



# A GOAL IN EVERY CUP

**SUSTAINABILITY** 2019  
**REPORT**

**LAVAZZA**  
GROUP



# A GOAL IN EVERY CUP

2019 Sustainability Report





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*For Lavazza, 2019 marked the end of a very challenging, important decade: just ten years ago, it was an Italian company that was looking towards international markets, while earning more than 60% of its revenues in Italy. Today, Lavazza is a global Group that has doubled its turnover and consolidated its presence on international markets, the source of most of its sales.*

*To us, growth is important, but maintaining our identity is equally so. During this decade, we have sought out and found companies throughout the world with a history similar to ours and that share our values. Once a single-brand company, Lavazza now has four important coffee brands and a workforce of over 4,000.*

*It is thanks to these very people that the Lavazza Group is continuing down a path towards becoming one of the most dynamic, highly regarded companies in the Italian and international business community.*

*Indeed, becoming a Group means sharing the same values. In view of this, 2019 was the year in which the Lavazza Group's new brand was defined and we reformulated the Group's values so that all employees would identify with them.*

*Thanks to our business vision, which has always combined work, merit, expertise and sustainability, we can look to the future with confidence and prepare ourselves for the challenges that lie ahead of us, such as climate change, which is threatening coffee plantations and coffee-growers, who we have been working with for over 20 years.*

*To rise to meet these challenges, in 2019 the process of aligning ourselves with the Sustainable Development Goals led us to identify the four pillars of sustainability that are a priority for our people and business, and towards which we wish to continue to strive in the coming years: gender equality, decent work and economic growth, responsible consumption and production, and climate action. These are the four Goals that we are making our own and that, starting this year, will guide the reader in reading A Goal in Every Cup, the Lavazza Group's Sustainability Report.*

*Alberto Lavazza, Chairman*

*We are a Company with deep respect for tradition, yet our calling is looking to the future, in terms of product, market, people and the planet. For us, 2019 was a bridge to the future: we became a global Group.*

*In recent years, while retaining its independence and protecting its identity, Lavazza has also added new brands and new people to its universe: they have different cultures, yet share the same goal of working towards the responsible growth of the Group.*

*In a market once again in decline, we bucked the trend, growing at the overall level and across all segments. In fact, 2019 was a very positive year, in which the Group reported an increase in its volumes, turnover and profitability.*

*These goals were achieved in a manner fully consistent with our values and respectful of our people. This year, Lavazza was recognised as a "Top Employer" in Italy and Carte Noire was named a "Best Place to Work" in France.*

*All this means that our corporate reputation continues to improve.*

*In 2019, we placed 38<sup>th</sup> in the RepTrak ranking, which measures companies' global reputations, while in the same study focused on corporate responsibility we were ranked among the top ten companies worldwide, the number-one in Italy and the number-one in the world's food sector.*

*These results spring from a commitment to growth that sees sustainability as a way of doing business.*

*To consolidate our commitment and meet the new needs of our stakeholders, we aim to work on establishing a process of reducing our impacts and innovating our products and processes, focused on constantly increasing integration of sustainability issues.*

*Yet Lavazza, as its style dictates, does not wish to pursue these goals alone, but rather within an internationally recognised framework and guidelines, such as those of the United Nations Global Compact, to which it renewed its commitment in 2019, pledging to abide by its fundamental principles, specified through its adoption of the 2030 Agenda and Sustainable Development Goals.*

*In 2020, we intend to remain committed and consolidate our progress, while staying true to that set of values that, over the years, has successfully blended the artisanal approach of a small grocery shop with the aspirations of a large global Group.*

*Antonio Baravalle, Chief Executive Officer*



# METHODOLOGICAL NOTE

## Document objectives and reference standards

The Sustainability Report represents the tool that Lavazza uses for disclosing to its stakeholders the Company's annual results about sustainability. 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 2019 is provided in the section "Reporting Scope and Period".

The Lavazza Institutional Relations & Sustainability Department has coordinated the preparation of the Sustainability Report, 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 technical and methodological reference provided by the Global Reporting Initiative Sustainability Reporting Standards (hereinafter "GRI Standards"),

issued by the Global Reporting Initiative in 2016.

In detail, according to the **GRI 101 Standard: Foundation, paragraph 3**, Lavazza has opted to prepare this document according to the "GRI Referenced" approach, using a selected set of standards to illustrate the information presented in this Report.

The GRI indicators were selected considering the importance of the various topics that are material to Lavazza.

References to GRI standards are given in the final tables on indicators. Having endorsed the United Nations Global Compact, Lavazza has also opted to include in its Sustainability Report the annual Communication on Progress, the contents of which have been enriched with a view to informing all internal and external stakeholders about the activities undertaken and results achieved in implementing the Global Compact principles. The relevant section in the Appendix provides further details.

Moreover, this Report is also the tool used to illustrate Lavazza's commitment to the United Nations Global Goals, to which four chapters are devoted, each of which explains the Company's efforts in achieving specific targets. The paragraph in this section "**Lavazza and the Global Goals**" details the approach that Lavazza has taken to identifying its priority Goals.

## Reporting scope and period

Lavazza is present on five continents, in more than 140 countries worldwide, and operates through both direct subsidiaries and a broad network of distributors. Lavazza's industrial system consists of ten manufacturing plants: three in Italy (Turin, Gattinara and Pozzilli); the Carte Noire plant in France and that of Kicking Horse Coffee in Canada; the Lavazza Professional plants (two in the United Kingdom and one in the United States); and two production hubs, one in Brazil and one in India, which serve the local markets. The Lavazza Group workforce is composed of about 4,000 people worldwide. 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 all consumption needs, offering its customers a wide and diverse range of products.

The data contained in this Report refer to Luigi Lavazza S.p.A. and some commercial and manufacturing foreign subsidiaries of the Lavazza Group. In greater detail:

- **Luigi Lavazza S.p.A.**, parent company headquartered in Turin (data reported refer to the Headquarters, the Innovation Center, the Italian Commercial Areas and the Italian production plants in Turin, Gattinara and Pozzilli);
- **Luigi Lavazza Deutschland GmbH**, a Frankfurt-based German commercial subsidiary, part of the Lavazza Group since 1987;
- **Lavazza Kaffee GmbH**, a Vienna-based Austrian commercial subsidiary, part of the Lavazza Group since 1988;
- **Lavazza Coffee UK Ltd.**, a London-based British commercial subsidiary, part of the Lavazza Group since 1990;
- **Lavazza Sweden AB**, previously Lavazza Nordics AB, a Stockholm-based Swedish commercial subsidiary, part of the Lavazza Group since 2009;
- **Merrild Kaffe ApS**, a Fredericia-based Danish commercial subsidiary, part of the Lavazza Group since 2015;
- **Lavazza Premium Coffees Corp.**, a New York-based American commercial subsidiary part of the Lavazza Group since 1989;
- **Lavazza Australia Pty Ltd.**, a Melbourne-based Australian commercial subsidiary, part of the Lavazza Group since 2015;
- **Carte Noire S.a.S.**, a Boulogne-based French commercial subsidiary, part of the Lavazza Group since 2016;
- **Carte Noire Operations S.a.S.**, a French manufacturing subsidiary, part of the Lavazza Group since 2016;
- **Lavazza France S.a.S.**, a Boulogne-based French commercial subsidiary, part of the Lavazza Group since 1982;
- **Fresh and Honest Café Ltd.**, a Chennai-based Indian manufacturing subsidiary, part of the Lavazza Group since 2007;
- **Kicking Horse Coffee Co. Ltd.**, an Invermere-based Canadian manufacturing subsidiary, part of the Lavazza Group since 2018.

<sup>1</sup> The subsidiaries that have been included for the first time in the scope of the Sustainability Report 2017, besides those listed in the previous Sustainability Reports, are: Lavazza Premium Coffees Corp., Lavazza Australia Pty Ltd, Carte Noire Sas, Carte Noire Operations Sas, and Lavazza France.

With regard to the reporting period, the figures in this Report refer to:

- financial years 2017, 2018 and 2019 with regard to **Luigi Lavazza S.p.A.** and its foreign subsidiaries included in the scope of the Sustainability Report 2017<sup>1</sup>;
- financial years 2018 and 2019 with reference to the foreign subsidiary **Fresh & Honest**, included for the first time in the scope of the Sustainability Report 2018;
- financial year 2019 only with regard to the Canadian subsidiary **Kicking Horse Coffee Co. Ltd**, included for the first time in the scope of the Sustainability Report 2019.

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

	RETAIL	FOOD SERVICE	VENDING
<b>LAVAZZA</b>			
			
			
			
<b>LAVAZZA</b> PROFESSIONAL			

# LAVAZZA AND THE GLOBAL GOALS

The Lavazza Group has always been committed to ensuring the economic, social and environmental sustainability of its business.

A focus on its people and on the places and communities where it operates, and a minimal environmental impact of its activities are pillars of Lavazza's approach to doing business. This approach has allowed the Company to design a programme of coordinated initiatives in Italy and in the countries in which it operates in order to promote the integration of sustainability into all its business areas.

In 2017, to better focus on and address its sustainability activities, Lavazza decided to join the United Nations Global Compact and adopt the 2030 Agenda Sustainable Development Objectives. The challenges launched by the UN are addressed to everyone, businesses included. This is why Lavazza has decided to accept this call-to-action by adopting the Goals as guidelines for its approach to sustainability and setting a further objective for itself: Goal Zero, i.e., to use its strong communications to spread the United Nations' messages, engaging its stakeholders in a shared commitment to a sustainable future. Goal Zero represents the set of initiatives designed to spread the messages of the 2030 Agenda to stakeholders, and this Report contains a chapter dedicated to describing these initiatives.





## 2019: THE FOUR PRIORITY GOALS

Lavazza began to approach the Global Goals in 2017. The analysis conducted involved a study of the 169 targets with which the material topics identified for the Group were associated. Lavazza was thus able to select the Goals and targets applicable to its business. Of the 17 Goals, 14 were considered applicable to Lavazza's business and the mission of the non-profit Giuseppe and Pericle Foundation.

This analysis was followed by intensive internal and external stakeholder engagement activity performed throughout 2018 – a process known as “Goal Zero” – which was designed to engage stakeholders as fully as possible in awareness of the importance of the Global Goals, by helping the Company to determine their order of priority.

In 2019, following the conclusion of the analysis and stakeholder engagement phase, the Company identified the four sustainable development Goals that are a priority for the Group:

- Goal 8 “Decent Work and Economic Growth”;
- Goal 5 “Gender Equality”;
- Goal 12 “Responsible Consumption and Production”;
- Goal 13 “Climate Action”.

The four Goals were selected to promote a balance between social (8 and 5) and environmental (12 and 13) commitments, choosing goals that could be integrated with the business and applied to all stages of the Lavazza value chain.

The 14 applicable Goals identified in the first phase of the analysis have been classified into three levels, as follows:

- **Priority Goals:** the four Goals to which Lavazza may commit at a strategic level and towards which it may take action through both its business and the Foundation's work;
- **Goals impacted:** those within Lavazza's sphere of influence. The Company may have a good impact by achieving them, but they are not necessarily to be regarded as strategic priorities. For example, Lavazza's decision to use electrical energy from a renewable source may have a positive impact in achieving Goal 7, but this decision influences the more strategic Goals 12 and 13. Goal 1 may also be considered a Goal impacted by the Lavazza Foundation's work, which has however the priority of promoting better living conditions for coffee producers – an objective better viewed within the framework of Goal 8, a priority for Lavazza;
- **Tool Goals:** Lavazza regards Goal 17, “Partnerships for the Goals”, as a means of achieving all the others. The public-private partnership – typical of Lavazza's approach – is considered fundamental and instrumental to the achievement of all the other Goals. Participation in multi-stakeholder organisations focused on sustainability, such as World Coffee Research or

International Coffee Partners, shows that for Lavazza cooperation with others, including from a pre-competitive standpoint, is viewed as the only feasible way of achieving the 2030 Agenda.

The purpose of this Report is to illustrate how the Group is pursuing these objectives, which form the subject of the following chapters.

# STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

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

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

Lavazza therefore analysed its business (analysis of the sustainability context) and its stakeholders' interests and expectations. To identify the most relevant topics eligible for inclusion in the 2019 Report, the Company has:

- identified its stakeholders;
- surveyed and assessed the expectations and topics of greater interest to its stakeholders using dedicated listening and communication tools and through specific engagement initiatives;
- updated the materiality analysis on the most significant sustainability topics for the Group.

In 2019, Lavazza:

- conducted specific internal stakeholder engagement activity through interviews with top management and shareholders;
- continued with local community engagement initiatives;
- further implemented the Goal Zero programme, consisting of various initiatives aimed at involving stakeholders in the United Nations Global Goals, which are detailed in a dedicated chapter;
- organised the first meeting dedicated to Lavazza's suppliers;
- organised the first Global Sustainability Meeting, an internal event reserved for the points of contact in charge of the sustainability initiatives at the Group's foreign companies.



## Lavazza's stakeholders and communication tools



### SHAREHOLDERS AND TOP MANAGEMENT

Top Management's regular meetings  
Specific meetings with shareholders focusing on sustainability topics

### GOVERNANCE BODIES

Regular meetings

### GROUP'S HUMAN RESOURCES

Performance management process  
Focus groups and coaching activities  
Sharing of the Employee Code of Conduct and the Code of Ethics  
Internal communications activities centred on sustainability topics  
Meetings of the Network of sustainability points of contact and Global Sustainability Meeting

### PRESS & DIGITAL

Relations with the local and international press  
Social networks

### UNIVERSITIES AND YOUTH NETWORKS

Partnerships with universities and research centres  
Sponsorship of competitions to promote a sustainability culture among young people

### TRADE UNIONS

Regular briefings on the Group's situation  
Negotiation meetings about corporate and production plant issues

### CUSTOMERS AND CONSUMERS

Customer service  
Social networks  
Sales network as a listening, mediation and communication tool

### SUPPLIERS

Regular meetings with suppliers and on-site visits  
Sharing of the Supplier Code of Conduct  
Suppliers portal  
Suppliers Convention

### LOCAL COMMUNITIES

Community engagement programme – relationships with local civil society associations  
Regular visits to communities of coffee growers benefiting from Lavazza Foundation's projects

### INTERNATIONAL, NATIONAL AND LOCAL INSTITUTIONS AND NON-GOVERNMENTAL ORGANISATIONS

Participation in national and international organisations such as Comitato Italiano Caffè, Consorzio Promozione Caffè, European Coffee Federation, Institute on Scientific Research on Coffee, World Coffee Research, SAFE Platform and Alleanza Italiana per lo Sviluppo Sostenibile  
Partnership projects with non-governmental organisations





Stakeholder engagement activities allowed Lavazza to update its materiality matrix, while also taking account of the principles of the United Nations Global Compact.

The material topics have been rationalised and updated to reflect the changes in the Company and the context in which it operates. For example, the material topic that in previous years had been called “Central Role of the Lavazza Group’s People” has been renamed “Focus on people, inclusion and diversity” to reflect Lavazza’s recent development from a strictly Italian company to a large international group committed to harnessing the unique traits of the local companies that have joined the Group. In addition, environmental sustainability has a higher level of priority than in previous years, since topics relating to climate change have a strong influence on the availability of the raw material, as well as on the choices of consumers and customers, who request that companies increase their commitment to these topics. In this regard, another topic that has assumed greater relevance

is innovation, viewed as fundamental to progress in the area of the environmental sustainability of products and the organisation.

The graph shows the results of the update analysis carried out: the degree of priority attributed to the topics according to an internal perspective (horizontal axis “Materiality for the Lavazza Group”) and external perspective (vertical axis “Materiality for Stakeholders”) is highlighted within the matrix.

The relevant topics included in the materiality matrix are discussed in the chapters of this Report and in the UN Global Compact Communication on Progress.

**Assurance process**

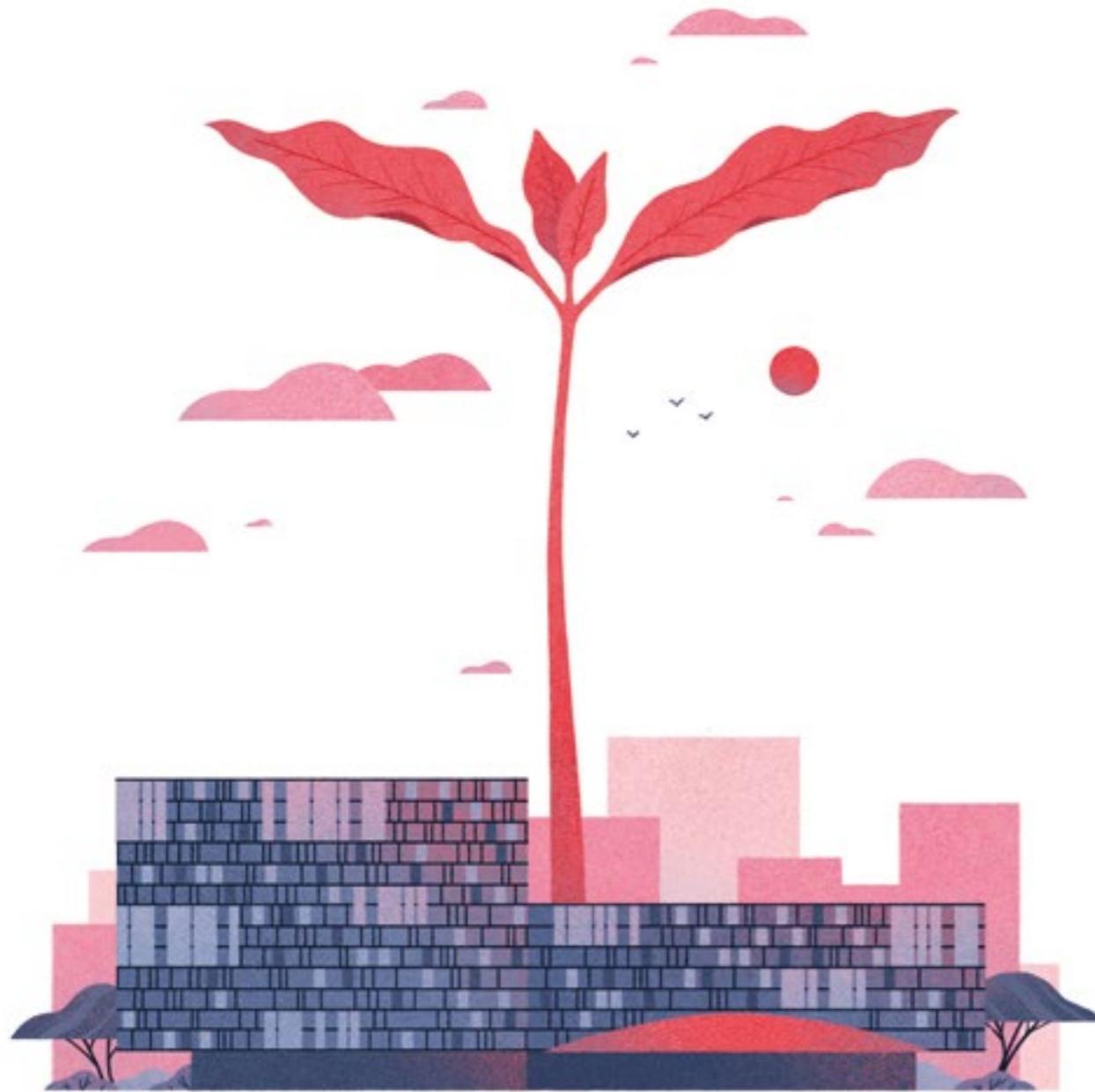
A third-party audit firm has carried out a limited audit on the Lavazza Sustainability Report. The results of the audit conducted are contained in the Independent Auditors’ Report attached at the end of this document.

