavazza works in compliance with the highest professional and ethical standards, operating within an international context in keeping with all applicable laws and regulations on the subject. In Italy, issues associated with the fight against corruption are covered by Legislative Decree No. 231/2001, while in other countries they are covered by specific local regulations. The values and the ethical and behavioural principles that inspire the Group in carrying out and managing its activities are indicated in its Code of Ethics, its Employee Code of Conduct and its Supplier Code of Conduct. Lavazza shares these documents with its stakeholders. These documents make specific reference to the subject of corruption. In greater detail:

- **Code of Ethics:** Lavazza commits, toward its suppliers, to implementing all necessary measures to prevent risks of conflicts of interest, the use of forms of cronyism or favouritism and corruption attempts. Lavazza furthermore ensures it will never abuse the negotiation power that might derive from being a large industrial Group. With regard to coffee producers and communities, the Company chooses to work with actors who recognise and respect the principles expressed in the Code. It thus prefers to operate with actors who, *inter alia*, fight corruption.
- **Employee Code of Conduct (paragraphs 2.6 and 2.7):** Lavazza sets certain limits on its employees (or their family members) receiving gifts or other benefits from people with whom they undertake business dealings, which:
  - are not in line with normal business practice;
  - are in cash or cash equivalents;
  - are of excessive value, or in any case worth more than €50.00;
  - may compromise the independence of judgement in business matters, operating fairness, integrity and reputation of the employee;
- may, in any case, be reasonably interpreted by an impartial observer as intended to acquire advantages in an improper manner. Employees are expressly forbidden from offering direct or indirect gifts or benefits of any kind on a personal basis to directors, officials, client employees or suppliers with whom they conduct business, even as a result of unlawful pressure. Acts of business courtesy in keeping with normal business relations and commercial practices are permitted, which should in any case be such as not to affect the autonomy of judgement of the recipient or compromise operating fairness, and could not be reasonably interpreted, by an impartial observer, as intended to provide an unfair advantage. Lavazza does not tolerate any type of corruption with regard to public officials, or any other party associated with public officials or public authorities in any form or way. Employees must not offer freebies, gifts or other utilities which may breach any laws or regulations or which are contrary to the Code or may, if made public, harm the Group in any way, even if only with regard to its image.
- **Supplier Code of Conduct:** Chapter 2 “Ethics” includes the paragraph “Improper Advantage”. As indicated in it, the Supplier shall not, in order to obtain or retain business or any advantage in the conduct of business, give, offer or promise direct or indirect payment, be it in monetary or any other form, thus obtaining an improper advantage against other potential Suppliers. Suppliers shall never try to influence Lavazza workers providing inappropriate gifts or entertainment.

### ACTIONS IMPLEMENTED

The three above-mentioned documents describe how to notify Lavazza about violations or suspected violations of the principles contained in the Codes (e.g., dedicated email address).

In 2017, the Lavazza Group proceeded with its implementation of a corporate compliance programme by carrying out a risk assessment activity that focused on anti-corruption, privacy and crime prevention, as covered by Legislative Decree No. 231/2001 and antitrust legislation. As part of this programme, specific 231 training sessions were organised in 2016-2017, both online (for 136 employees of Luigi Lavazza S.p.A., belonging to the manager, middle manager and white collar categories) and in-class (for 12 employees of Luigi Lavazza S.p.A., particularly the Chief Executive Officer and those reporting directly to him).

Luigi Lavazza S.p.A. has an Organisation and Management Model pursuant to Legislative Decree No. 231/2001. The crimes for which the company could be held liable include those relating to active and passive corruption, both in the public and private sector.

### MONITORING AND ASSESSMENT MECHANISMS

Lavazza has not received any reports and has not been involved in any lawsuits or other events associated with corruption.

As indicated in Lavazza's Supplier Code of Conduct, the company reserves the right to assess, with or without prior notice, Suppliers' compliance with the Code by Lavazza personnel or by organisations appointed by Lavazza.

Such controls may include facility inspections and worker interviews. Lavazza requires collaboration from Suppliers during these auditing activities and expects Suppliers to address shortcomings to the present Supplier Code of Conduct with targeted corrective measures and remedies.