**MATERIALITY MATRIX**

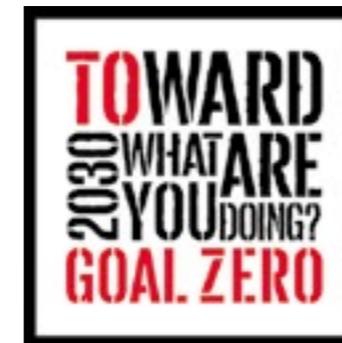


-  Respect and promotion of human rights
-  Attention to local communities
-  Anticorruption
-  Environmental sustainability
-  Focus on people, inclusion and diversity
-  Responsible economic growth
-  Innovation

# GOAL ZERO: SPREADING THE MESSAGE



Since Lavazza adopted the 2030 Agenda, we have multiplied the initiatives designed to pursue what we call Goal Zero, the aim of which is to convey the concept of sustainable development in a broader sense to everyone and in all of its nuances.



In 2017, Lavazza formally decided to take up the challenge issued by the United Nations by pursuing the 17 Sustainable Development Goals set out in the 2030 Agenda for Sustainable Development: the UN Global Goals. To the 17 SDGs, Lavazza decided to add its own additional goal: Goal Zero, representing its commitment to spread the Agenda's message.

Goal Zero is a further commitment that Lavazza has undertaken: to spread the message of the Global Goals to its stakeholders using the dedicated communication tools and channels.

Goal Zero was created with the awareness that in order to work towards the 2030 Agenda's goals, people around Lavazza's organisation need to know what the Global Goals are and what they imply.

In 2017, when launching the Lavazza calendar "2030: What are YOU Doing?", Lavazza set in motion a plan to engage its various stakeholders in pursuit of the Global Goals.



This communication programme continued in 2018 with the international communication campaign for employees entitled "What are WE Doing?", the local community engagement project "TOward 2030" and other projects, such as the "Lavazza and Youth for SDGs" contest for university students.

In 2019, Lavazza's Goal Zero went forward, together with the engagement of the stakeholders, with whom communication on the Global Goals was further reinforced and consolidated. Lavazza selected four additional priority Goals in addition to Goal Zero, set in view of its objective of turning a profit in a responsible manner, while caring for individuals and communities.

Accordingly, after a thorough impact analysis, Lavazza has chosen the four Goals to which the chapters of this Sustainability Report are devoted, and which describe the Group's commitment and progress.

## THE “GOAL ZERO” FOR...

### *The employees*

### “2030: WHAT ARE WE DOING”: THE ENGAGEMENT CAMPAIGN FOR LAVAZZA PEOPLE

The internal communication campaign on Sustainable Development Goals that had been launched in 2017 continued in 2019; it involves the publication of 17 digital newsletters – one for each sustainable development goal – sent to all the Group’s people in 2018.

To improve the engagement of Lavazza employees on the Global Goals, in 2018 a volume entitled “What Are WE Doing” was published: it includes the 17 newsletters and tells the stories of employees pursuing personal projects relating to the Global Goals, in addition to providing information on the sustainability events and initiatives devoted to Lavazza’s people held in 2018.

This volume describes the commitment to this challenge by the Company and its people, which in many cases dates back to well before 2015 and is intended as a source of inspiration for all Group employees. With this in mind, the book was given as a gift to all Lavazza Group employees, reaching over 3,000 people worldwide, from Europe to the Americas and Australia.

At the Headquarters, the book was distributed at the event Generation 2030, held together with the Italian Sustainable Development Alliance during the European Sustainable Development Week 2019, while in the other countries and at the plants a dedicated event was held to circulate the volume and raise awareness of the Global Goals.

What are **WE**  
doing?



### THE LAVAZZA GROUP'S GLOBAL SUSTAINABILITY MEETING

Lavazza’s international growth and acquisition of various European and non-European companies have made social and environmental sustainability issues particularly important in relations with internal stakeholders. In 2019, this increased attention to this topic resulted in the creation of an internal network of Lavazza Group sustainability ambassadors. The purpose of this Institutional Relations and Sustainability Network, is to promote a shared Group vision of sustainability issues across all geographical areas and to manage relations with the various stakeholders as effectively as possible. It is Lavazza’s first internal international working team, with ten members, one for each of the Group’s foreign companies, with a focus on sustainability topics. The representatives appointed by each company’s General Manager are tasked with representing and spreading Lavazza’s vision of sustainability.

Lavazza’s first Global Sustainability Meeting was held in 2019: two days of dialogue that laid the foundation for teamwork in pursuit of the ultimate goal of bringing the Group’s vision of sustainability to the places in which Lavazza operates.





LAVAZZA SUPPLIER CONVENTION  
**COFFEE LINKS**

*The Suppliers*  
**COFFEE LINKS – THE FIRST LAVAZZA SUPPLIERS CONVENTION**

Nuvola hosted the first Lavazza Suppliers Convention in 2019. The key theme of the event was the relationship between the Lavazza Group and its suppliers in view of the creation of shared value.

The Centrale Lavazza venue hosted 300 international guests, with whom Lavazza shared new strategies for market growth by offering products of increasingly higher quality. The first day was devoted to discussion of Value, Innovation and Excellence – topics on which to focus efforts in pursuit of an increasingly sustainable future. There were also speeches on sustainability at Lavazza and on ways of increasing the transparency and of improving the efficacy of communication and collaboration between Lavazza and its suppliers.

*Young People*  
**SUSTAINABLE DEVELOPMENT FESTIVAL: GENERATION 2030 MEETS IN TURIN**

Generation 2030: a national event focused on young people, promoted by the Italian Sustainable Development Alliance, in collaboration with Lavazza and with support from the City of Turin. At this national event, Lavazza renewed its commitment to promoting the 2030 Agenda.

The event was dedicated to Goal 4, Quality Education, and focused in particular on secondary schools, universities and young professionals: the young participants were not only the focus of the initiatives, but also, and above all, active agents of the ongoing change.

During the day dedicated to Sustainability Education, various discussion groups were held as a forum for the young ambassadors of Generation 2030, as well as for representatives of institutions, schools, universities, foundations and businesses, in pursuit of effective strategies that concretely meet the demand for change among young people.



# BASEMENT CAFE

## BASEMENT CAFÉ: A MEETING PLACE FOR THE NEXT GENERATION

Basement Café is a Lavazza project involving an innovative entertainment and learning format published on the YouTube platform that is addressed to the youngest viewers and aims to engage them in dialogue by offering content that reflects their interests, such as music, in addition to cultural and social topics. The format is based on an informal conversation between big-name artists, rappers and singers and leading figures in their fields. Among the various topics dealt with, an episode was also devoted to the environment, involving the participation of scientist Stefano Mancuso, who discussed the importance of protecting our planet and the climate change problem with young people. Basement Café is a communication tool that Lavazza has chosen to reach young people.



It was very interesting and satisfying to be able to evaluate, on-site, the ideas that we had come up with in Italy and reinforce what we had studied.



This trip will be a part of us forever.

## “LAVAZZA AND YOUTH FOR SUSTAINABLE DEVELOPMENT GOALS”

In 2019, the winners of the contest Lavazza and Youth for SDGs visited the Tanzanian community supported by the Lavazza Foundation to conduct a feasibility study of the project proposal that won first place in the 2018 competition. The project put forward involved the preparation of mushroom cultivation learning modules in Tanzania based on the use of coffee production waste. The five young members of the team met the beneficiaries of the project supported by the Foundation, located in Arusha. With the support of the professionals from HRNS (Hanns R. Neumann Stiftung), the foundation implementing the project on site, they had the opportunity to interview coffee-growers and administer questionnaires to them analysing the feasibility of this project. During their journey, they got to know the families of coffee farmers and worked together with them to provide training on sound farming practices in Farmer Field Schools, lessons taught in the field for farmers by professional agronomists.

We return from this experience not only stimulated from an intellectual and professional standpoint, but, more importantly, full of new ideas and the desire to do our part, with greater awareness of environmental issues such as deforestation and climate change, which we may view as distant, but which become wholly tangible when you travel to places where people are already paying the price for the effects of these disasters.



### LAVAZZA PARTICIPATES IN YOUTH IN ACTION FOR SUSTAINABLE DEVELOPMENT GOALS

“Youth in Action for Sustainable Development Goals” is a call for ideas held by the Italian Accenture Foundation, the Eni Enrico Mattei Foundation and the Giangiacomo Feltrinelli Foundation involving young people under age 30, who in this competition are asked to provide innovative solutions with a strong social and technological impact to contribute to achieving the 2030 Agenda Sustainable Development Goals.

In 2019, Lavazza partnered with Youth in Action to create a category of the competition devoted to innovative projects benefiting coffee-growing communities. A team from the University of Bari won first prize with a project for purifying agri-industrial wastewater. This team, made up of students from the biotechnology, agronomy and chemistry faculties, had the opportunity to pay a visit to the project supported by the Lavazza Foundation in Colombia, visiting coffee-growing communities in the Department of Meta and Huila, where the Lavazza Foundation and the FNC (*Federación Nacional de Cafeteros de Colombia*) are committed to building three wet processing facilities capable of ensuring water savings on the order of 90% of the volume of water normally required.

### The local communities

## TOWARD 2030: A WORLD ON THE WALLS

Promoted by Lavazza and the City of Turin to spread a culture of sustainability through the language of street art, the project TOward 2030 involved the creation of 18 murals dedicated to the 17 Sustainable Development Goals and Goal Zero. Turin thus became the first city in the world to act as ambassador of the Global Goals, turning itself into a workshop in which urban art conveys a powerful message tied to the planet’s future. The works, created by well-known international urban artists, have been designed to engage citizens, and in particularly the youngest members of society, and encourage them to act. The provocative question underlying the project, “What are you doing?”, urges us to remember that we all have a duty

to protect the planet. Through the styles adopted by the various artists, street art is a way to regenerate urban spaces and using an alternative language to engage citizens. Its examination of sustainability topics proved fruitful: TOward 2030 was awarded the 2019 International Res Publica Prize, dedicated to initiatives that stand out for a sense of civic duty and sound governance.

In 2019, when the creation of the 18 murals had been completed, Turin became an outdoor museum and communication of the project was reinforced during Artissima, the seventh edition of the event dedicated to contemporary art held in Turin. The celebrations focused on the commitment to sustainability, involving the presentation of the

book devoted to “TOward 2030: What are you doing?”, which documents and illustrates the TOward 2030 experience through the photography of Martha Cooper, among the world’s foremost street art photographers.

Martha Cooper gives readers an inside look at the graffiti community, documenting the process of creating the murals. In 2019, the TOward 2030 experience continued to be shared in the Piazza of Lavazza Nuvola, through the public exhibition of the 18 photographs taken by Martha Cooper. To engage the public and shift the focus to the 18 murals spread throughout the city, various free guided tours starting at the Lavazza Nuvola were also given.



## The first Lavazza Ambassador Program: in Rwanda with the tea growers

In 2019, Lavazza's first six Global Ambassadors had the opportunity to travel to Rwanda, where they came into contact with the tea grower communities, and thus bore witness to the social and environmental challenges that these growers, a key part of Lavazza Professional's supply chain, face daily together with their families.

The Ambassadors are Lavazza employees, chosen through an in-house selection process that takes account of various requisites, including fitness to tackle a journey in a developing country and the desire to make a difference for the local communities. The Ambassadors selected for this first trip are employees of the company Lavazza Professional, belonging to different Departments within the organisation.

As well as having the chance to observe the procedures required to produce a high-quality tea bought by Lavazza, the Ambassadors were also able to observe the positive impact that this project is having on the local communities.

Lavazza Professional supports this project together with Ethical Tea Partnership, a not for profit Organisation that aims to promote solutions that mitigate climate change, support gender equality and provide economic support to the tea growers. The Ambassadors took part alongside the farmers in various activities included in the project, such as the farmer field schools, farmer business schools, savings and loans associations and livestock development programmes.

With the aim of having a positive impact on the Rwanda community that hosted them so generously, during their stay the Ambassadors completed the task assigned to them at the start: the painting and setting-up of classrooms to be used to start up literacy courses aimed at the tea growers.

The Ambassadors also raised funds required to buy cows to be donated to the farmers in Rwanda, as for them cows are an important nutritional and financial resource.

We were extremely proud to be part of a cow giving ceremony presenting 15 cows to farmers. It was a moving and uplifting experience for our ambassadors, as was the whole Lavazza Global Ambassador assignment.



## LAVAZZA RANKED NINTH IN THE 2019 GLOBAL CR REPTRAK

In 2019, Lavazza was ranked among the top ten companies in the world in terms of corporate responsibility, moving up an impressive 23 spots compared to 2018 and reaching ninth place in 2019 Global CR RepTrak®, the world's largest study of the perception of corporate social responsibility in public opinion published by the Reputation Institute.

Of the 100 companies assessed, Lavazza ranked number-one in the Food & Beverage sector and number-one among Italian companies.

The 230,000 consumers interviewed in 15 countries expressed their perception of the three areas that make up corporate social responsibility:

- **Workplace:** an attractive workplace that is respectful of employees, equal opportunities and gender equality;
- **Governance:** transparent, ethical company behaviour;
- **Citizenship:** a responsible attitude towards environmental and social issues and the ability to have a positive influence on society.

This important milestone confirms that the constant focus on people and the dissemination of the principles of sustainable development allow the Lavazza Group to rise to the challenges of sustainability through concrete, innovative initiatives appreciated by all members of society.

**No. 1**  
in the Food &  
Beverage sector

**No. 1**  
among Italian  
companies

# MAIN EVENTS IN 2019

January

## AUSTRALIAN OPEN

Lavazza is the official coffee partner of the Australian Open.



February

## «BROKEN NATURE» AT TRIENNALE DI MILANO

Lavazza supports the Triennale di Milano for the three-year period 2019-2021. On the occasion of the Broken Nature project of the XXII International Exhibition, Lavazza is the main sponsor of The Nations of Plants exhibition curated by scientist Stefano Mancuso, under the artistic supervision of Marco Balich.

March

## BIENNALE DEMOCRAZIA

Lavazza partners with the 6th edition of Biennale Democrazia, the project of the City of Turin developed by Fondazione per la Cultura Torino, which focuses in particular on the Aurora district, where Lavazza's Nuvola Headquarters is located. At the Biennale Democrazia event, Lavazza and Rete Italiana di Cultura Popolare present a photography exhibition that recounts the Project AAA – Accoglie Accompagna, Avvicina and reiterates the Company's commitment to society's vulnerable groups.



April

## SUSTAINABLE ECONOMY FORUM

The Sustainable Economy Forum takes place, promoted by the San Patrignano Community and Confindustria. This international event is attended by entrepreneurs, economists, politicians, researchers and civil society representatives to discuss sustainable development issues.

## COFFEE SAPIENS SPAIN

Lavazza presents Coffee Sapiens in Barcelona, at the El Bulli Foundation for its Ho.Re.Ca. top clients, and at El Cercle for journalists and influencers.

May

## WORKSHOP GLOBAL SHAPERS

Lavazza hosts a workshop at the annual meeting of the Italian hubs included in Global Shapers, a network of professionals under the age of 30 founded in 2011 by the World Economic Forum which aims to develop projects to improve its communities. The meeting's topic is "Shapes of Sustainability", which the WEF considers the main long-term risk of our era.

## ROLAND GARROS

Lavazza is the official coffee of the Roland Garros tournament held in Paris. Lavazza participates at the UNFCCC Sports for Climate Change conference, organised on Earth Day, with the French Federation of Tennis.

June

## ASVIS SUSTAINABLE DEVELOPMENT FESTIVAL

Lavazza hosts the National Sustainable Development Festival dedicated to Goal 4 – Quality Education, organised by ASviS and Lavazza. The event involves students, the representatives of the Fridays for Future movement, institutions and experts from academia.

## LEGEND19

On the occasion of its first anniversary, Lavazza's Nuvola Headquarters hosts the LEGEND19 event, which organises meetings aimed at discovering and celebrating the stories that saw a brand turning into a myth, a person into an icon. Featuring its new look, Qualità Oro – Lavazza's iconic product of the present and past – is the star of the event.

July

## WIMBLEDON

Lavazza is the official coffee of the Wimbledon tournament, where it promotes iTierra!

August

## US OPEN

Lavazza is the official coffee partner of the fourth Grand Slam tournament.

September

## LAUNCH OF COFFEE SAPIENS AT GUGGENHEIM NY

Coffee Sapiens is launched in New York; the presentation envisages a series of events, lectures and press conferences at the Guggenheim Museum, the Columbia Business School and Google Headquarters.

October

## THE CSR AND SOCIAL INNOVATION FAIR

The Bocconi University of Milan organises the "CSR fair", which focuses on local areas and communities, considered concrete structures that have to be preserved and promoted with the aim of creating a more sustainable future.

## PRESENTATION OF THE 2020 LAVAZZA CALENDAR EARTH CELEBRATION.

Lavazza, together with David LaChapelle, presents the 2020 Lavazza Calendar.

December

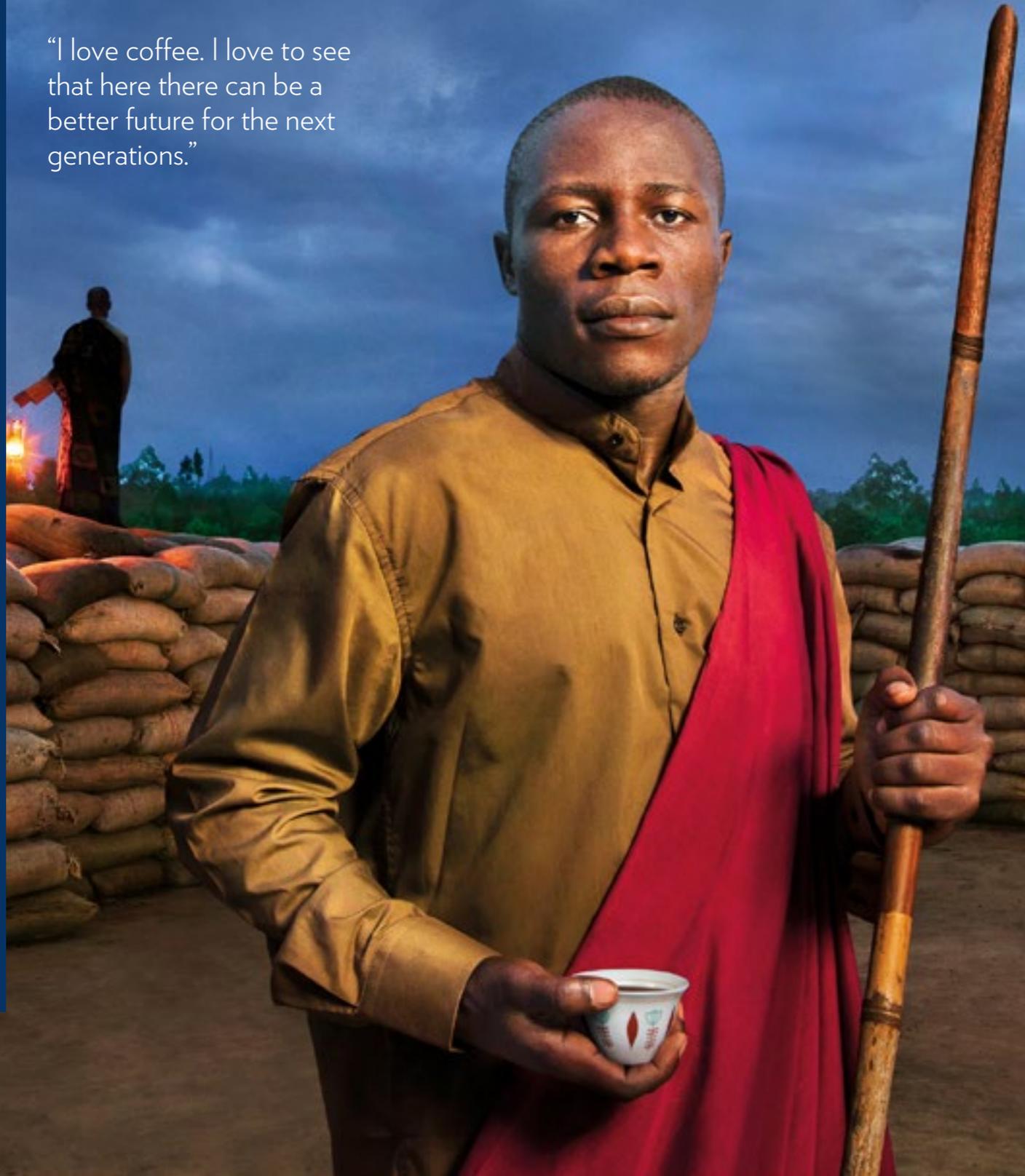
## SUPER TENNIS AWARDS

2019 Super Tennis Awards Ceremony. All female and male tennis players who achieved excellent results in 2019 are awarded, including Jannik Sinner, Lavazza Brand Ambassador.