Where any non-compliance with this Code is reported by Suppliers or assessed by Lavazza during auditing activities, Lavazza may ask the Supplier to plan and implement any necessary corrective actions.

Lavazza reserves the right to terminate any relationship or agreement with Suppliers refusing to take corrective actions within a reasonable period of time, without any prejudice to any other rights and remedies set forth by the applicable law and consequential to such termination.



### Global Compact

Actions to support United Nations sustainable development objectives

Strategies, business activities, promotion and engagement actions with stakeholders to support Sustainable Development Goals (SDGs)

### SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Lavazza is committed to promoting SDGs and helping to achieve the objectives established by the United Nations. Because of this, as part of the Lavazza Group Sustainability strategy revision process (started in 2016 and completed in 2017), Lavazza has analysed the SDGs, identifying those applicable to it (refer to the summary table below for the SDGs and targets applicable to Lavazza).

What is more, during 2017, with a view to playing an active part in raising awareness of the SDGs, Lavazza established a specific internal communication plan to this regard and identified the "Goal Zero" as a tool for raising awareness about and promoting the SDGs among its stakeholders (please refer to Chapter 1 of this document for more details).





## Global Compact

### Sustainability governance and leadership

#### Statement from the top management.

Lavazza's commitment to implementing, disclosing and supporting the ten principles of the Global Compact is set out in the letter from the Chief Executive Officer.

#### Involvement of the Board of Directors.

For the purpose of drafting the Lavazza Sustainability Report and validating its content, both shareholders and the Chief Executive Officer are involved each year.

#### Involvement of the stakeholders.

Dialogue with its stakeholders is a central issue for Lavazza. Because of this, there are several listening and communication channels dedicated to them and various stakeholder engagement initiatives have been implemented (for more details please refer to the Methodological Note).

## Transparency and disclosure in reporting

Lavazza has communication channels and tools that help keep its dialogue with all its stakeholders active and effective.

Lavazza reports on its sustainability performance on an annual basis thanks to the Sustainability Report that is shared with all its stakeholders.

## External checks

The Lavazza Sustainability Report has been subjected to external assurance by a third party.

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1. The Lavazza Group: Globalisation, Growth, Sustainability

2. Sustainability at Coffee Roots: the Lavazza Foundation

3. From Bean to Cup: a Journey Made Up of People

4. Care for People and Local Communities

5. Continuous Improvement and Commitment to Environmental Sustainability

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Globalisation, Growth,  
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*2. Sustainability at Coffee  
Roots: the Lavazza Foundation*

*3. From Bean to Cup:  
a Journey Made Up of People*

*4. Care for People  
and Local Communities*

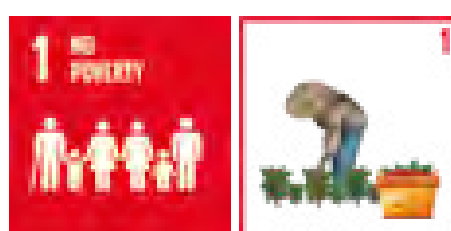
*5. Continuous Improvement  
and Commitment to  
Environmental Sustainability*

*Appendix*



## Lavazza and the Sustainable Development Goals

The following table provides SDGs and targets applicable to Lavazza



**1.2.** By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

**1.4.** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

**1.5.** By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.

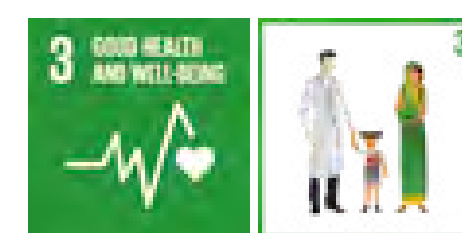


**2.1.** By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

**2.2.** By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.

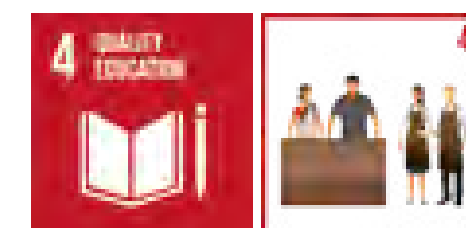
**2.3.** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

**2.4.** By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.



**3.1.** By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births.

**3.8.** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



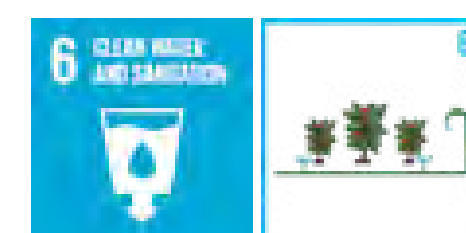
**4.3.** By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

**4.4.** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

**4.7.** By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.



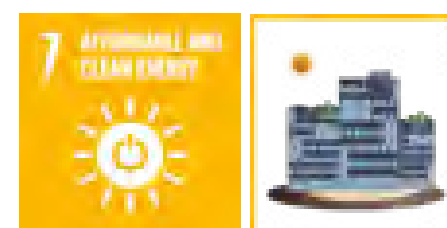
**5.5.** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.



**6.1.** By 2030, achieve universal and equitable access to safe and affordable drinking water for all.

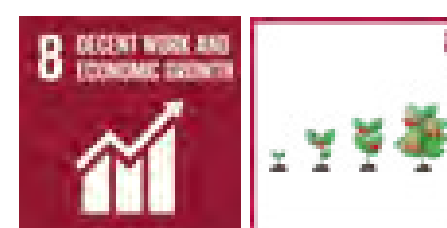
**6.4.** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

**6.5.** By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.



**7.2.** By 2030, increase substantially the share of renewable energy in the global energy mix.

**7.3.** By 2030, double the global rate of improvement in energy efficiency.



**8.1.** Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

**8.2.** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.

**8.3.** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

**8.4.** Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programs on sustainable consumption and production, with developed countries taking the lead.

**8.6.** By 2020, substantially reduce the proportion of youth not in employment, education or training.

**8.7.** Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

**8.8.** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

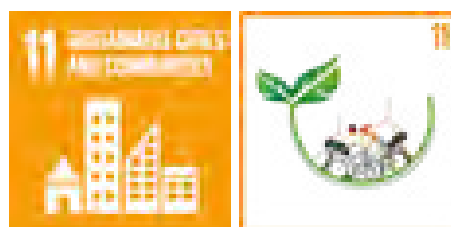


9.1. Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

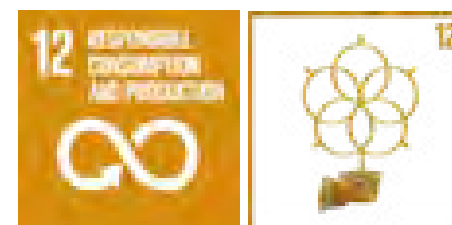
9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

9.5. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.



11.4. Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

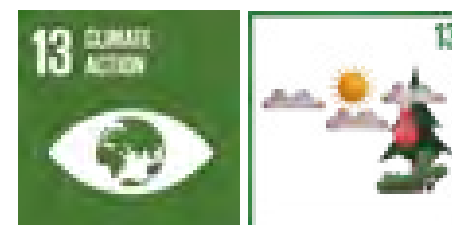
11.7. By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.



12.2. By 2030, achieve the sustainable management and efficient use of natural resources.

12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



15.2. By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.



17.3. Mobilize additional financial resources for developing countries from multiple sources.

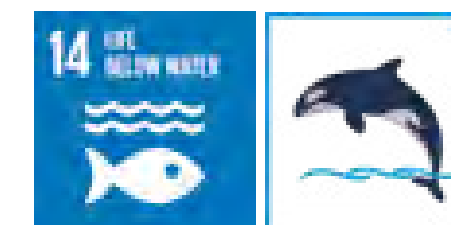
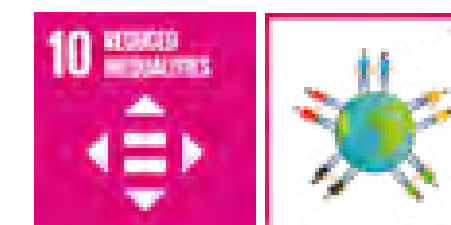
17.6. Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism.

17.9. Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the sustainable development goals, including through North-South, South-South and triangular cooperation.