# GOALS ON THE FIELD: THE LAVAZZA FOUNDATION

“I love coffee. I love to see that here there can be a better future for the next generations.”



In Lavazza we define a “good coffee” only the one resulted from good practices carried out along the whole supply chain, from plantation to cup.

Coffee is a product of the land, and like the 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, but also about 25 million farmers in over 30 countries. Lavazza wants to stand by them in combating the effects of climate change, promoting good agricultural practices and supporting a sustainable social development.

This chapter will describe the objectives and the priority actions of the non-profit Giuseppe and Pericle Lavazza Foundation, as well as the highlights and results achieved in 2019. Through the projects it supports, the Lavazza Foundation pursues some of the Sustainable Development Goals set out in the 2030 Agenda, and in particular:



## iTierra!: the project that marked the start of Lavazza's commitment

In 2002, Lavazza's focus on and commitment to coffee growing countries took the concrete form of the first sustainability project entirely conceived and developed by the Company – ¡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 communities of caficultores in Peru, Honduras and Colombia. In the following years, the ¡Tierra! project was spread across other coffee growing areas in India, Brazil, Tanzania, Ethiopia and Vietnam.

In 2004, in order to coordinate, manage and effectively implement economic, social and environmental sustainability projects in coffee growing countries, 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: Antonella and Giuseppe Lavazza, Professor Giacomo Büchi, Professor Arnaldo Bagnasco and Professor

Giovanni Zanetti, President of the Foundation. 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 sound agricultural practices that foster coffee quality and respect for the environment;
- support for coffee-growers to help them build and manage their own organisations, in the form of 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 networks for marketing their products.

In addition, the Lavazza Foundation's projects also aim to:

- promote gender equality within families and communities;
- 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;

- promote the diversification of products in order to reduce risks and facilitate greater food production;
- support reforestation;
- spread farming techniques that enable growers to respond effectively to the effects of climate change;
- introduce technologies to support traditional coffee-growing techniques.

Another distinctive element of the Foundation's projects is that they envisage on-site activities to be implemented by local stakeholders. This ensures a direct engagement of coffee-growing communities and the development of trusted relationships that lead to the achievement of the expected results, which are therefore sustainable in the long term.



### International Coffee Partners

Since 2001, Lavazza has been actively participating in International Coffee Partners (ICP), an organisation that brings together eight 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, Tchibo, and Delta Cafés Group.

Its mission is to launch, 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.

In fact, a synergistic collaboration that pursues the economic, social and environmental sustainability of coffee production based on the pooling of skills, resources and expertise can benefit the entire industry. What is more, such collaboration gives rise to a leverage effect that yields profoundly meaningful results.

From 2001 to the present, ICP projects have involved over 80,000 coffee-growing families in 12 countries around the world.

Lavazza also participates, as founding member, to the Coffee&Climate initiative, which will be describe in greater detail in Chapter "Goal 13: Climate Action".

<https://www.coffee-partners.org/>

# 2019 RESULTS

Over  
**97,000**  
direct beneficiaries

**17** countries **24** projects



## AMERICA

### Dominican Republic and Haiti

*The roots of change*  
(with Oxfam)

### Cuba

*¡Tierra! La Habana, the rebirth of Cuban coffee*  
(with Oxfam)

### Trifinio (El Salvador, Honduras, Guatemala)

*Together for a new dawn of coffee*  
(with International Coffee Partners)

### Guatemala

*Women's coffee*  
(with Verdad y Vida)

### Colombia

*¡Tierra! Colombia*  
(with Carcafé, ALO, Makaia – Meta)  
*Coffee as a model of prosperity and peace*  
(with Federación Nacional de Cafeteros – Huila)

### Ecuador

*The strenght is the production chain*  
(with COSPE)

### Peru

*Earth's lungs*  
(with CESVI)

### Brazil

*¡Tierra! Brasile*  
(with Hanns Neumann Stiftung)

## ASIA

### Vietnam

*The resilience of coffee against climate changes*  
(with IDH and OLAM)

### Indonesia

*Together for the Community*  
(with International Coffee Partners)

### India

*Horizons of hope for young people*  
(with Save The Children)  
*¡Tierra! India*  
(with Hanns Neumann Stiftung)  
*1000 days to smile*  
(with Save the Children)



## AFRICA

### Uganda

*The culture of coffee for the culture of the family*  
(with International Coffee Partners)  
*The Kalungu cherries*  
(with Sucafina)  
*Young people – an engine of growth against poverty*  
(with Sawa World)

### Tanzania

*¡Tierra! Tanzania*  
(with Hanns Neumann Stiftung)  
*The endeavour of becoming an enterprise*  
(with International Coffee Partners)

### Ethiopia

*Protecting the forest to protect coffee*  
(with Hanns Neumann Stiftung)  
*Coffee alliances*  
(with International Coffee Partners)

### Ghana

*The rebirth of coffee*  
(with Millennium promise alliance)



### Gold medal to ¡Tierra! Colombia at the International Coffee Competition

¡TIERRA! COLOMBIA took first place in the thirteenth International Coffee Tasting event, the international coffee competition held in Tokyo in December 2019. 289 competing products from all over the world were tasted by 30 judges from the International Institute of Coffee Tasters (IIAC). International taste, nowadays focused on aroma smoothness and complexity, was best reflected in the Italian coffees. The success of the ¡Tierra! Colombia product is shared with the 100 coffee growers benefiting from the project supported by the Lavazza Foundation in the Colombian region of Meta, with Carcafé and all the Institutions that believed so wholeheartedly and with such dedication in the redevelopment of coffee plantations, which have become the symbol of the country's resilience.

# NEW PROJECTS SUPPORTED IN 2019

## Uganda: youth as the engine for growth against poverty

In Uganda, 85% of coffee is grown by small farmers, who often leave the countryside and farming due to the negative effects of climate change, migrating to the urban centres in search of better opportunities. It is predominantly the young who are leaving the countryside, and these are the ones who the Lavazza Foundation has decided to support with a new project: “Ujana”, which indeed means “youth”.

The Lavazza Foundation has been operating in Uganda for several years through a project supporting the coffee growers together with International Coffee Partners. The Foundation has decided to engage with the new “Ujana” project together with the NGO Sawa World <sup>2</sup> in order to meet the need to provide a greater level of support to the younger generations.

The project was conceived by one of the women featured in the 2018 Lavazza Calendar “2030: What are you doing?”: Daphne Nederhorst, ambassador for Goal 1 “No poverty” and founder of Sawa World . “For disadvantaged young people, having access to local resources is an opportunity to change”.

The project’s objective is to involve young people from the coffee growing communities and provide wide-scale access to simple local innovations. The first phase of the project identified 7 young people aged between 15 and 35 in 5 different Colombian departments to start up a small business activity. The project involves each young person proposing his or her own business idea which will be started up thanks to initial economic support and special training.

Each of the 7 solutions will be documented through a short educational video and a teaching manual will also be supplied with simple illustrations explaining step by step the innovative idea proposed. The videos and manuals will provide self-learning tools for thousands of other young people who will be reached through “local solutions hubs” located in the beneficiary communities.

In addition to the practical training sessions in the “local solution hubs”, the young people will receive training on marketing and business management, and dialogue roundtables will be set up to share new ideas, successful results and challenges. It is expected that the ‘hubs’ will manage to benefit between 10,000 and 30,000 young people.

A workshop day will be held to discuss the project’s impacts and potential, where the young beneficiaries will report on their experiences and spread the message to other victims of extreme poverty.

<sup>2</sup> <https://www.sawaworld.org/>: Sawa World in an NGO recognised for its innovative approach in tackling and solving the severe problems caused by extreme poverty in 15 African countries which provides large-scale access to local solutions that are easy to implement. To date, over 30,000 young have been involved in training and awareness-raising programmes.

**Ujana Project**  
**7 young people**  
**aged 15-35**  
**to develop**  
**7 entrepreneurial solutions**

We all deserve to live with dignity and to make every effort to use our capabilities. The solutions for resolving extreme poverty are often in the minds, hands and heart of those who live in conditions of extreme poverty. Let this be the main driving force for resolving this major scourge by 2030.



## Supporting the Amazon to protect the lungs of our planet

<sup>3</sup> <https://www.cesvi.org/>: CESVI is a humanitarian organisation founded in Bergamo in 1985. It has been operating for more than 30 years throughout the world supporting the most vulnerable populations and promoting human rights on the basis of social justice principles. Its major action areas are: emergencies, fight against hunger, protection of children, health, environment and sustainable development and raising awareness.

As well as being an enormous source of natural riches, the Amazon forest is one of the most powerful tools available to the planet to offset the greenhouse effect and counter climate change.

In fact, the plants of the forest, during their natural life cycle, release oxygen in exchange for the CO<sub>2</sub> they store, which is fixed inside the bark of plant trunks and is not dispersed. The amount of CO<sub>2</sub> stored is larger the more adult the plant, and the broader its shape (extension of the branches and own frond).

However, the Amazon forest is also a highly desirable territory due to its mineral resources and exploitation of timber. In addition to the destruction suffered by the forest for these two reasons, the population that lives in the forest or on its margins, no longer finding sufficient resources for their livelihood, also finds it more advantageous to cut down plants to sell timber, or deforest the territory and then burn it and live on subsistence agriculture — more profitable and convenient in the short term in food and economic terms — or to raise cattle. These operations contribute to the further degradation and desertification of the forest, as well as the release of the CO<sub>2</sub> previously stored by the felled and burnt plants.

In order to protect this fundamental resource, the Lavazza Foundation has decided to support the CESVI<sup>3</sup>, a non-governmental organisation that has been operating for more than 20 years with specific projects in the heart of the Amazon forest.

The project, supported by the Foundation, is taken forward by CESVI together with the Peruvian Ministry of Environment and the local and indigenous communities, and has two main objectives:

- to promote the conservation of the existing forest heritage, with direct oversight being provided by the indigenous communities, which thus become the forest's guardians;
- to carry out replanting of new trees in the degraded areas of the forest.

Particular attention is paid to conserving and planting Brazil nut trees (*Bertholletia excelsa*), a very valuable environmental resource: in fact, the tree can grow up to a height of 50 metres, live up to 700 years and store about 64,000 kg of CO<sub>2</sub> during its life.

The project also has a strong social component since it promotes:

- the harvesting, processing and marketing of local natural products such as the Brazil nut;
- the planting of fruit trees, which can be both a source of self-consumption for the indigenous communities and an income opportunity.

*Brazil nut trees*

**50**  
m high

**700**  
years old

**64,000**  
kg of CO<sub>2</sub> captured



## Cuba es vida. Cuba es café

Women and young coffee growers are the targets of the Lavazza Foundation's project in Cuba, in partnership with Oxfam and the Cuban authorities. At the moment, the country is experiencing major problems linked to falling coffee production, poor quality management and the need for regeneration of low-productivity areas, with significant repercussions on local communities, including the abandonment of farming by the younger generations and the need for greater involvement of women.

The first phase of the project saw the creation of 10 production and grafting centres for 6 million new top-quality coffee plants in the east of the island, involving the communities of Granma and Santiago. In addition, the initiative provides for the opening of 34 schools for spreading knowledge about farming best practices to 2,900 coffee growers and 500 technicians in the sector. With the reinforcement of the coffee production chain, local communities will have the opportunity to build a small production unit that will enhance the role of women and young people and allow a fairer distribution of work and a sustainable economic growth over time.

On the occasion of the 500<sup>th</sup> anniversary of the foundation of Havana, Steve McCurry documented the project in Cuba with shots that depict the activities linked to coffee production and the strong bond between people and their land. Lavazza decided to contribute to this celebration through a series of initiatives paying homage to the city and its coffee. In particular, Lavazza launched ¡Tierra! La Habana, an exclusive blend of 100% Cuban Arabica coffee.



# GOAL 8: DECENT WORK AND ECONOMIC GROWTH



Over the past few years, Lavazza has remained independent and preserved its identity, while expanding its universe to include new brands and new people — people with different cultures but with the common objective of working towards the Group's responsible growth.



“Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”: this is the description of 2030 Agenda Sustainable Development Goal 8, identified as a priority by Lavazza in that it is representative of its way of doing and being a business.

The United Nations has detailed Goal 8 through various targets, and this chapter describes the initiatives, projects and structures that Lavazza has implemented accordingly in order to contribute to reaching them.

In particular, the chapter discusses the following subjects:

- how Lavazza is organising itself to become a global Group that is increasingly integrated and inclusive of the companies that are a part of it;
- how the goal of responsible economic growth is supported by an effective governance structure and solid financial performance;
- how the Company is committed to safeguarding its workers, both protecting their health and safety and promoting constant training and development;
- initiatives and projects to protect and promote human rights in the supply chain, throughout which Lavazza stands with its suppliers;
- local community support programmes, through which Lavazza contributes to helping vulnerable segments of society gain access to quality jobs in the coffee sector.



# AN INTEGRATED GLOBAL GROUP

The acquisitions of previous years, which allowed Lavazza to expand at the international level and achieve robust growth, were guided and inspired by the values shared with each of the target companies.

In 2019, the Company focused on integrating these organisations and on the organic growth of the Group, in order to best include the new companies that have joined the Lavazza Group. The Company thus kept an open mind on these new cultures, while also respecting their diversity, embarking on a process of managing cultural change to harness the strengths offered by each and understand how they complement one another. This process began with reformulating the Group's values and involved the launch of a reorganisation of policies and a revision of application processes and tools. For example, in 2019, in order to set up a valid model at the Group level for remuneration adjustments, Lavazza formulated and standardised its international professional categories and set remuneration benchmarks by country. In addition, a new application system was created to catalogue all HR information at the Group level (including job title, remuneration benchmarks, results of the performance management process, etc.). This is just an example of the integration and coordination efforts in progress at the Company, set to continue in 2020.



## The values of the Lavazza Group

A blend of brands — and thus also of people, cultures and mindsets. This is one of the things that set apart the Lavazza Group, shaped by the acquisitions completed in recent years, which put an Italian company on a path to becoming a major international group. It was the art of blending that made Luigi Lavazza's fortune in the early 20<sup>th</sup> century, and that gave rise to the global Company of today. This successful invention is the source of the Group's values, which have their roots in Lavazza's history and entrepreneurial tradition, but which are projected towards the future.



AUTHENTICITY

*The value that speaks of the authenticity of the Group's people, their pride in their deep roots and respect for the diversity that makes them who they are.*



PASSION FOR EXCELLENCE

*The value that best exemplifies Lavazza's history, in which quality and a commitment to ensuring a unique customer experience have always been the pillars of the Company's work.*



RESPONSIBILITY

*The value that focuses on caring for people and the planet, that is only achieved by collaborating with stakeholders and translates into a commitment to responsible economic growth.*



INVENTIVENESS

*The value that commits all those who are a part of the Group to focus on the future, taking a bold, curious attitude focused on thinking big and not giving up when facing adversity.*

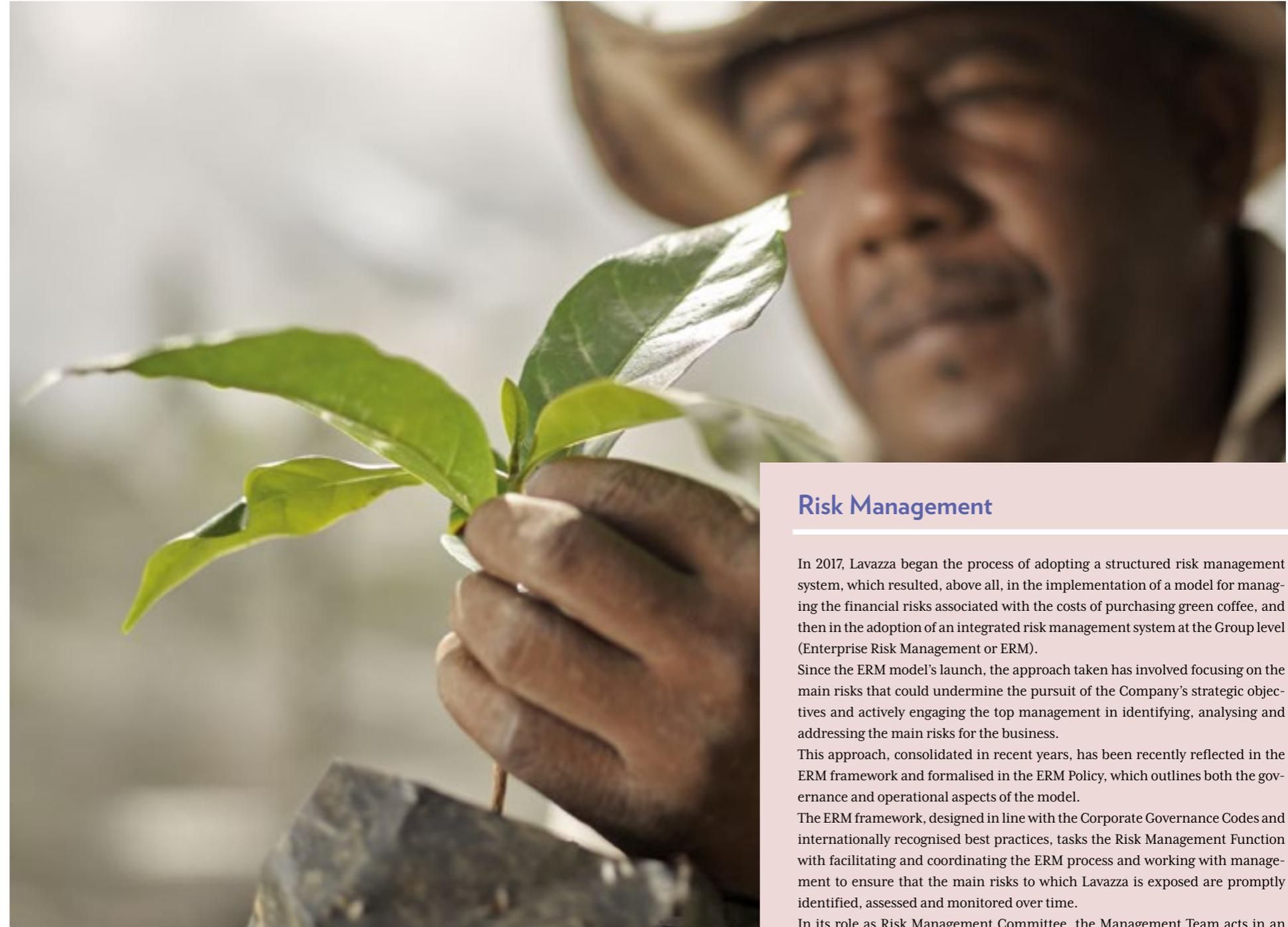
## RESPONSIBLE ECONOMIC GROWTH

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

Lavazza has a Corporate Governance policy setting out the guidelines to be adopted at Group level. The corporate governance model adopted by the Parent Company is a traditional one and features a governing body, the Board of Directors, and a control body, the Board of Statutory Auditors. The **Board of Directors** is vested with full powers to set a strategic policy to ensure that the Group is managed properly and efficiently. The **Board of Statutory Auditors** is responsible for overseeing compliance with the law and the Articles of Association, respect for correct administration principles and, within its remit, adequacy of the internal control system. The Group's subsidiaries operate under the management and coordination of the parent company, Luigi Lavazza S.p.A.