17.16. Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

17.17. Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

NOT APPLICABLE:



## GRI content index

The table below lists the indicators prescribed by the GRI Standards, which are reported in this Sustainability Report.

Each GRI indicator is cross referenced to the page number of this document; if the data/information

is not contained in this Report, the table provides the relevant figures and/or a description of the indicator in question.

UNIVERSAL STANDARDS	
Universal standards	Page number or description
<b>GRI 102: General Disclosures</b>	
<b>102-1: Name of the organization</b>	See the Methodological Note (section "Reporting Scope and Period").
<b>102-2: Activities, brands, products, and services</b>	Below is a list of the brands managed by the Lavazza Group in Italy and in the countries included in the extended reporting scope of the Sustainability Report 2017.
	<p><b>Single Serve</b></p> <ul style="list-style-type: none"> <li>• Lavazza</li> <li>• Carte Noire</li> </ul> <p><b>Food Service</b></p> <ul style="list-style-type: none"> <li>• Lavazza</li> <li>• Carte Noire</li> <li>• Merrild</li> <li>• Senseo</li> </ul> <p><b>Roast &amp; Ground</b></p> <ul style="list-style-type: none"> <li>• Lavazza</li> <li>• Merrild</li> </ul> <p>There are no Lavazza products and/or services banned in some markets/countries.</p>
<b>102-3: Location of headquarters</b>	See the Methodological Note (section "Reporting Scope and Period").
<b>102-4: Location of operations</b>	See the Methodological Note (section "Reporting Scope and Period").
<b>102-5: Ownership and legal form</b>	See the Methodological Note (section "Reporting Scope and Period").
<b>102-6: Markets served</b>	See the Methodological Note (section "Reporting Scope and Period").
<b>102-7: Scale of the organization</b>	See Chapter 1 (section "Operating and Financial Performance of the Lavazza Group") and Chapter 4 (section "Lavazza People: Key Figures").
<b>102-8: Information on employees and other workers</b>	See Chapter 4 (section "Lavazza People: Key Figures").
<b>102-9: Supply chain</b>	See Chapter 3 (section "The Relationship with the Suppliers: Trust and Shared values").
<b>102-10: Significant changes to the organization and its supply chain</b>	See the description of new acquisitions of the Lavazza Group (Kicking Horse Coffee, Nims) in Chapter 1 (Paragraph "Lavazza's 2017").
<b>102-11: Precautionary Principle or approach</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>102-12: External initiatives</b>	See Chapter 2 (relevant boxes, e.g., International Coffee Partners)
<b>102-13: Membership of associations</b>	See the Methodological Note (section "Lavazza's Stakeholders and Major Listening and Communication Tools")
<b>102-14: Statement from senior decision-maker</b>	See the Chairman's and Chief Executive Officer's Letters
<b>102-16: Values, principles, standards, and norms of behavior</b>	See Chapter 1 (section "Sharing Lavazza's Values") and the COP Appendix
<b>102-18: Governance structure</b>	See Chapter 1 (section "Group Governance")

<b>102-40: List of stakeholder groups</b>	See the Methodological Note (section "Lavazza's Stakeholders and Major Listening and Communication Tools")
<b>102-41: Collective bargaining agreements</b>	87% of the Group's employees have contracts/agreements whose terms and conditions are regulated by the National Collective Labour Agreements (2017). The employees of the following Companies are not covered by collective labour contracts: <ul style="list-style-type: none"> <li>• Lavazza Coffee UK Ltd</li> <li>• Luigi Lavazza Deutschland GmbH</li> <li>• Lavazza Kaffee GmbH (Austria)</li> <li>• Lavazza Premium Coffees Corp (USA)</li> <li>• Lavazza Australia</li> </ul>
<b>102-42: Identifying and selecting stakeholders</b>	See the Methodological Note (section "Lavazza's Stakeholders and Major Listening and Communication Tools")
<b>102-43: Approach to stakeholder engagement</b>	See the Methodological Note (section "Stakeholder Engagement and Materiality Analysis at Lavazza")
<b>102-44: Key topics and concerns raised</b>	See the Methodological Note (section "Stakeholder Engagement and Materiality Analysis at Lavazza")
<b>102-45: Entities included in the consolidated financial statements</b>	See the Methodological Note (section "Reporting Scope and Period")
<b>102-46: Defining report content and topic Boundaries</b>	See the Methodological Note (section "Stakeholder Engagement and Materiality Analysis at Lavazza")
<b>102-47: List of material topics</b>	See the Methodological Note (section "Stakeholder Engagement and Materiality Analysis at Lavazza")
<b>102-48: Restatements of information</b>	There are no changes/restatements compared to the 2016 Sustainability Report
<b>102-49: Changes in reporting</b>	See the Methodological Note (section "Reporting Scope and Period")
<b>102-50: Reporting period</b>	See the Methodological Note (section "Reporting Scope and Period")
<b>102-51: Date of most recent report</b>	The last edition of the Sustainability Report refers to 2016
<b>102-52: Reporting cycle</b>	See the Methodological Note (section "Document Objectives")
<b>102-53: Contact point for questions regarding the report</b>	See the Methodological Note (section "Drafting Principles and Reference Standards")
<b>102-54: Claims of reporting in accordance with the GRI Standards</b>	See the Methodological Note (section "Drafting Principles and Reference Standards")
<b>102-55: GRI content index</b>	Reference should be made to this table
<b>102-56: External assurance</b>	See the Methodological Note (section "Assurance")
<b>GRI 103: Management Approach</b>	
<b>103-1: Explanation of the material topic and its Boundary</b>	See the information given in the chapters of this document and in the Appendix "Lavazza and the Global Compact"
<b>103-2: The management approach and its components</b>	See the information given in the chapters of this document and in the Appendix "Lavazza and the Global Compact"
<b>103-3: Evaluation of the management approach</b>	See the information given in the chapters of this document and in the Appendix "Lavazza and the Global Compact"

## SPECIFIC STANDARD DISCLOSURES

Specific Standard Disclosure	Page number or description
<b>200 : ECONOMIC TOPICS</b>	
<b>GRI 201: Economic Performance</b>	
<b>201-1: Direct economic value generated and distributed</b>	See Chapter 1 (section "Operating and Financial Performance of the Lavazza Group")
<b>GRI 202: Market Presence</b>	
<b>202-1: Ratios of standard entry level wage by gender compared to local minimum wage</b>	The collective contract most applied to Luigi Lavazza S.p.A. is the National Collective Bargaining Agreement for the Food Industry. For new recruits in the entry-level category with this type of contract (classified as level five), the Company applies the contractual minimum wage to both white collars and blue collars. Under trade union agreements, Luigi Lavazza also pays each employee an annual productivity bonus that varies according to place of work, productivity/profitability indicators and the date of arrival at the company. Considering both the base salary and this productivity bonus, the average entry-level salary for new recruits in 2017 was 4% above the level set in the National Collective Bargaining Agreement for the white-collar category and 13% above that same level for the blue-collar category.
<b>GRI 203: Indirect Economic Impacts</b>	
<b>203-1: Infrastructure investments and services supported</b>	Between year 2015 and 2017 investment for the new Headquarters amounted to €104.3 million.
<b>GRI 204: Procurement Practices</b>	
<b>204-1: Proportion of spending on local suppliers</b>	See Chapter 3 (section "The Relationship with the Suppliers: Trust and Shared Values")
<b>GRI 205: Anti-corruption</b>	
<b>205-2: Communication and training about anti-corruption policies and procedures</b>	See the Appendix "Lavazza and the Global Compact"
<b>GRI 206: Anti-competitive Behavior</b>	
<b>206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices</b>	The only event associated with anti-competitive behaviour that affected Lavazza in 2015-2017 refers to a dispute involving alleged unfair competition by Lavazza Australia, settled in 2016 without recognising any wrongdoing.
<b>300 : ENVIRONMENTAL TOPICS</b>	
<b>GRI 301: Materials</b>	
<b>301-1: Materials used by weight or volume</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>GRI 302: Energy</b>	
<b>302-1: Energy consumption within the organization</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>302-3: Energy intensity</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>GRI 303: Water</b>	
<b>303-1: Water withdrawal by source</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>GRI 305: Emissions</b>	
<b>305-1: Direct (Scope 1) GHG emissions</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>305-2: Energy indirect (Scope 2) GHG emissions</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>305-3: Other indirect (Scope 3) GHG emissions</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>305-6: Emissions of ozone-depleting substances (ODS)</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>GRI 306: Effluents and Waste</b>	
<b>306-1: Water discharge by quality and destination</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>306-2: Waste by type and disposal method</b>	See Chapter 5 (section "Lavazza's Environmental Performance")
<b>306-3: Significant spills</b>	See Chapter 5 (section "Lavazza's Environmental Performance")