In addition, the main corporate bodies and functions involved in the internal control system are:

- the **Supervisory Body**, vested with autonomous powers of initiative and control, delegated to oversee the implementation of and compliance with Lavazza's Organisational, Management and Control Model as per Legislative Decree No. 231/2001, as well as to keep it up to date;
- the **Internal Audit** Function, reporting directly to the Board of Directors, delegated to implement an effective Internal Control System;
- the **Risk Management** Function, created at the end of 2016 within the Finance Department. It is responsible for managing and assessing the risks associated with company activities, in order to ensure that the organisation is capable of minimising losses and maximising opportunities;
- the **Compliance** Function, created in late 2018 within the Legal and Corporate Affairs Department, in order to ensure the legal compliance of business activities. It is responsible for ensuring that internal procedures comply with specific statutes enacted by lawmakers and internal rules.



### Risk Management

In 2017, Lavazza began the process of adopting a structured risk management system, which resulted, above all, in the implementation of a model for managing the financial risks associated with the costs of purchasing green coffee, and then in the adoption of an integrated risk management system at the Group level (Enterprise Risk Management or ERM).

Since the ERM model's launch, the approach taken has involved focusing on the main risks that could undermine the pursuit of the Company's strategic objectives and actively engaging the top management in identifying, analysing and addressing the main risks for the business.

This approach, consolidated in recent years, has been recently reflected in the ERM framework and formalised in the ERM Policy, which outlines both the governance and operational aspects of the model.

The ERM framework, designed in line with the Corporate Governance Codes and internationally recognised best practices, tasks the Risk Management Function with facilitating and coordinating the ERM process and working with management to ensure that the main risks to which Lavazza is exposed are promptly identified, assessed and monitored over time.

In its role as Risk Management Committee, the Management Team acts in an advisory capacity, ensuring that action priorities are appropriately identified. At the operational level, an annual risk analysis is planned, together with half-yearly monitoring of the evolution of the risk exposure and the progress of mitigation measures. The Risk Management Function periodically reports the results of these activities to the top management and the Board of Directors.

## Compliance

The Compliance Function promotes the spread of a culture of legality and proper conduct as essential factors of the sound functioning of the Company and respect for the principles of business ethics.

The issues within the Function's purview include the prevention of corruption, also considered relevant in view of the provisions of the United Nations Global Compact, which Lavazza adheres to. Lavazza rejects and combats all forms of corruption, taking a zero-tolerance approach and acting in accordance with the highest professional and ethical standards in the international environment within which it operates. Lavazza has implemented documents such as the Employee Code of Conduct, the Code of Ethics and the Supplier Code of Conduct to better formulate the principles adopted in the fight against active and passive corruption. These documents are divided into specific sections that govern all aspects of anti-corruption<sup>4</sup>. In addition, in

2019 Lavazza worked on formulating a specific policy on this subject, which will be formally presented in 2020.

The aforementioned documents are valid at the Group level and, in Italy, are integrated with the provisions of Legislative Decree No. 231/01. In fact, in Italy Luigi Lavazza S.p.A. has adopted an Organisation and Management Model pursuant to Legislative Decree No. 231/2001 that defines the crimes for which the Company could be held liable, including those relating to active and passive corruption, both in the public and private sector. Lavazza also organised training sessions on this subject for its employees. The course "The Lavazza Group's Legislative Decree 231 Model", intended for executives, managers and middle managers, is designed to explore Legislative Decree No. 231/2001, the main predicate offences and the applicable penalties, the Organisation, Management and Control Model of Luigi Lavazza

S.p.A. and the duties of Lavazza's Supervisory Body.

The Function is also tasked with ensuring compliance with Regulation (EU) No. 2016/679 ("GDPR") on data protection. The primary focus in 2019 was raising awareness internally, among Lavazza employees. All employees were thus given access to the procedures and documents prepared by the Group, such as the procedures to be followed in the event of a data breach, protocols regarding the data retention period and privacy policy statements for employees. Online privacy training was also organised for all employees. The Company then commissioned a third-party audit to assess the procedures implemented to protect personal data. In addition, in order to reinforce the management of data protection issues, Lavazza appointed local points of contact at its subsidiaries who interface with the Group's Data Protection Officer.

<sup>4</sup> <https://www.lavazza.com/en/about-us/company/code-of-ethics.htm>

Within the Lavazza Group, the Institutional Relations and Sustainability Department is responsible for sustainability issues.

This Department promotes, amongst the various Group Departments and companies, the adoption and integration of sustainability principles in corporate strategies and processes.

The Department's main responsibilities include:

- preparing the Sustainability Report;
- defining and managing the Community Care programme, supporting the local communities where the Company has its offices and plants;
- managing corporate relations, representing Lavazza in the different national and international trade associations;
- assessing the organisation's environmental impact and designing containment mechanisms;
- managing, in concert with different corporate Departments, the relationships with suppliers and customers with regard to sustainability issues;
- conceiving, managing and monitoring sustainability projects funded by the Lavazza Foundation.

The Institutional Relations & Sustainability Network was also formed in 2019 in order to integrate sustainability objectives into the businesses of all Lavazza Group companies. This network of ambassadors — one for each subsidiary — coordinated by the Parent Company's Institutional Relations and Sustainability Department is responsible for promoting the adoption of Lavazza's global sustainability goals at local Group companies.

## Lavazza's governance

### BOARD OF DIRECTORS

**CHAIRMAN**  
Alberto Lavazza

**CHIEF EXECUTIVE OFFICER**  
Antonio Baravalle

**VICE CHAIRMEN**  
Giuseppe and Marco Lavazza

**DIRECTORS**  
Antonella Lavazza  
Francesca Lavazza  
Manuela Lavazza  
Pietro Boroli  
Gabriele Galateri di Genola  
Robert Kunze-Concewitz  
Antonio Marcegaglia

### BOARD OF STATUTORY AUDITORS

Gianluca Ferrero  
Angelo Giliardi  
Lucio Paquini

**SUPERVISORY BOARD**

**INTERNAL AUDIT**



# OPERATING AND FINANCIAL PERFORMANCE OF THE LAVAZZA GROUP

€ million	2019	RATIO	2018	RATIO
Net revenues	2,199.70	100.00%	1,870.00	100.00%
EBIT	156.00	7.09%	110.7	5.90%
EBITDA	290.60	13.21%	197.3	10.60%
<b>EBITDA adjusted</b>	<b>300.7</b>	<b>13.67%</b>	<b>206.5</b>	<b>11.00%</b>
Profit for the year	127.4	5.79%	87.9	4.70%
CAPEX	157		100.7	
<b>Net financial position</b>	<b>-82.1</b>		<b>-15.0</b>	
Equity attributable to the Group	2,391.20		2,264.50	
Headcount	4,022		3,836	

Increase in turnover:  
from €1.87 to €2.2 billion

**+17.6%**

Profitability

**+41%**

2019 was a year of solid growth, confirming a further increase in operating profitability compared to that already observed in the previous year.

Economic indicators showed an improvement in both revenues and margins. This was possible thanks to the excellent performance recorded in all business segments and to the full integration of the Drinks division of Mars Inc, renamed “Lavazza Professional”, acquired at the end of the previous year.

The results confirm the effectiveness of the business model and the strategy that have allowed the Company to grow even in a still shrinking market context.

Consolidated net revenues amounted to €2.2 billion, up +17.6% compared to €1.87 billion for the previous year (30% Italy and 70% foreign markets). The growth is attributable to both the integration of Lavazza Professional (for a total of about €300 million) and to the positive performance of the Group’s business, which recorded a double-digit growth in North America (+15.2%), North Europe (+13%) and Eastern Europe (+ 23%), chiefly in Russia and Poland.

In 2019, the Lavazza Group grew in all channels, particularly in the Single Serve (+5.2%) and Roast & Ground (+3.8%) channels. Lavazza also entered the ready-to-drink segment, which is undergoing a major global expansion, through a partnership with PepsiCo, thus approaching the

youngsters and the new consumption methods, with a high-quality, premium product. Initially launched in the UK, Lavazza’s ready-to-drink products will be launched also in other European countries in 2020.

EBITDA was €290.6 million, increasing by +47.3% compared to €197.3 million for the previous year; EBITDA margin was 13.2% (compared to 10.6% in 2018). Excluding the impact of IFRS 16 FTA, the Group’s EBITDA would have been €278.2 million.

Adjusted EBITDA was €300.7 million, up +45.6 % compared to €206.5 million for 2018, before the one-off costs incurred for the acquisition and integration of the Lavazza Professional companies.

EBIT amounted to €156.0 million, up by 40.9% compared to €110.7 million for 2018, with EBIT margin of 7.1% (5.9% in 2018).

Profit for the year amounted to €127.4 million, up 44.9 % compared to €87.9 million for 2018.

Net working capital amounted to €293.4 million, up €10.6 million compared to €282.8 million at 31 December 2018. The change was attributable to the following components:

- higher inventories (€8 million);
- €2 million decrease in trade receivables thanks to improved collection times;
- €2 million increase in trade payables;
- €7 million increase in other operating assets and liabilities.

Net fixed assets totalled to €2,014 million, compared to €1,970 million at 31 December 2018.

The change in Property, plant, equipment and intangible assets includes the effect of the Purchase Price Allocation (PPA), in accordance with IFRS 3, of the acquisition of Mars’ Drinks division, which is now called Lavazza Professional. In 2018, this item, which measures the difference between the price paid and the fair value of the acquisition, had been temporarily allocated to Goodwill.

In 2019, the price was adjusted in favour of Lavazza for a total amount of about €13 million.

Excluding the above-mentioned effects, intangible assets increased chiefly as a result of new IT investments, whereas the change in property, plant and equipment was due to new industrial investments and to the purchase of machines to be provided to clients based on a free-on-loan agreement, both offset by depreciation and amortisation for the year.

Net financial position was positive at €82.1 million compared to €15.0 million in 2018, driven by positive cash generation, despite the negative effect of the application of IFRS 16, which impacted the net financial position due to the recognition of a financial debt of €53 million.



## PEOPLE AT THE CORE: PERSONNEL'S DEVELOPMENT, TRAINING AND SECURITY

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

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

### Lavazza certified Top Employer 2019 and Carte Noire recognised as a Great Place to Work

In 2019, Lavazza has been awarded the Top Employer Italy 2019 certification. This certification, based on a global survey, recognises companies that represent a model for the adoption of HR strategies designed to attract and retain top talent.

This prestigious recognition is bestowed on the basis of an analysis of the HR practices adopted in various areas: selection, training, professional development and growth, remuneration policies and benefits, the quality of the work environment, welfare and wellbeing, communication and engagement of individuals.

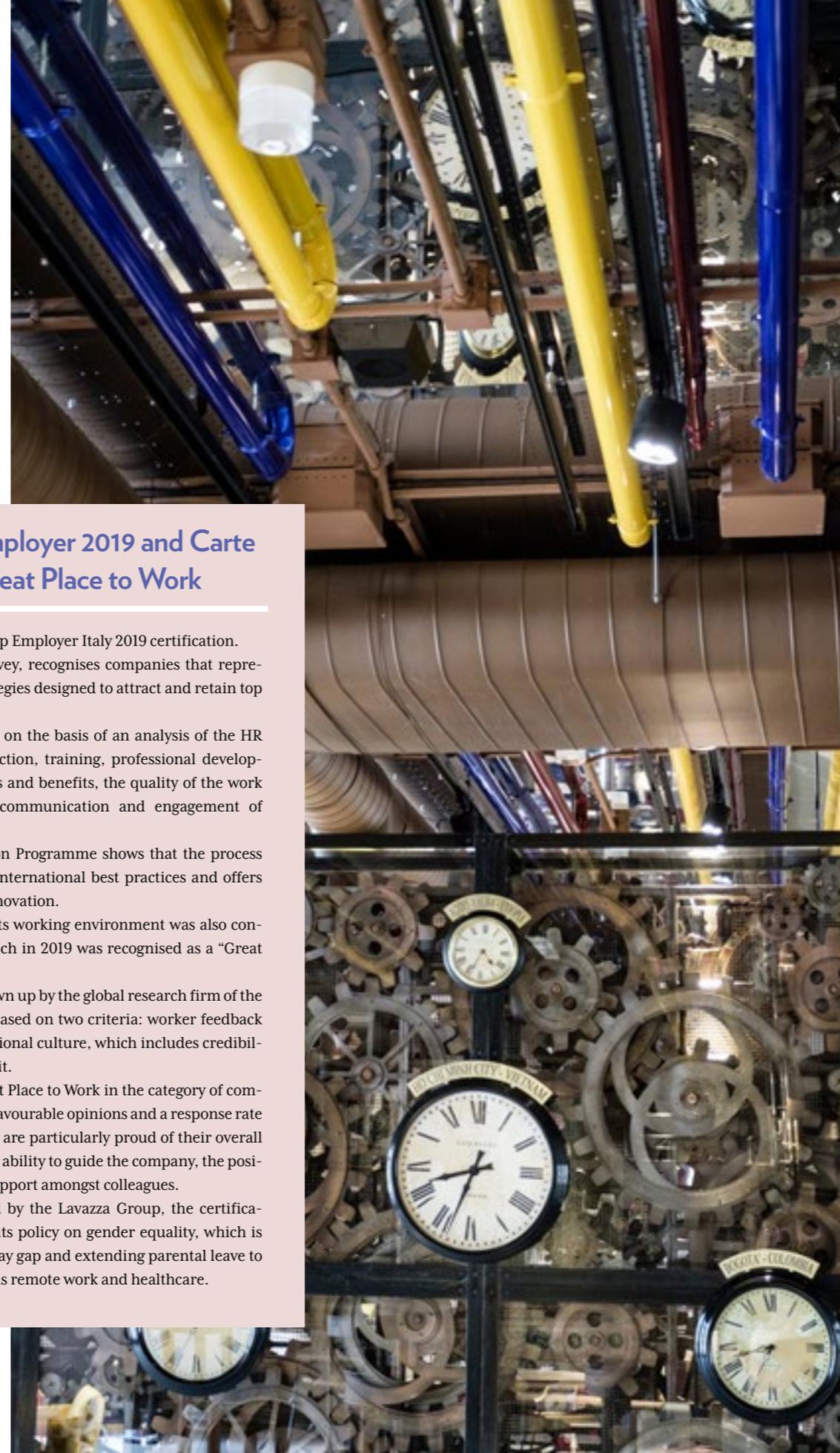
The Top Employers Institute Certification Programme shows that the process pursued in recent years is in line with international best practices and offers further insights for improvement and innovation.

Lavazza's commitment to the quality of its working environment was also confirmed at its subsidiary Carte Noire, which in 2019 was recognised as a "Great Place to Work in France".

The Great Place to Work rankings are drawn up by the global research firm of the same name. The assessment process is based on two criteria: worker feedback and an in-depth analysis of the organisational culture, which includes credibility, respect, fairness, pride and team spirit.

Carte Noire Sas has been certified a Great Place to Work in the category of companies with 50 to 500 workers, with 78% favourable opinions and a response rate of 91%. The employees of Carte Noire Sas are particularly proud of their overall results and appreciate the management's ability to guide the company, the positive working environment and mutual support amongst colleagues.

In keeping with the values championed by the Lavazza Group, the certification also recognises Carte Noire Sas for its policy on gender equality, which is implemented by narrowing the gender pay gap and extending parental leave to fathers, and for welfare initiatives, such as remote work and healthcare.



### Development and training of Lavazza's people

As the Lavazza Group expands each year, so does the need to ensure an increasingly solid training process in order to satisfy integration requirements.

In personnel development, the pilot People Review project launched in 2018 to identify professional growth strategies for employees was brought to a successful conclusion, and in 2019 resulted in the identification of key personnel with whom to design succession plans and career paths. The goals of this activity include strengthening the culture of performance assessment and the development of each individual's potential. In 2019, in response to this process, a pilot activity was launched to develop members of the managerial population who have shown that they possess particular capacities and potential: The People Development Center. During the year, these individuals underwent psychometric tests to identify their specific capacities and trigger individual professional growth opportunities.

A process of identifying ideal junior profiles was then launched and an individual format was planned for senior managers.

As regards training, new training activities were launched and the existing ones consolidated in 2019. For instance, the Brand Academy project continued: a long-term programme launched in 2018 that provides training modules linked to the brand's entire value chain, with the goal of integrating the Group's other brands, improving its processes and sharing best practices between markets, thus reinforcing the Lavazza Group's identity through a process of sharing.

Various areas of training were then promoted, such as trading analysis, policy learning, people development; a specific training process was launched to spread expertise in e-commerce issues and training was provided with a focus on understanding the local market.

## Take Off: the new induction programme for new hires

The induction process was finalised in 2019: its aims include welcoming new hires, providing important information regarding the Company and its products, and offering an opportunity to get to know one another.

The induction programme is designed for all new hires, regardless of their level, who complete the sessions in groups of 20 to 30 people. Induction consists in classroom sessions alternating with online modules and hands-on visits providing an interactive, participatory experience.

The classroom programme lasts three days, including visits to the Lavazza Innovation Center, interactive workshops and a visit to a point of sale.

All new hires receive a welcome kit including tickets to the Lavazza museum, a flask and a coffee machine. This programme, launched in June 2019, saw 75 new hires participate at the Headquarters.

In 2020, the launch of a "Train the Trainer" programme is planned for HR personnel at subsidiaries, in order to extend this format to the international companies.

## BeAn Excellence: Lavazza's first graduate programme

In 2019, to invest in the potential managers of tomorrow, Lavazza launched its first graduate programme: an international programme entitled "BeAn Excellence". This name deliberately evokes a coffee bean's journey: one of evolution and transformation, but also of quality and excellence.

Thanks to the Graduate Programme, in 2020 ten young graduates will join the Lavazza Group and participate in a three-year international, interfunctional programme in the Marketing, Finance, Sales and Operations Departments. They will work at the Turin Headquarters for the first year and at an international Group subsidiary in the second year, after which the experience in the third year will be determined on the basis of the results achieved in the first two years and each employee's personal ambitions.

The programme, presented at various Italian universities, has been opened to profiles from all countries and the selection, divided into various innovative, digital steps, was concluded in December 2019 by the Talent Acquisition team, in collaboration with the managers involved. Over 700 profiles were analysed.

**10**  
young people will  
participate in the  
BeAn Excellence  
programme

## THE PERFORMANCE MANAGEMENT PROCESS

The Performance Management model remained unchanged compared to 2018, confirming its alignment with international standards. It bases on the assessment of individual and leadership objectives (expressed through the four pillars of: Accountability, Innovation, Integration and Leading People), which represented 70% and 30% of the Performance Index generated (Overall Performance Rating), respectively.