**GRI 307: Environmental Compliance**

**307-1: Non-compliance with environmental laws and regulations** See Chapter 5 (section "Lavazza's Environmental Performance")

**GRI 308: Supplier Environmental Assessment**

**308-1: New suppliers that were screened using environmental criteria** See Chapter 1 (section "Sharing Lavazza's Values") and the Appendix "Lavazza and the Global Compact"

**400 : SOCIAL TOPICS****GRI 401: Employment**

**401-1: New employee hires and employee turnover** See Chapter 4 (section "Lavazza People: Key Figures")

**401-3: Parental leave** All the employees of the Lavazza Group's Companies in scope (869 women and 1,610 men) are entitled to parental leave. In 2017, 99 employees of the Group (73 women and 26 men) took parental leave.

**GRI 402: Labor/Management Relations**

**402-1: Minimum notice periods regarding operational changes** All Lavazza Group Companies comply with statutory provisions and, where applicable, with the provisions on the periods of notice set forth in the collective bargaining agreements. Even where not required by law or collective bargaining agreements, the affected employees are informed of all changes influencing company operations with appropriate advance notice, depending on the impact concerned.

**GRI 403: Occupational Health and Safety**

**403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities** See Chapter 4 (section "Lavazza People: Key Figures")

**GRI 404: Training and Education**

**404-1: Average hours of training per year per employee** See Chapter 4 (section "Lavazza People: Key Figures")

**404-3: Percentage of employees receiving regular performance and career development reviews** See Chapter 4 (section "Lavazza People: Key Figures")

**GRI 405: Diversity and Equal Opportunity**

**405-1: Diversity of governance bodies and employees** See Chapter 4 (section "Lavazza People: Key Figures")

**405-2: Ratio of basic salary and remuneration of women to men** See Chapter 4 (section "Lavazza People: Key Figures")

**GRI 408: Child Labor**

**408-1: Operations and suppliers at significant risk for incidents of child labor** See the Appendix "Lavazza and the Global Compact" and Chapter 1 (box "Lavazza and Save the Children: A New Shared-value Project")

**GRI 409: Forced or compulsory Labor**

**409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor** See the Appendix "Lavazza and the Global Compact"

**GRI 412: Human Rights Assessment**

**412-2: Employee training on human rights policies or procedures** See the Appendix "Lavazza and the Global Compact"

**GRI 413: Local Communities**

**413-1: Operations with local community engagement, impact assessments, and development programs** See Chapter 2 and Chapter 4 (for the latter, see section "Community Engagement: the Importance of local community")

**GRI 414: Supplier Social Assessment**

**414-1: New suppliers that were screened using social criteria** See Chapter 1 (section "Sharing Lavazza's Values") and the Appendix "Lavazza and the Global Compact"

**GRI 416: Customer Health and Safety****416-2: Incidents of non-compliance concerning the health and safety impacts of products and services**

In 2015-2017, there were no instances of non-compliance to laws/regulations or voluntary codes concerning product health and safety.

**GRI 417: Marketing and Labeling****417-2: Incidents of non-compliance concerning product and service information and labeling**

In 2017, there was an ongoing proceeding in California against Lavazza Premium Coffees Corp. and other coffee roasters and distributors operating in California for alleged breaches of the Safe Drinking Water and Toxic Enforcement Act (Proposition 65).

**GRI 418: Customer Privacy****418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data**

In 2015-2017, Luigi Lavazza S.p.A. managed 8,780 consumers' requests for revocation of consent to process personal data (2015: 1,754; 2016: 2,298; 2017: 4,728).

**GRI 419: Socioeconomic Compliance****419-1: Non-compliance with laws and regulations in the social and economic area**

In 2015-2017, the only socio-economic penalties levied against the Lavazza Group related to tax matters associated with assessments conducted by the tax authorities or voluntary settlement of tax paid late.