In continuity with the revision and simplification process launched in 2018, the Mid-Year Review step was added in 2019 to offer a new opportunity for dialogue between superiors and employees. This new feature was presented and explained to the organisation through training sessions for both superiors and employees (for a total of 1,393 hours of training at the HQ alone). This activity was also a useful opportunity to monitor the process by gathering quality feedback.

The response was positive. The percent completion of the various tasks by the established deadline, both at the HQ and in various countries, exceeded 90%, confirming that the investments in training and communication contributed to actively engaging Lavazza's people in contributing to the Company's results.

The assessment process is also linked to company rewarding and development policies, aimed at recognising

and harnessing individual performance, as well as promoting professional and career growth.

In 2019, the Performance Management process involved employees in the following companies falling within the reporting scope of this Sustainability Report:

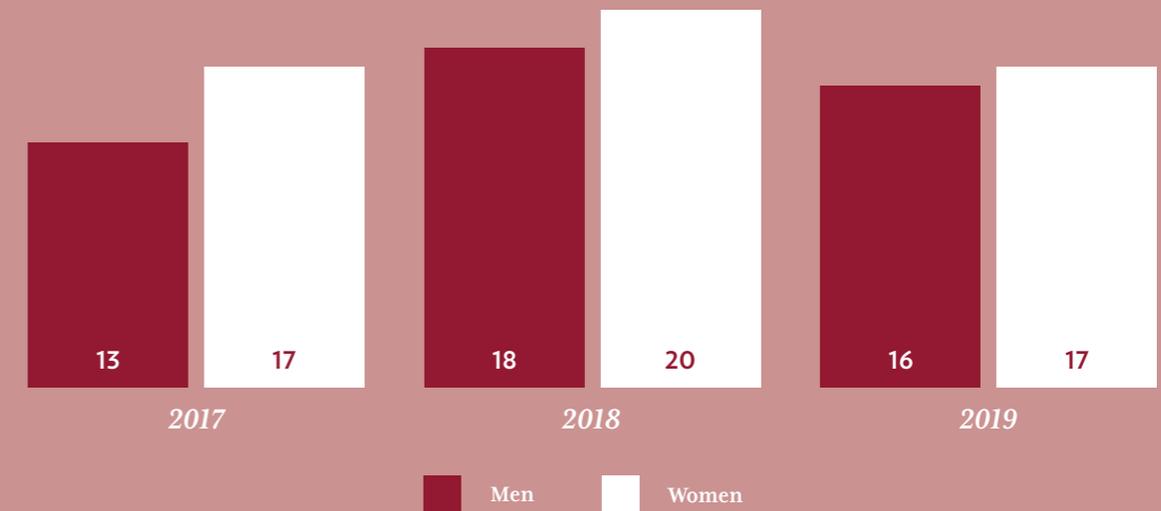
- Luigi Lavazza S.p.A.
- Carte Noire Sas
- Lavazza Coffee Ltd (UK)
- Lavazza Deutschland GmbH
- Lavazza France S.a.S (scope extended to include the entire population, after that in the first years it included General Managers and the first reports only)
- Lavazza Kaffee GmbH
- Lavazza Premium Coffees Corp. (USA)
- Lavazza Australia Pty Ltd
- Lavazza Sweden AB
- Merrild Kaffe Aps
- Fresh&Honest Cafe Ltd (General Managers and the first reports only)

The Lavazza Performance Management model will gradually be extended to all Group subsidiaries. In 2019, with respect to the companies in the reporting scope, performance assessments continued to be conducted at the local level for Carte Noire Operations and Fresh&Honest (with the exception of the General Manager and the first reports, who fall within the global process).

## Data on training

### ANNUAL AVERAGE TRAINING HOURS BY GENDER AND PROFESSIONAL CATEGORY

Average training hours by gender



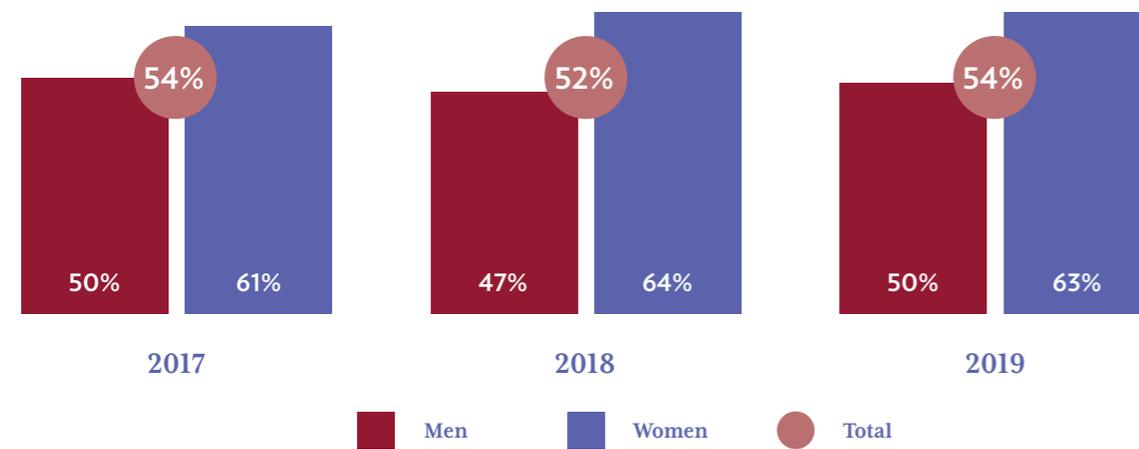
Average training hours by professional category

	2017	2018	2019
Managers	4	22	13
Middle Managers / Professionals	24	25	23
White Collars	14	19	15
Blue Collars	13	17	16
Sales Representatives	10	10	16

## Data on Performance Management

The following tables show the percentages and figures of employees who are subject to performance reviews on a regular basis.

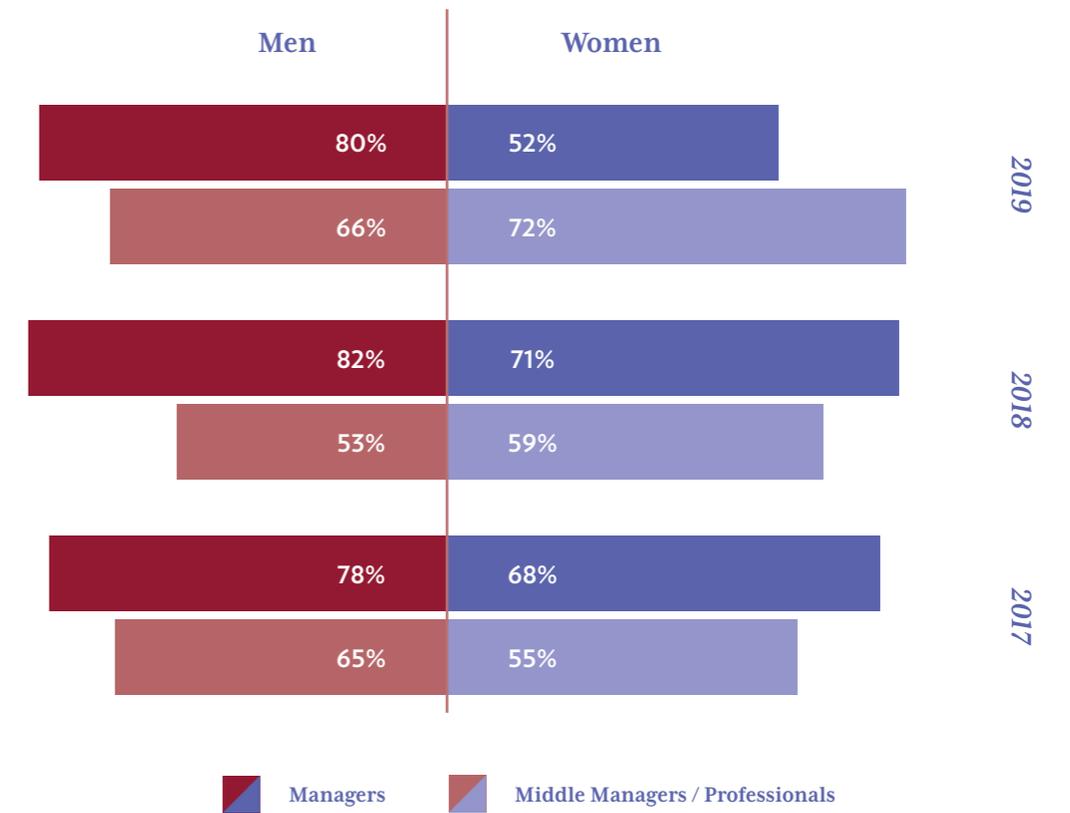
Percentage of people involved in the Performance Management process compared to total employees of the companies falling within the reporting scope of this Sustainability Report



Percentage of employees involved in the Performance Management process, by professional category and gender

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	69%	57%	65%	90%	91%	91%	92%	89%	91%
Middle Managers / Professionals	71%	65%	69%	68%	72%	69%	69%	80%	73%
White Collars	85%	78%	81%	67%	77%	72%	70%	74%	72%
Sales Representatives	68%	47%	66%	76%	69%	75%	86%	76%	85%

Percentage of people involved in MBO process by professional category and gender



Number of employees involved in the Performance Management process, by professional category and gender

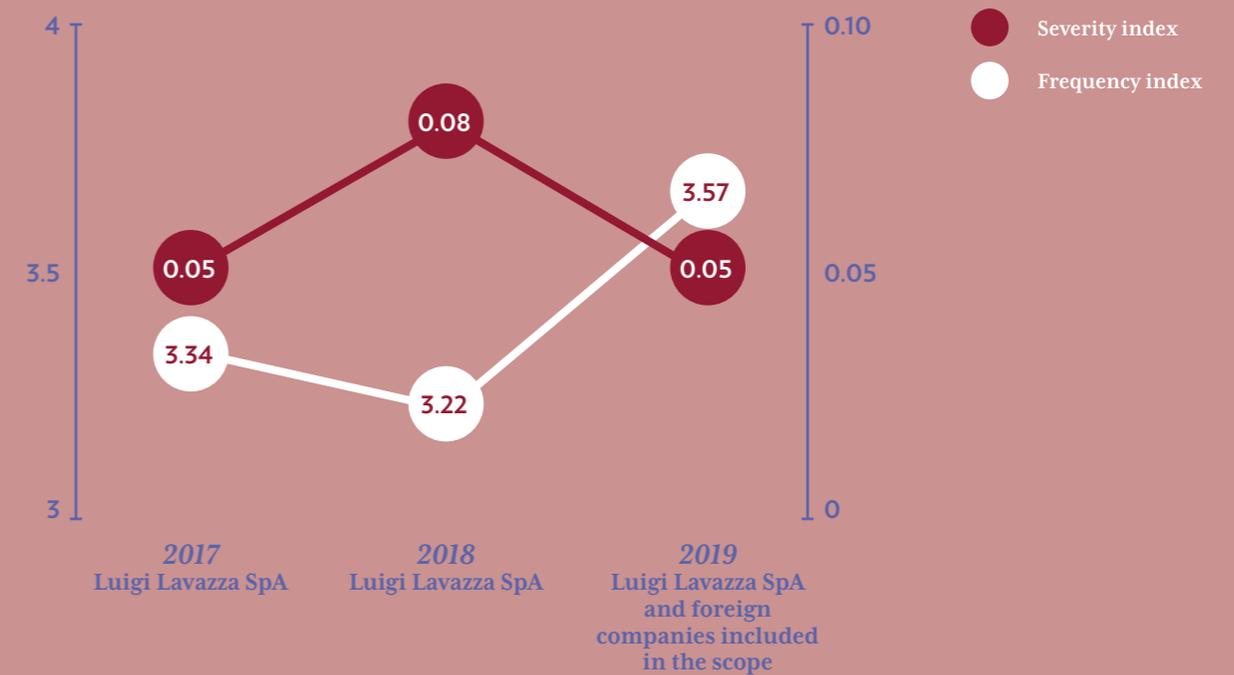
	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Managers	85	25	110	122	41	163	142	70	212
Middle Managers / Professionals	132	87	219	173	108	281	192	121	313
White Collars	383	403	786	372	436	808	390	476	866
Sales Representatives	206	16	222	240	31	271	284	35	319
<b>Total</b>	<b>806</b>	<b>531</b>	<b>1337</b>	<b>907</b>	<b>616</b>	<b>1523</b>	<b>1008</b>	<b>702</b>	<b>1710</b>

# WORKPLACE HEALTH AND SAFETY

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, Lavazza continued to develop and implement its Health, Safety, Energy and Environment Management System, in compliance with standards ISO 14001, ISO 50001 and OHSAS 18001. This Management System allows to define, monitor and improve all processes relating to workplace health and safety management. In detail, the Company carries out periodic audits at its offices and plants and provides for its employees to receive specific workplace health and safety training. Accidents, for which frequency and severity indices are calculated, are also mapped and recorded. The data contained in this Report have been aggregated at Group level.

<sup>5</sup> The accident index calculation has considered the events occurred to Lavazza personnel involving more than one day's absence from work, net of accidents occurring whilst travelling between home and workplace and vice versa (commuting accident).

## AGGREGATED DATA ON ACCIDENTS<sup>5</sup>



## Responsible supply chain: on the suppliers' side to protect human rights

In 2019, Lavazza forged ahead its awareness-raising campaign on sustainability issues targeting its suppliers. Following the publication of its new Supplier Code of Conduct in 2017, Lavazza began a process of circulating the Code to all its suppliers, with the aim not only of establishing a dialogue with them on sustainability issues, but also of monitoring with regard to respect for the Company's fundamental values and principles, and the safeguard of human rights in particular.

In continuity with the previous year, the comparability and consistency analysis with reference to the Lavazza Code continued in 2019, with the aim of verifying whether the suppliers' Codes of Ethics, if present, complied with the values enshrined in it.

At the same time, the supplier CSR qualification criteria included in the questionnaire, available on the dedicated portal for suppliers' registration, were revised and updated in order to ensure increasing integration of sustainability principles into supplier selection and management criteria. In order to accredit, suppliers must not only accept the Lavazza Code of Ethics and Supplier Code of Conduct, but also complete the various questionnaires available from the portal, including the CSR questionnaire.

The questions asked in the CSR questionnaire regard the following general issues:

- **Certifications:** management system certification;
- **Labour & human rights:** labour standards, human rights, salaries and working hours;
- **Business ethics:** company ethics;
- **Health & safety:** workplace health and safety;
- **Environmental:** management of environmental issues;
- **Supply chain:** responsible procurement.

Although at present the suppliers portal is only used by the Parent Company, Lavazza has also planned to extend its use to its subsidiaries.

An analysis of the risks associated with the protection of human rights at indirect (non-coffee) suppliers was conducted in 2019. This activity was carried out by supplier cluster, geographical area and specific type of product supplied and resulted in the identification of the sample of suppliers to undergo on-site audits. The on-site audit process will be carried out in 2020 by a third-party auditor according to specific checklists for each type of supplier. Following the assessment of the human rights of minors conducted in 2018 with Save The Children and a Chinese supplier of coffee machines, in 2019 training was provided to the supplier's personnel to decrease

the high rate of turnover observed among young workers.

In the coffee supply chain, Lavazza launched an assessment project in Vietnam together with one of its largest suppliers in order to assess the existence of any problems on-site, and work with Save The Children, communities and suppliers to identify specific remedies. To ensure a shared response to human rights issues, Lavazza launched a process of engaging all coffee industry actors at a pre-competitive level. In addition, in 2020 Lavazza and the NGO Oxfam will launch a Human Rights Impact Assessment project at the premises of a coffee supplier in Latin America, designed to investigate respect for human rights throughout its value chain.

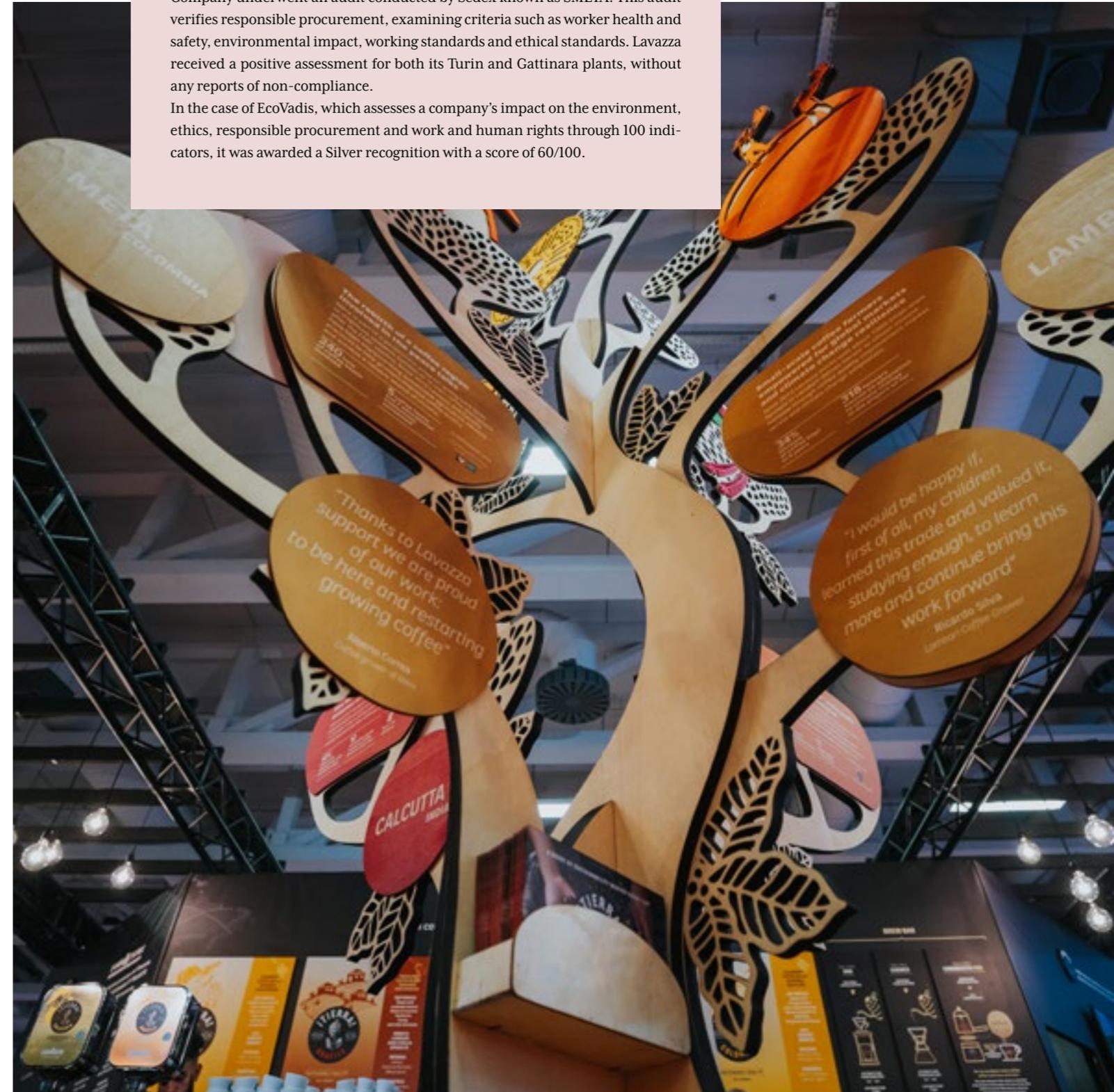
Moreover, with regard to other initiatives focused on coffee suppliers, in 2020 Lavazza will revise the checklist dedicated to them to conduct further on-site audits and create a risk map to understand the areas in which action should be taken.

Lavazza has also drawn up a Group Human Rights Policy, which will be made official in 2020. This policy reinforces the existing provisions of Lavazza's Employee Code of Conduct, Code of Ethics and Supplier Code of Conduct.

## Lavazza featured on the SEDEX and EcoVadis platforms

In 2019, Lavazza was included in two platforms that evaluate companies according to ethical and social responsibility criteria: Sedex and EcoVadis. The Company underwent an audit conducted by Sedex known as SMETA. This audit verifies responsible procurement, examining criteria such as worker health and safety, environmental impact, working standards and ethical standards. Lavazza received a positive assessment for both its Turin and Gattinara plants, without any reports of non-compliance.

In the case of EcoVadis, which assesses a company's impact on the environment, ethics, responsible procurement and work and human rights through 100 indicators, it was awarded a Silver recognition with a score of 60/100.



## ENGAGING LOCAL COMMUNITIES: THE COMMUNITY CARE PROGRAMME

Lavazza's Community Care is a programme of activities designed to enhance the local area in which the Company operates, both with its own production plants and commercial sites. The Community Care programme aims to improve the social, cultural and environmental situation of local communities, by means of support action and cooperative partnerships.

The Community Care initiatives follow well-defined criteria. They support specific beneficiaries such as local associations, NGOs, Universities and Hospitals and work together with the relevant institutional and local stakeholders, such as municipalities and local administrations. In addition, the Community Care programme does not merely limit its support to a (monetary or in-kind) donation or sponsorship, but sees Lavazza engaged in the co-planning of activities together with the local communities.

### *Project AAA – Accoglie, Accompagna, Avvicina*

In 2018, in partnership with the Rete Italiana di Cultura Popolare, Lavazza created the AAA project. The initiative involved a group of 18 young asylum applicants and Italian citizens from society's disadvantaged groups who took part in an advanced training course for professional baristas at the Innovation Centre in Settimo Torinese.

In 2019, after classroom sessions had been completed, the young participants were placed in internships at cafés and restaurants, identified with the contribution of Lavazza's salesforce and local business associations.

The results obtained confirmed that the project had achieved its ultimate goal: providing professional skills that can help participants be integrated into the workplace. In fact, some of the young participants even signed employment contracts before they began their internships, while others continued their work experiences after their internships were over.

Lavazza will continue the project in 2020, extending it to a new group of candidates.



### *A Cup of Learning: Lavazza experts help coffee growers*

A Cup of Learning is a coffee training programme established by Lavazza in 2017, with the direct participation of Lavazza's training experts, focused on people in search of new business opportunities in the coffee market. The programme targets not only the beneficiaries of projects in coffee-growing countries supported by the Lavazza Foundation, but also individuals from society's most disadvantaged groups.

The A Cup of Learning project consists of two different types of training programmes, one on green coffee and one on espresso. Courses on green coffee will delve into the methods and criteria of sensory analysis of coffee, processing and tasting techniques, evaluation of coffees from the various production areas and identification of sensory traits by provenance.

Training focusing on the entire espresso world instead provides attendees with lessons covering the theoretical and practical sides of "Being a Barista": how an espresso machine works, grinding settings and an in-depth look at the various extraction methods. The training initiatives, which are carried out both in coffee-growing countries and at the Lavazza Headquarters and Training Center in Turin, are taught by Lavazza employees: professionals who are actively committed to transferring their passion and professionalism to others.

In 2019, the A Cup of Learning training activities were offered to beneficiaries in Peru, Brazil, India and Ivory Coast, involving over 120 youngsters in two years.



In 2019

**60**  
young  
people in  
**4**  
countries



## GOAL 5: GENDER EQUALITY

The global coffee sector is comprised of a beautiful diversity of people from all origins, thousands and thousands of languages, and different expressions of gender, and the coffee sector needs to be welcoming and inclusive to everyone.



<sup>6</sup> <http://www.thecoffeeguide.org/coffee-guide/niche-markets-environment-and-social-aspects/Sustainability-and-gender/>  
<sup>7</sup> <http://www.thecoffeeguide.org/coffee-guide/niche-markets-environment-and-social-aspects/Sustainability-and-gender/>

In the coffee world, up to 70% of the workforce in coffee-growing areas are women, but just 25% of farms are run by women. In some countries, such as in Africa, for example, women do up to 90% of the work in the fields, from growing to harvesting coffee<sup>6</sup>. A study published by the International Trade Center indicates that in the coffee industry it is generally rare for women to be involved in managing the economic side of the business, almost always handled by men<sup>7</sup>. In response to

these challenges, Lavazza, with its Foundation, has long supported the promotion of women's rights in coffee-growing communities through women's development and emancipation projects. These goals are pursued by both including these promotion initiatives in most projects and by supporting others dedicated solely to women.

The importance of this topic has led the Company to consider Goal 5 in the 2030 Agenda, "Gender Equality", to be a priority, viewed not only as an objective to be pursued through concrete action, but also an opportunity to harness the positive initiatives already present.

In this chapter, in addition to reporting data regarding the workforce and remuneration broken down by gender, Lavazza seeks to describe its path towards promotion of work-life balance for its people: continuing to increase the focus on offering services in support of individuals is another way to an increasingly sound approach to equality and inclusion.



# WORK-LIFE BALANCE INITIATIVES AT LAVAZZA

In recent years, in order to combine the achievement of business results with a better work-life balance for its employees, Lavazza has developed a series of initiatives such as remote working, its welfare programme and projects in support of parenthood. These programmes are designed not only to support individuals in their private lives, but also to promote and encourage responsibility, autonomy and a results-oriented approach.

Lavazza also promotes these initiatives through dialogue with its employees and instruments such as supplementary contracts. In Italy in particular, in 2019 Lavazza prepared a new supplementary contract for employees of its Gattinara plant, introducing important changes that continue to focus on the growth of the Group and its people, who remain a focal point for the Company.

## Lavazza: a family business

People are a fundamental strategic asset for ensuring Lavazza's development and success over time. For this reason, the Company is increasingly committed to identifying concrete initiatives to promote and increase the individual and family wellbeing of its workers from a physical, cultural, economic and social standpoint.

In its welfare system, Lavazza identifies solutions capable of promoting the value of its people by offering tangible services in support of the purchasing power of its employees. This translates into a structured system of benefits, privileged access to goods and services in support

of family life and services such as company restaurants or gyms for employees of the Headquarters.

In 2019, Lavazza decided to make some important new additions to the measures already taken in previous years. In particular, in Italy the Company decided to **consider legally recognised civil unions equivalent to marriage, without restrictions by gender or sexual orientation**, providing a monetary bonus when a marriage or civil union is formed.

In addition, as a further measure in support of families and parenthood, Lavazza pays a monetary bonus to each employee when a child is born

or adopted. Workers with children are also eligible to work part time until their children's third birthdays. Lavazza also considers support for individuals in difficult family or personal circumstances to be fundamental: it extends leave for parenting, bereavement and caring for severely ill partners to all appropriately reported civil unions.





## BE SMART, WORK SMART: WORK HAS NEVER BEEN SO AGILE

From 2018 to 2019  
**830**  
employees  
participated in the  
programme

In 2019, the possibility to work remotely one day a week was extended to the whole HQ population.

The Nuvola Headquarters is not only an innovative physical space that facilitates interaction and collaboration between colleagues, but also a completely new way of thinking about work, centred on the clarity of the goals to be pursued and on people's increasing accountability. Through this new service, Lavazza intends to promote flexibility in order to allow its people to achieve an appropriate life-work balance in terms of time and needs.

From 2018 to 2019, the smart working programme involved **830 employees** and **693** actually used this modality of work.



## Lavazza Australia launches company volunteering and workplace giving

In partnership with the NGO **Goodcompany**, in late 2019 Lavazza Australia launched the initiative Workplace Giving and Volunteer Leave. Goodcompany supports over **1,800 charitable initiatives**, and this partnership provides an easy, efficient way of contacting volunteer organisations to donate time to a specific cause or make donations in agreement with employees.

One month after launch, one-third of employees had registered with the portal and participated with donations for projects promoting **Goal 5 – Gender Equality**, **Goal 3 – Climate Action**, and **Goal 10 – Reduced Inequalities**.

The volunteering programme allows employees to miss work for two days a year to dedicate themselves to volunteering, in teams or individually. Those who take part in this project may dedicate themselves to various kinds of activities, from cooking meals for those experiencing hardship to putting their professional skills to work in managing these volunteer associations.



## MAAM – MATERNITY AS A MASTER

Lavazza has always been committed to supporting female and male employees approaching parenthood through a series of welfare initiatives.

In 2019, Lavazza began to offer a programme for mothers and fathers that turns the experience of parenthood into professional value and growth, viewing it as a life experience that brings with it big changes and a new challenge to balance family and professional life.

Accordingly, Lavazza has chosen MAAM (Maternity as a Master), a digital programme that makes maternity a learning experience to discover and train soft interpersonal skills (listening, emotional intelligence, creation of alliances and communication), organisational skills (time management, delegation and collaboration, complexity management and decision-making) and innovation-related skills (problem-solving, change management, creativity and intellectual agility), which may also become useful in the workplace.

By taking part in MAAM, future parents and new parents with children up to age three will be able to participate in:

- 24 training modules of approximately 15-20 minutes;
- a network of female and male colleagues (including from other companies) for sharing experience and reflections and organising meetings;
- over 300 insights: questions and food for thought to increase awareness of the skills improved

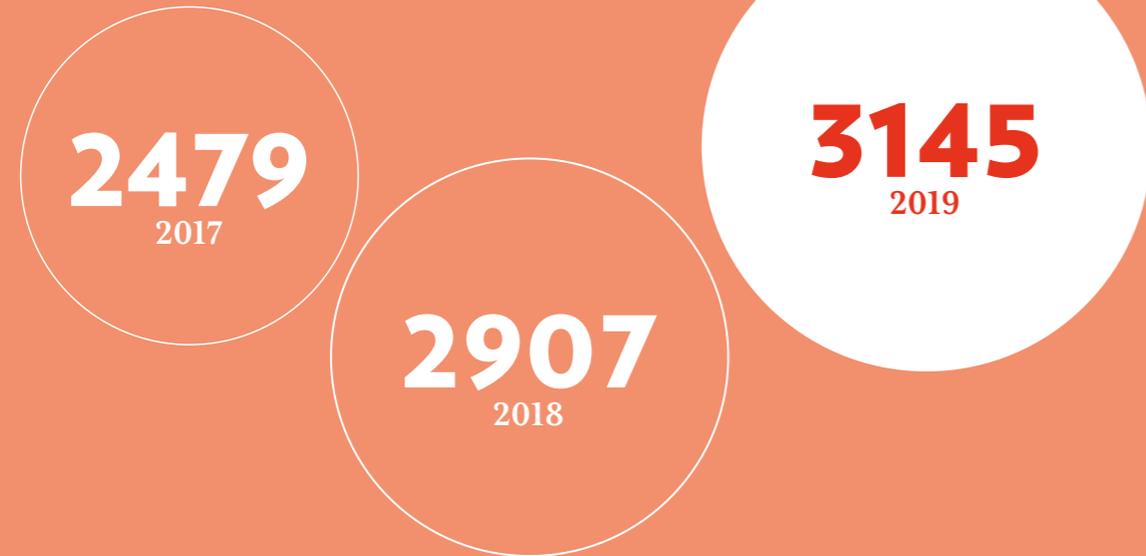
In 2019, **12 fathers** and **37 mothers** participated in the programme, which is currently available in Italy only.

**12** fathers  
**37** mothers  
participated in the  
programme in 2019



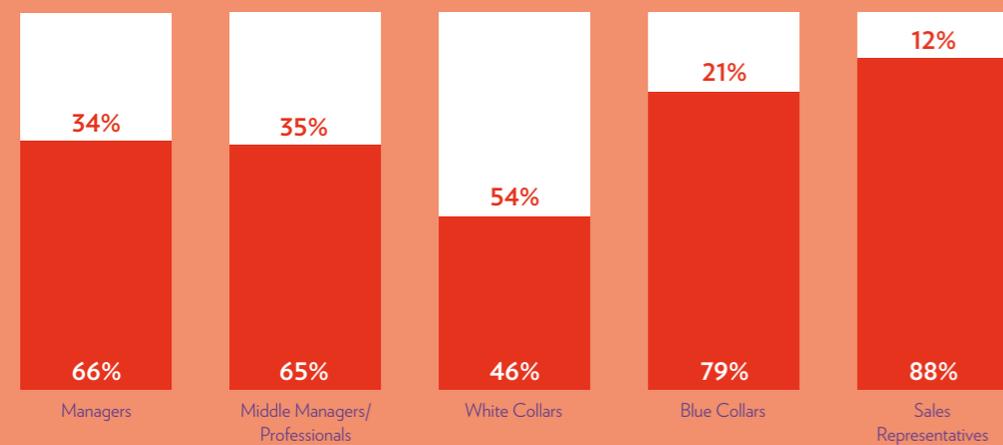
# WOMEN AND MEN AT LAVAZZA: KEY FIGURES

## TOTAL EMPLOYEES AT COMPANIES IN THE REPORTING SCOPE

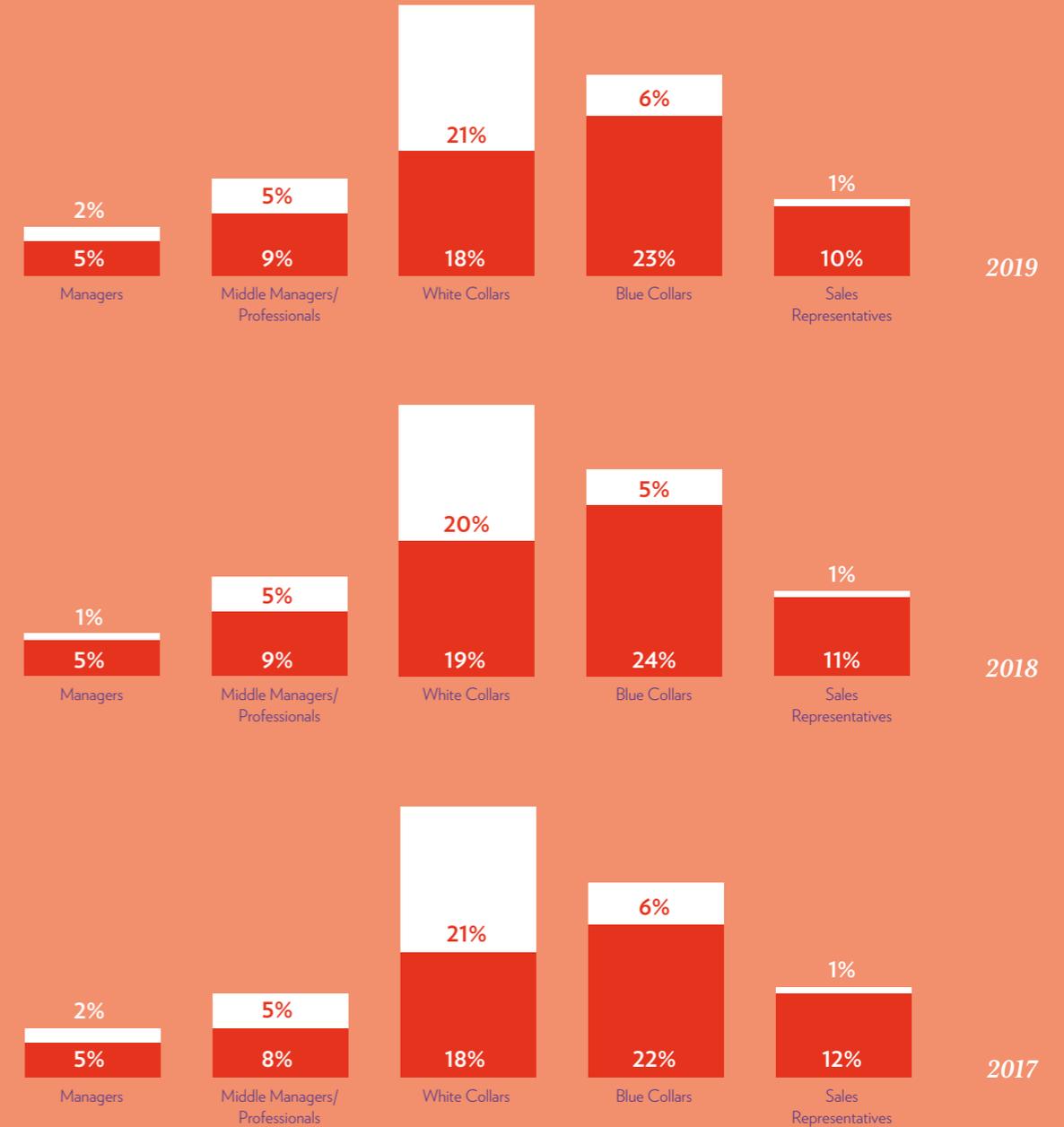


## DATA ON PROFESSIONAL CATEGORIES BROKEN DOWN BY GENDER

Percentages by category



Percentage of employees, by professional category and gender





	2017			2018			2019		
<b>Employees by type of contract</b>	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Fixed term</b>	54	57	111	93	56	149	68	56	124
<b>Indefinite term</b>	1556	812	2368	1853	905	2758	1966	1055	3021

<b>Employees by type of employment</b>	Men	Women	Total	Men	Women	Total	Men	Women	Total
<b>Full time</b>	1603	820	2423	1929	901	2830	2014	1038	3052
<b>Part time</b>	7	49	56	17	60	77	20	73	93

### PERCENTAGE OF EMPLOYEES BY AGE BROKEN DOWN BY PROFESSIONAL CATEGORIES

	2018			2019		
	<30	30-50	>50	<30	30-50	>50
<b>Managers</b>	0%	4%	2%	0%	5%	2%
<b>Middle Managers / Professionals</b>	0%	10%	3%	0%	10%	3%
<b>White Collars</b>	6%	25%	7%	8%	24%	7%
<b>Blue Collars</b>	3%	19%	7%	4%	18%	7%
<b>Sales Representatives</b>	1%	6%	5%	1%	6%	5%

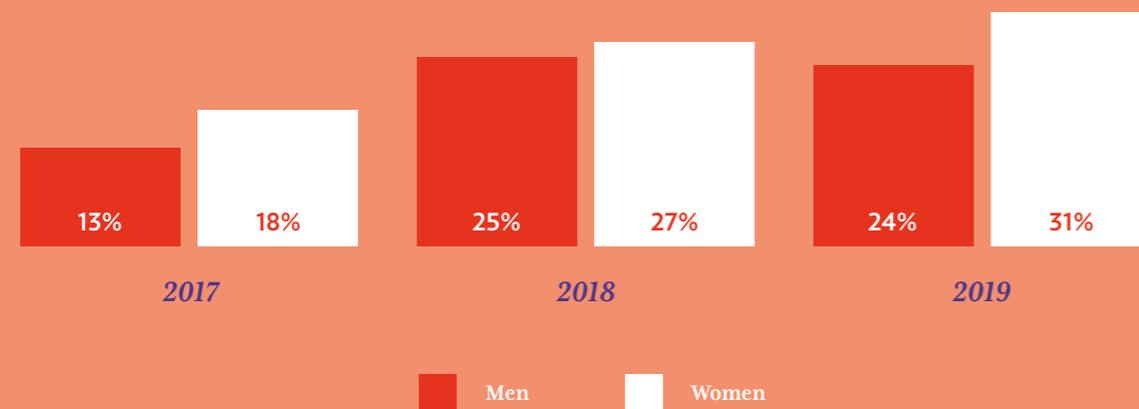
Data available since 2018, broken down as reported above.