Penalties in the three-year period amounted to about €703,182 overall.

No Subsidiaries included in the scope were charged with material tax penalties in 2017.



## Independent report on the limited assurance engagement of the sustainability report 2017

To the Board of Directors of  
Luigi Lavazza S.p.A.

We have carried out a limited assurance engagement of the Sustainability Report as of 31 December 2017 (hereinafter the "Report") of Lavazza (hereafter the "Company"). Lavazza identifies, only for Sustainability Report purposes, the following companies: Luigi Lavazza S.p.A., Luigi Lavazza Deutschland GmbH, Lavazza Kaffee GmbH, Lavazza Coffee UK Ltd, Lavazza Sweden AB, Merrild Kaffe ApS, Lavazza Premium Coffees Corp, Lavazza Australia Pty Ltd, Carte Noire Sas, Carte Noire Operations Sas and Lavazza France Sas.

### Responsibility of the Directors for the Sustainability Report

The Directors are responsible for preparing the Report in compliance with the *Global Reporting Initiative Sustainability Reporting Standards* defined in 2016 by the *GRI - Global Reporting Initiative (GRI Standards)*, as indicated in the paragraph "Methodological Note" of the Report, and for that part of internal control that they consider necessary to prepare a sustainability report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Lavazza, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

### Auditor's responsibility

We are responsible for the preparation of this report on the basis of the work performed. We conducted our engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE 3000")*, issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement. The procedures consisted in interviews of Luigi Lavazza SpA personnel responsible for the preparation of the information presented in the Report, analysis of documents, recalculations and other verification procedures.

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The procedures we performed on the Report consisted in verifying its compliance with the principles for defining the content and the quality of a sustainability report set out in the *GRI Standards*, and are summarised as follows:

- comparing the economic and financial information and data reported in paragraph "Financial Performance of the Lavazza Group" of the Report with those included in the Group's consolidated financial statements as of 31 December 2017 on which other auditors issued an audit opinion, in accordance with article 14 of legislative decree n° 39 of 27 January 2010, on 11 April 2018;
- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to Lavazza's strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
  - meetings and inquiries with Top Management of Luigi Lavazza S.p.A., Luigi Lavazza Deutschland GmbH, Lavazza Kaffee GmbH, Lavazza Coffee UK Ltd, Lavazza Sweden AB, Merrild Kaffe ApS, Lavazza Premium Coffees Corp, Lavazza Australia Pty Ltd, Carte Noire Sas, Carte Noire Operations Sas and Lavazza France Sas, in order to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
  - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place underlying the treatment of the information relating to the objectives disclosed in the Report;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph "Responsibility of the Directors for the Sustainability Report";
- analysing the stakeholders engagement process with regard to the methods used and the analysis of the existing documentation concerning the significant matters arisen during the dialogue initiatives;
- obtaining a representation letter, signed by the Chief Executive Officer of Luigi Lavazza S.p.A., on the compliance of the Report with the guidelines identified in the paragraph "Responsibility of the Directors for the Sustainability Report", as well as the reliability and completeness of the disclosed information.

Our limited assurance work was less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000 and, consequently, it does not provide us with a sufficient level of assurance necessary to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.





### Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that Lavazza Sustainability Report as of 31 December 2017 has not been prepared, in all material respects, in compliance with *Global Reporting Initiative Sustainability Reporting Standards* defined in 2016 by the GRI – *Global Reporting Initiative (GRI Standards)* as disclosed in the paragraph “Methodological Note” of the Report.

### Other aspects

We point out the following aspects that Lavazza should consider in the next years for a continuous improvement and with reference to the international companies included in the Sustainability Report's perimeter: we suggest to strengthen the reporting system, also in view of a future extension of the reporting perimeter to other Group companies, and to make the perimeter of performance indicators uniform throughout all the reporting areas.

Turin, 26 July 2018

PricewaterhouseCoopers Advisory SpA

### Signed by

Paolo Bersani  
(Partner)

*This report has been translated from the original, which was issued in Italian, solely for the convenience of international readers.*


  
 TORINO, ITALIA, 1895

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Appendix