## DATA ON TURNOVER BY GENDER AND AGE

Hires and terminations by gender



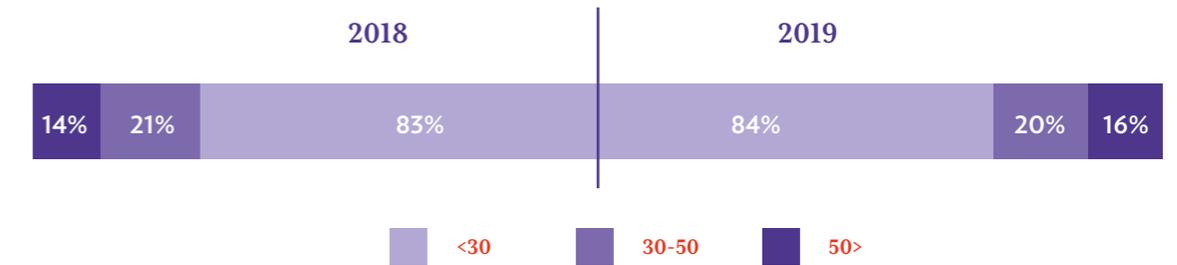
Turnover rate by gender



Hires and terminations by age

	2017				2018				2019			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Hires	127	201	23	351	166	208	38	412	206	218	30	454
Terminations	36	122	58	216	71	180	64	315	93	170	94	357

Turnover rate by age



The figure of the turnover rate broken down by age has been available since 2018, broken down as reported above.

The turnover rate is calculated as the ratio of the sum of hired and terminated employees for the period to the average headcount for the period.

## RATIO OF WOMEN'S TO MEN'S AVERAGE SALARY, BY PROFESSIONAL CATEGORY

	2017	2018	2019
Middle Manager / Professional	92%	95%	95%
White Collars	94%	95%	93%
Blue Collars	95%	95%	94%
Sales Representatives	130%	78%	80%

Several years ago, Lavazza started an innovation process that through research and development of new technologies and instruments aims to pursue ongoing improvement and optimisation of all its products in terms of sustainability, quality, safety and excellence



Committing to the promotion of sustainable production and consumption models is the challenge that Goal 12 on the 2030 Agenda launches to everyone: countries, organisations and citizens alike.

Among the targets set out by the Goal, particular emphasis is placed on promoting the efficient use of natural resources, reducing food waste, favouring responsible waste management and boosting the scientific and technological capacity of developing countries to create sustainable production and consumption models.

In response to these challenges, Lavazza has decided to consider Goal 12 as a priority and to commit to meeting the related targets. This chapter will therefore be organised as follows:

- It will describe Lavazza's approach to procuring raw ingredients, illustrating the journey undertaken by green coffee from the countries of origin to the production plants.
- It will explain Lavazza's approach to resource management, both at its plants and at the HQ in Nuvola, summing up the indicators relating to the consumption of electricity, thermal energy and water.
- Lastly, it will discuss the theme of innovation as an across-the-board approach able to respond effectively to sustainability challenges.

## GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION



# THE COFFEE JOURNEY



Lavazza buys most of the coffee volumes from long-established exporters with which it has worked for years and which provide 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, so as to always ensure the consistency of the in-cup 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

Lavazza purchases its coffee through collaboration between coffee-buyers, coffee-tasters and coffee-exporting companies, which are required to provide the raw material according to specific “Lavazza standards” in order to ensure that the taste characteristics of Lavazza coffee – the “in-cup profile” – are kept constant over time. The bags of purchased coffee are loaded into containers and embarked. Each individual container is checked against monitoring forms to verify general coffee conditions, intact seals and presence of any damage. Coffee spends up to 35 days crossing the oceans by ship before reaching its destination port (in Italy or France). Upon entering the port, coffee containers are unloaded, still closed, to the customs warehouse and all the procedures are then completed so that the product is available to be used for production. A sample

is taken from each container and then sent to Lavazza’s Laboratories where the coffee tasters carry out the necessary tastings and analyses to verify that the product received corresponds to the coffee purchased in the coffee-growing countries. 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.

When it reaches the plant, the green coffee 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 has no defects. The decaffeination process is carried out in the Pozzilli plant, in Molise, Italy.

Finished product distribution is organised through three central hubs in Italy and a central warehouse for each market of distribution. In Italy Lavazza organises its own coffee distribution using three central storage warehouses:

- the Turin and Novara hubs, from which the coffee is distributed to Lavazza’s subsidiaries (Denmark, France, Great Britain, Germany, Austria, Sweden, United States, Australia) and Italian and foreign distributors;
- A central warehouse for the Italian market located near Milan.

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. All movements among central warehouses are carried out with full vehicles and, where possible, intermodal transport is used. Secondary distribution is allocated to specialist logistics operators.

## Sustainability certificates

The sustainability certificates that the Lavazza Group adopts for its products are Rainforest Alliance & UTZ, Bio-Organic and Fairtrade.

### Rainforest Alliance and UTZ

Rainforest Alliance is an international NGO for nature conservation operating in around 100 countries worldwide today.

In 2018, Rainforest Alliance merged with UTZ, a sustainable agriculture programme set up in 2002. These two organisations are committed to promoting and certifying products deriving from sustainable agriculture, which helps farmers and their families to adopt good agricultural practices and to run their farms profitably, while respecting people and the planet's resources.

These standards can be used to certify things such as working and safety conditions among coffee, tea and cocoa producers, environmental protection and their children's access to education.

The certificates come at a price both for the farmers, who have to obtain recognition from the certifying bodies, and for the companies that buy from these farmers.



For further information:

<https://www.rainforest-alliance.org/>

### Bio – Organic

Organic farming is an agricultural production method that makes the most of the natural fertility of the soil and the healthiness of products without using synthetic products and without the excessive exploitation of natural resources.

Bio certification guarantees that the production processes comply with the specific requirements for the processing of raw ingredients of organic origin. Organic certification covers all levels of the production chain and an organic product is guaranteed to have been checked and certified by expressly authorised bodies.



For further information:

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32007R0834>;

<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32008R0889>

### Fairtrade

Fairtrade is an international organisation that aims to improve conditions for farmers in developing countries. It uses specific standards that enable farmers and workers to rely on a more stable income, thanks to the certification of their products.

Fairtrade works with the farmers themselves to calculate a so-called minimum price, which the farmers receive for their products. The minimum price never falls below the market price and does not depend on stock market speculation. In addition to the minimum price, farmers and workers receive the so-called Fairtrade Premium, an additional sum that they can decide how to spend through their organisations. For example, they can invest it in shared social, healthcare or business development projects.

100% of the coffee produced by the Canadian subsidiary Kicking Horse is Fairtrade.



For further information:

<https://www.fairtrade.net/>



## 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 it purchases 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 has 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, such as Brazil, Colombia and the Central American area with regard to Arabica coffee, and Vietnam and Indonesia for Robusta coffee. 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.

## COMMITMENT TO INNOVATION: FROM RAW INGREDIENT TO CLIENT

Lavazza is working on all-round solutions to respond to the need to reduce its environmental impact and is doing so through an ongoing commitment to innovation. It is starting with its research projects into its main raw ingredient: coffee. Then, moving on to packaging, coffee machines and customer assistance, Lavazza is committed to a path that seeks to draw innovation and environmental sustainability ever closer.

### Coffee research and innovation

Lavazza has always been committed to carrying out research into coffee, not just to explore its qualitative, chemical and sensory qualities, but also to examine aspects linked more closely to sustainability.

In 2019, Lavazza launched specific research projects focused on safeguarding coffee species at risk in order to protect biodiversity, which guarantees a great variety of organoleptic qualities, something that is under threat of being drastically reduced during to current climatic conditions.

2019 also saw the launch of projects designed to study new types of fermentation, which will not only be able to offer new taste characteristics, but also reduce the use of water during processing.

Last but not least, Lavazza is committed to researching solutions designed to make use of green coffee production waste and by-products throughout the industry, in order to promote circular economy principles both within the company and together with other players in the supply chain.



### The most important coffee technology: the plant and its seeds

Lavazza has been part of **World Coffee Research**<sup>8</sup>, since 2018. This global non-profit association is committed to carrying out research into coffee protection and conservation, with a particular focus on productivity, better living conditions for farmers and the effects of climate change on production. World Coffee Research has projects running in twenty-nine countries in partnership with public and private institutions. These projects aim to preserve coffee quality, boost plantation productivity and share knowledge about the genetics of new varieties able to withstand climate change.

As regards this issue, in 2019 Lavazza was involved in launching a project designed to identify the best varieties of Robusta to be made available to producers in different countries around the world. Thirty-one coffee varieties were made available by farmers from twenty-two different countries, performing forty tests in the field to assess coffee quality. Over the next few years, assessments will be carried out to see how well the coffee varieties perform in the climate conditions envisaged in 30–50 years' time. The assessment will also look at the end result in the cup. Thanks to these tests, researchers will be able to identify the fundamental traits that have and will continue to make it possible for coffee varieties to adapt to climate change, without compromising quality.

<sup>8</sup> <https://worldcoffeeresearch.org/>

## Research and innovation: for packaging and machines

Packaging is fundamental for delivering Lavazza coffee to people all over the world, guaranteeing the highest product quality. Lavazza has been working for years to ensure that its coffee is packaged and distributed in as environmentally friendly a way as possible.

The traditional coffee product packaging system, albeit optimised in terms of weight, is still tied to a linear model as regards the materials used. The switch to a circular model, able to add value to the raw materials and packaging after they have been used, represents one of the biggest challenges to be tackled.

An improvement plan has been outlined over recent years in order to make packaging more sustainable. Lavazza has pinpointed the following priority goals in its packaging plans:

- improving the environmental impact of packaging, with a particular focus on indicators such as carbon footprint, water shortages and biodiversity protection;
- guaranteeing good product preservation and preventing food waste;
- optimising the use of resources, focusing on reducing materials and prioritising the use of recyclable materials and those from certified renewable sources;
- adding value to packaging after use, looking at solutions that promote reuse, recycling and composting.

It is with these goals in mind that Lavazza undertook to mark out its sustainable packaging roadmap, which has the primary targets of reducing its carbon footprint and making the Lavazza Group's entire packaging portfolio reusable, recyclable and/or compostable.

In order to achieve these ambitious targets, the development of new packaging is based on a scientific approach both as regards quantifying the environmental impact (through LCA analysis) and establishing the relative improvements in terms of eco-design.

Lavazza is involved in various European and international working groups (CEFLEX, European Bioplastics, Plastic Recyclers Europe) for the definition of project guidelines and is working in partnership with research organisations and national and international firms for the implementation of innovative technological solutions.

A fundamental part of the product development process is the experimental phase in packaging waste processing plants (picking, recycling and composting centres), which makes it possible to plan recyclable and/or compostable solutions.

In order to embark upon this ambitious path, the following activities were undertaken in 2019:

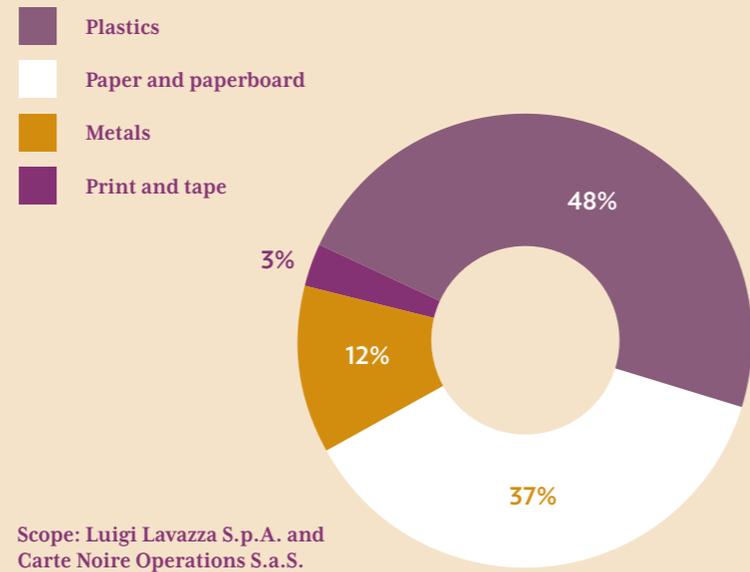
- **Analysis of evolving technology and regulations.** Lavazza not only performed a detailed analysis of the regulations in place on the markets where it operates, but

also implemented a stakeholder engagement initiative, involving category associations, raw ingredient producers, waste processing firms, NGOs and universities.

- **Technical analysis of Lavazza packaging,** which included analyses of environmental impact (LCA) and the recyclability of all Lavazza, Carte Noire and Merrill packaging.
- **Identification of the Roadmap pillars:**
  - reduction in materials (through eco-design and a reduction in offcuts and waste);
  - use of resources with a low environmental impact (through the use of recycled materials or materials from renewable sources);
  - adding value to packaging after use (through reuse, recycling/compositing).
- **Launch of pilot projects: such as EcoCaps,** 100% compostable capsules, made using an innovative individually compostable polymer. In fact, the Eco Caps biodegrade in 180 days with industrial composting, turning into compost. Lavazza launched the project for composting the product after use through Terracycle, and therefore started collecting consumer waste. The first markets where they went on sale were: United Kingdom, France and Germany, where they replaced the entire range of capsules for domestic use.

## Percentage breakdown of the types of packaging materials

Every year, as part of improving process, Lavazza reports the percentage breakdown of the types of packaging materials. The following graph represents the main bulk material used in the Lavazza product range, which is plastic, followed by cellulosic components (paper and cardboard). Total primary, secondary and tertiary packaging materials amount to approximately 27,000 tonnes. In 2020 Lavazza will endeavour to have a roadmap for the improvement of packaging environmental performance.



In 2019, Lavazza also started studying machines and systems able to combine innovation with sustainability. For example, it worked on replacing the plastic components in machines, on introducing telemetry to reduce the technical assistance intervention rate and on improving the defect rate.

Lavazza Professional, a Lavazza Group company that comprises the machine and dispenser business (particularly the Flavia and KLIX® systems, a leading brand in the Office Coffee Service and Vending sector), plans to launch **KLIX Eco Cup™** in 2020: cups compatible with KLIX® automatic dispensers, made from certified biodegradable cardboard that can be recycled with paper. The Eco Cups are made using an innovative material that creates a water-based dispersion barrier. The Eco Cups were created to respond to the needs of Lavazza Professional clients who want an alternative for their business that is more sustainable than traditional plastic cups.



## Technology for Lavazza client support

**26.7%**  
telephone-based  
resolutions in 2019  
vs 5% in 2018

At Lavazza, innovation is also applied to support for its main stakeholders: clients. Indeed, in 2019 the company decided to adopt a new remote assistance system to resolve issues linked to coffee machines. The new system allows the operator to guide the client through the autonomous resolution of problems encountered with the machines by activating a video camera: the operator can therefore see the problem directly and, where possible, can provide the client with direct instructions on what to do in order to resolve it.

This system significantly increases the possibility of resolving problems without the need for activating the assistance service and collecting the machine. Actions such as these not only make the service more efficient, but also lead to savings in terms of impacts generated by activating the assistance and collection service. However, some clients initially opposed the use of the system: only 33% of them agreed to it. In order to encourage the use of this new tool, Lavazza decided to invest in Customer Service training to improve communication between operators and consumers. The results of this training course led to 86% of the customers involved adopting the new system over the course of a year.

At the same time as the use of this new tool increased, Lavazza also worked towards another goal: increasing its staff's ability to diagnose the problems encountered and resolve them over the telephone. Telephone-based resolutions were under 5% in 2018 but rose to 26.7% by the end of 2019. This was thanks to an investment in technological tools and training in new communication methods. Between May 2018 and December 2019, a total of 6,962 machines were repaired with the new remote system out of 29,465 reports.



# ENVIRONMENTAL PERFORMANCE AND NATURAL RESOURCE MANAGEMENT

The following paragraph will describe Lavazza's approach to energy resource management, focusing particularly on the best practice represented by the Nuvola HQ and reporting on the consumption indicators for the production facilities: the plants in Italy, India, France and Canada.

It will also present examples of good production waste management, which mark the start of a process of raising awareness about circular economy issues within the company.

<sup>9</sup> <https://www.usgbc.org>

## Resource management at the Nuvola HQ

Nuvola Lavazza, which has been awarded LEED<sup>9</sup> (Leadership in Environmental and Energy Design) Platinum certification, has a highly complex BMS (Building Management System) that monitors 11,000 physical points within the building and records 20,000 pieces of data. The so-called "Navigator" was introduced in 2019, with the aim of making the most of the huge mass of data controlled and monitored by the BMS, optimising energy performance and improving environmental comfort.

Thanks to the Navigator, the data recorded by the BMS is transformed into information that allows for better management of the building's energy performance. In fact, the

Navigator is a system that makes it possible to manage and analyse the Nuvola's energy consumption, constantly monitoring performance, generating reports on environmental comfort and triggering alerts in the event of measurements outside the set ranges.

In keeping with its LEED certification, Lavazza undertakes to check the level of satisfaction in terms of comfort and wellbeing on a seasonal basis. In 2019 it did this by circulating a questionnaire among employees at Nuvola. The questionnaire was completed by 294 people and analysed the quality of the building spaces and workstation comfort.

The responses revealed a good level of satisfaction on average.

### ELECTRICITY CONSUMPTION 2019 VS 2018

**8%**  
reduction in  
electricity  
consumption

**321 MWh**  
saved



## Plant resource management

Responsible management of resources within the plants is of fundamental importance to Lavazza, which has always focused on boosting production and improving technological performance.

Lavazza's production sites work towards ongoing improvement, seeking excellence in terms of service, quality, efficiency and flexibility.

In order to achieve these objectives, in addition to developing the professionalism, flexibility and versatility of plant workers, major investments have also been made in improving the plants and infrastructures, which are fundamental for all future development and able to bring together environmental and financial sustainability.

For example, there are plans in place to improve the plant in Gattinara

so as to enable it to self-produce all the nitrogen it needs to package the coffee produced at the plant. In fact, nitrogen is necessary to reduce the residual oxygen percentage, which can damage the raw ingredient. Nitrogen is currently purchased from a third-party company and the plant receives tanker loads of liquid nitrogen on a daily basis, which is subsequently gasified so that it can be used in the production process. The infrastructures to be introduced will not only speed up the process and make it more efficient but will also make it possible to reduce the environmental impact currently generated by transporting nitrogen. Furthermore, in order to reduce coffee waste, specific systems have been installed around the production machines in Gattinara which can

aspirate the excess coffee, recovering and reusing it. This makes it possible to recover tonnes of coffee every year that would otherwise be discarded. Another initiative implemented in the plant regards the production of Espresso Point capsules, which use the scraps from other capsules that would otherwise be discarded. To date, the percentage of scraps used in Espresso Point production is equivalent to 25% of the total. Lastly, the ongoing improvement process undertaken in the Gattinara plant continues to generate benefits in terms of system efficiency, reduced consumption, etc. Indeed, energy consumption is 2% down on 2018.

## ENERGY AND WATER CONSUMPTION

Environmental and energy performance evolution is constantly monitored through Lavazza's Health, Workplace Safety, Energy and Environment Management System, whose objectives include the continuous improvement of the said indicators. This section presents data and information regarding:

- energy consumption;
- water consumption;
- wastewater volumes.

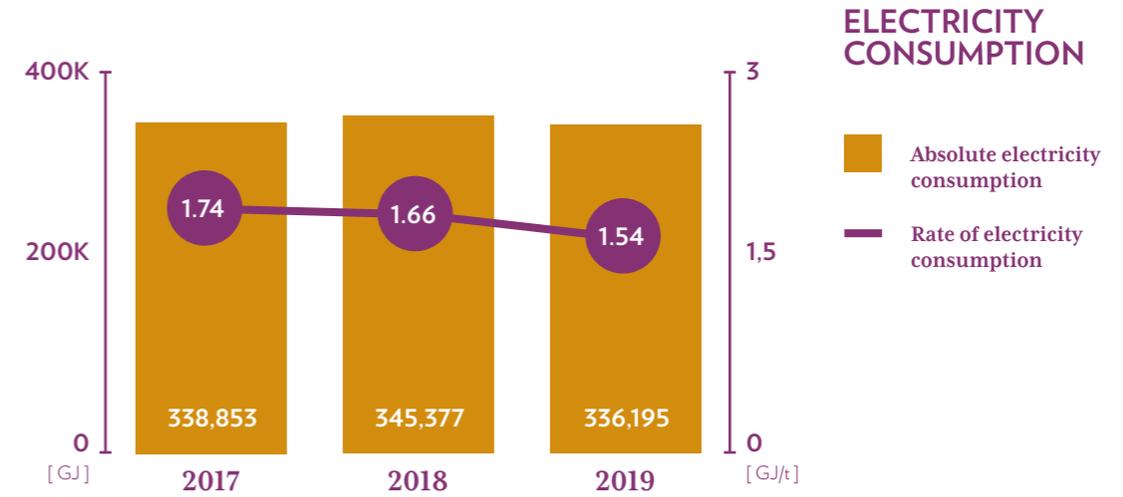
The data and information refer to the Organisational Units within the reporting scope of this Sustainability Report, and therefore include the Headquarters, production plants and sales offices of Luigi Lavazza S.p.A. and the production plants of Carte Noire Operations (France), Fresh & Honest Café Ltd (India) and Kicking Horse (Canada).

The aggregated data of the Group companies within the reporting scope, as they have changed over the years, are given in the following paragraphs:

- **2017:** Headquarters, production plants and commercial sites of Luigi Lavazza S.p.A., as well as the production plant of Carte Noire Operations (France)
- **2018:** Headquarters, production plants and commercial sites of Luigi Lavazza S.p.A., as well as the production plants of Carte Noire Operations (France), and Fresh & Honest Café Ltd (India)
- **2019:** Headquarters, production plants and commercial sites of Luigi Lavazza S.p.A., as well as the production plants of Carte Noire Operations (France), Fresh & Honest Café Ltd (India), and Kicking Horse (Canada).

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 the heat consumption for the conversion from m<sup>3</sup> to Gigajoules, specific coefficients have been used on the basis of the geographical location of the Organisational Units, in keeping with the counting criteria adopted in previous Sustainability Reports.



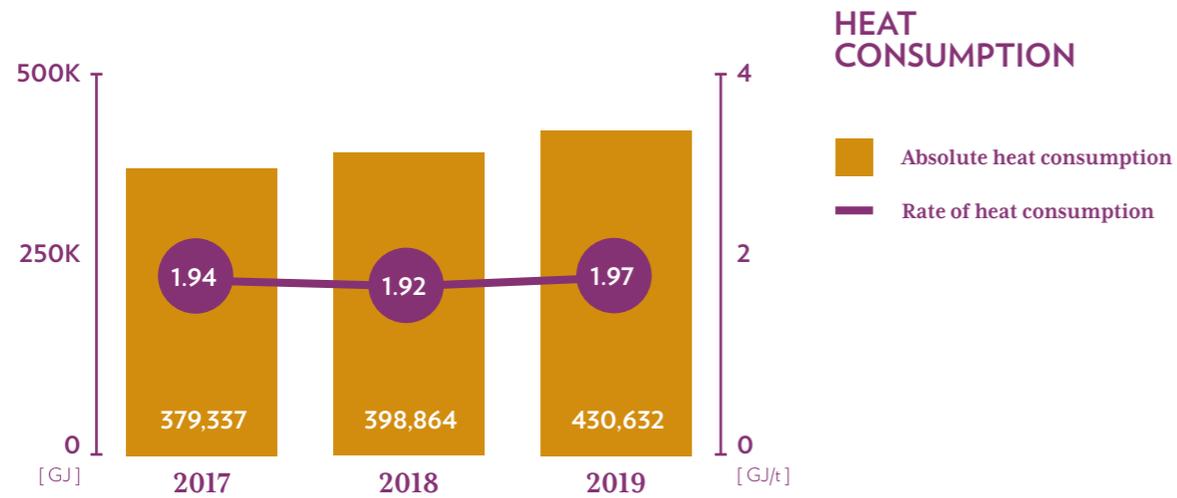
Electricity is consumed to operate the systems, production lines and ancillary services, such as for generating compressed air for office work.

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

Despite the expansion of the reporting scope and the increased production, the Organisation's absolute electricity consumption in 2019 decreased compared to the previous year as a result of the systematic energy efficiency programme implemented by the Company.

In fact, during the three-year period, various actions were taken at both the technical level (e.g., refurbishment of part of the lighting systems and installation of inverters in fixed-speed engines, technological upgrading of some production plants) and the management level (e.g., achievement of high yield levels by production lines, powering down of stand-by equipment, optimal regulation of air treatment systems in industrial buildings) aimed at making the production process and the building management more efficient.

The significance of the result achieved is clear from the decrease in specific electricity consumption, which fell from the 1.74 recorded in 2017 to 1.54 GJ/t in 2019.



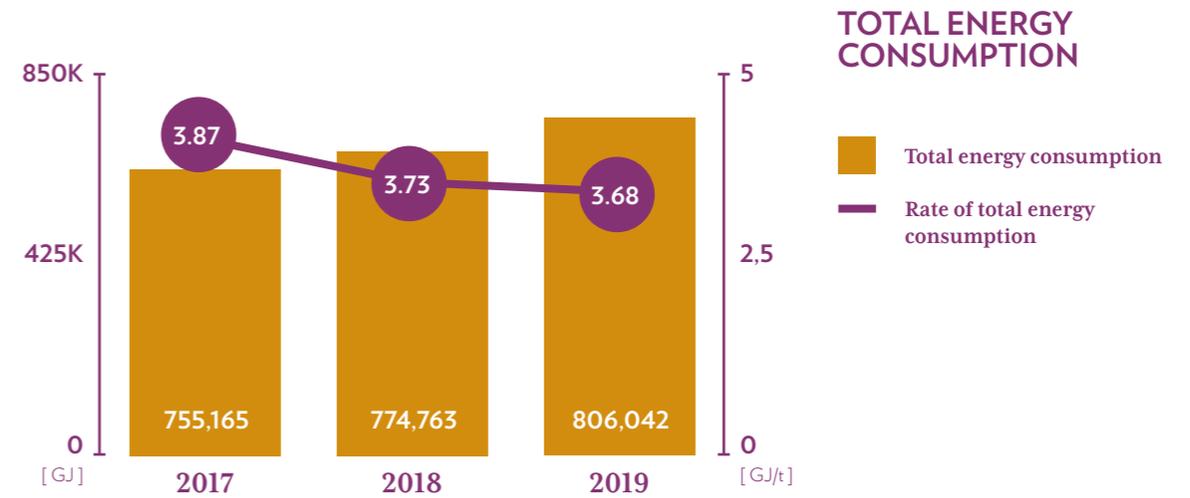
The Organisation's **heat consumption**, which consists of the consumption of natural gas, LPG, diesel and propane is required to operate the production facilities — particularly the coffee roasting and decaffeination lines — and to generate heat for the buildings. The portion referring to production processes is proportional to the quantity of processed coffee, while the second aspect is dependent on external weather conditions.

The chart shows the entire Organisation's absolute heat consumption and the specific heat

consumption values (consumption index) in Gigajoules compared to tonnes of packaged coffee. In the three-year period 2017, 2018 and 2019, heat consumption referring to production processes remained stable, while that related to building heating systems were in line with the climate conditions reported in the areas where the individual corporate organisational units are located.

The specific consumption of thermal fuel (or consumption index) compared to overall tonnes of packaged

coffee of 2019 corresponds to 1.97 [GJ/t], increasing by 3% compared to the previous year. This increase is in keeping with the expansion of the reporting area to a site located in Canada, a country where the weather conditions are much more extreme than in Italy where the company records most of its heating energy consumption. This specific indicator also increased due to a fall in the average temperature in Italy, which was 1% lower in 2019 than during the previous year in Italy.



The data of total **energy consumption** of the Group include electricity consumption, heat consumption and fuel consumption by corporate vehicle fleet.

In the three-year period 2017, 2018 and 2019 absolute data grew by 4.6%. The increase was attributable to the expansion of the scope and the increase coffee production, which rose by about 12%. This increase was less than proportional to the rise in the volumes produced, owing to the various measures to contain consumption implemented by the Company, as witnessed by the

6.7% reduction in specific energy consumption. The accurate energy model developed in 2015, and subsequently amended, for all Italian 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 this regard, the energy monitoring system installed at the manufacturing

plants in Turin, Gattinara and Pozzilli 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 Nuvola, the new Headquarters, is another fundamental tool for overseeing energy consumption. 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.

### WATER WITHDRAWALS

Total water consumption  
 KPI of total water consumption



### WASTEWATER

Total wastewater  
 KPI wastewater discharged/production



The water consumption reported by the Organisation is broken down into civil hygiene and sanitary use and use in production facilities, and in particular in coffee roasting and decaffeination processes, as well as in the cooling of compressed air machines.

The chart “Water withdrawals” shows the specific water withdrawal of the Group expressed in m³ of water (for civil and industrial use) compared to tonnes of packaged coffee.

In addition to the expansion of the reporting area, the consistent increase in water consumption recorded during 2019 was substantially due to the introduction of a water-cooling system for the air

conditioning and heating systems in the new Nuvola HQ. The water used for this purpose is taken from the underground aquifer, passed through specific cooling radiators and then discharged, without being treated, into a surface watercourse. The water temperature is therefore compatible with the river fauna. This technical solution was assessed and received a reward as part of the building’s LEED certificate.

28% of the water used in 2019 came from the water mains, while the remaining 72% came from the superficial aquifer. The value of specific water consumption thus went from 0.84 [m³/t] in 2017 to 2.92 [m³/t] in 2019.

The chart “Wastewater” shows the absolute value of wastewater volumes discharged by the Company into public sewage or surface watercourses compared to tonnes of packaged coffee, expressed in m³. The trend is consistent with the trend in water use.

It should be specified that the discharge percentage distribution is 79% into surface watercourses and 21% into sewers, since part of the water withdrawn from the mains evaporates during the coffee cooling phase.

In the production process, the reuse of water is supported by recirculation into cooling systems and recovery of water from evaporator systems.



### Lavazza's Health, Workplace Safety, Energy and Environment Management System and the ISO 14001 certification

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 2019 Lavazza continued to develop and implement its Health, Safety, Energy and Environment Management System (SG-SSEA) and in November the Environmental Management System (EMS) of Luigi Lavazza S.p.A. — including the Nuvola Headquarters in Turing, the Innovation Center and the Italian plants in Turin, Gattinara and Pozzilli — was **certified ISO 14001/2015**.

Achieving this certification means that the company has a multisite Corporate Management System able to improve and manage not only the environmental aspects linked to so-called “core” processes, but also to improve and foster additional environmental sustainability initiatives targeted at “upstream” and “downstream” processes.

While this integrated and multifunctional approach allows the company to further develop the “Life Cycle Thinking” line on the one hand, in keeping with the new fundamental requirement of standard ISO 14001/2015, on the other it encourages compliance with an increasingly complex framework of regulations influenced by the growing public focus on environmental issues.

During the current year, the Carte Noire Operations plant in Lavérune (France) has also confirmed the certification of its Safety Management System in keeping with the OHSAS 18001 standard, passing the audit for the updated certification of its Environmental Management System in keeping with the requirements of the new version of standard ISO 14001/2015.

Lavazza's journey towards lower greenhouse gas emissions started years ago. However, the constant growth of demand for coffee and the deterioration of the climate crisis call for industry-leading companies to chart a course towards a sustainable value chain.



The climate emergency affects everyone, businesses included, so much so that according to the World Economic Forum<sup>10</sup> the biggest risks facing business around the world today are linked to the consequences of the current climate changes taking place.

<sup>10</sup> <https://www.weforum.org/reports/the-global-risks-report-2020>

It is therefore only logical that companies should consider Climate Action, Goal 13 on the 2030 Agenda, as a priority. It is precisely because of the importance of this issue and the effects that climate change is having

on coffee production, that Lavazza has decided to consider Goal 13 as one of its four main Objectives.

Coffee is an agricultural product that grows in some of the areas of the planet most at risk from the impacts of climate change. Weather variations have major and direct effects on coffee production, productivity and quality. It is therefore important to promote action designed both to mitigate the effects of climate change and to reduce its impact, but also to bring about adaptation and compensation.

This chapter will explore the environmental impact indicators relating to CO<sub>2e</sub> emissions and will also describe the initiatives that Lavazza is working on to promote adaptation and the mitigation of the effects of climate change, including those in areas that are not under its direct control, such as the agricultural production phase of coffee.



## GOAL 13: CLIMATE ACTION

# ASSESSMENT OF THE ENVIRONMENTAL IMPACTS

Over the years, Lavazza has honed its skills in assessing the environmental impacts of its products and the organisation's activities, with the aim of mitigating and preventing such impacts in a process of ongoing improvement. It is according to this perspective and the firm belief that a full engagement of all corporate structures is essential 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 (Life Cycle Assessment) analyses conducted. The results of this engagement over the years include positioning environmental sustainability among the top priorities for our stakeholders and the ever-growing number of initiatives and projects that focus on reducing the impacts of processes or products (such as the sustainable packaging roadmap and the integration of Life Cycle Thinking in the environmental management system). To measure and disclose in this Report the way that the various stages of the supply and production chain contribute to environmental impact, Lavazza has used the Carbon Footprint<sup>11</sup> indicator. Categories of emissions analysed are reported here below.

<sup>11</sup> The Carbon Footprint is defined by standard ISO/TS 14067/2013: 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 CO<sub>2</sub> 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.

## Scope 1 DIRECT EMISSIONS

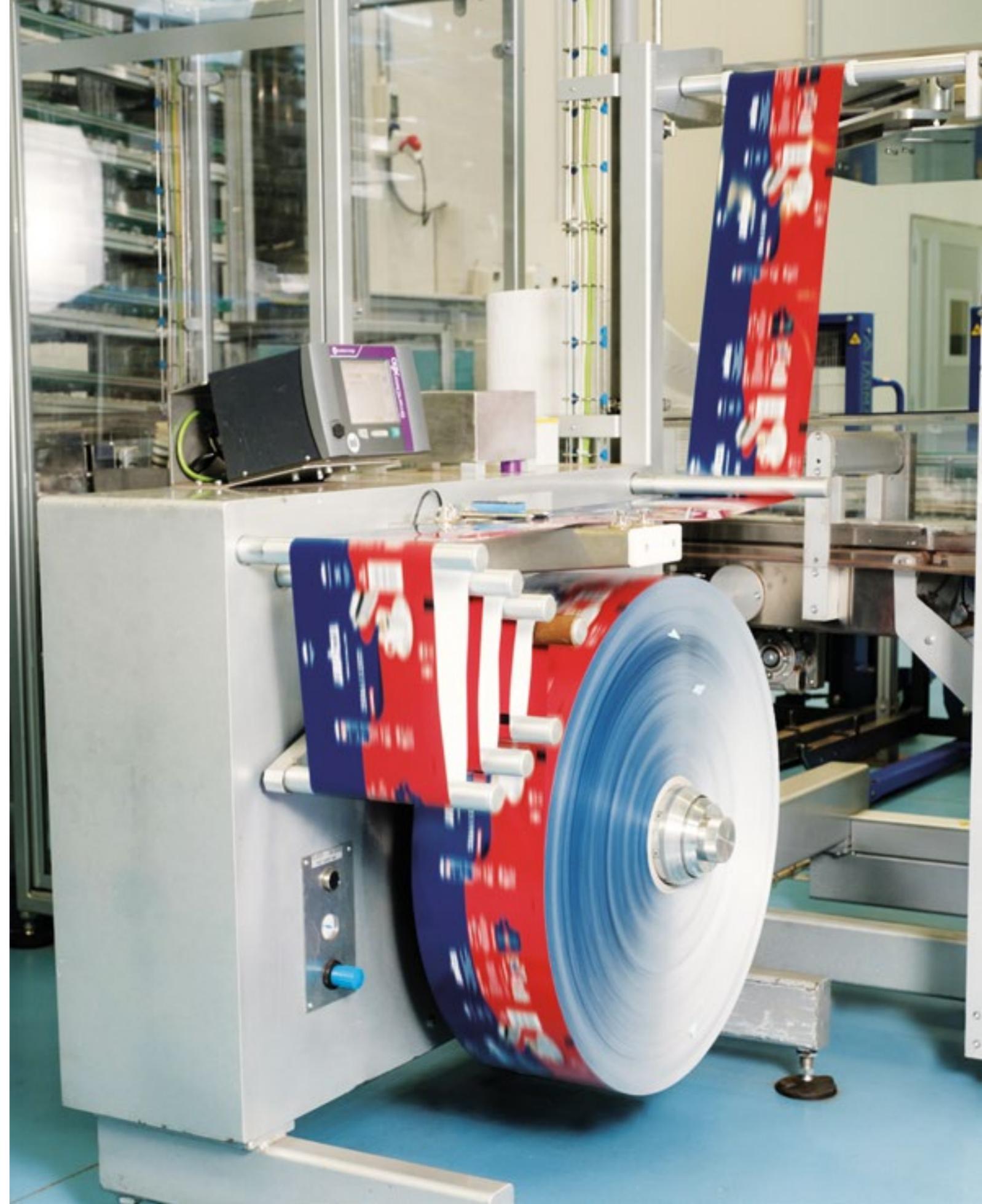
- Direct emissions from combustion of natural gas to generate thermal power used for heating and the manufacturing process.
- Direct emissions from the combustion of diesel oil used to fuel vehicles owned by the Company.

## 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 generated (only with reference to 2017).
- Emissions from the distribution of finished products.
- Emissions from the disposal of coffee after consumption.



### Scope 1 – Direct Emissions

Scope 1 Direct emissions in 2019 increased by about 12 % compared to 2018. The rise is in line with the Organization's trends of thermal energy – natural gas, LPG, diesel and propane required to operate the production facilities and to generate heat for the buildings. In the three-year period under review – 2017, 2018 and 2019 – heat consumption for process use have remained substantially stable, whereas consumption for the heating of buildings was in line with the climate conditions recorded in the areas where the individual organisational units of the Company are located.

<sup>12</sup> <https://www.environdec.com/PCR/Detail/?Pcr=12216>

<sup>13</sup> <https://www.environdec.com/PCR/Detail/?Pcr=12217>

### Scope 2 – Indirect Emissions

Scope 2 indirect emissions for 2019 decreased by 31% compared to 2018. The decrease was due to the reduction in absolute electrical consumption by the Organization despite the extended reporting scope, and the increase in production was the result of the systematic energy efficiency plan implemented by the Company.

### Scope 3 – Other indirect emissions

Some changes have been made to the modelling for the scope 3 categories, with the purpose of bringing them into line with the indications set out in the new product standards and guidelines (PCR 2018: 03 Espresso Coffee<sup>12</sup>, PCR 2019:08 Moka coffee<sup>13</sup>). This made it possible to calculate the impact in a more consistent and representative way, considering all green coffee origins of provenance and showing that green coffee contributes to around 90% of the overall impact of the scope.



### DIRECT EMISSIONS

- Total direct emissions
- Relative direct emissions

Scope: Luigi Lavazza S.p.A.



### INDIRECT EMISSIONS

- Total indirect emissions
- Relative indirect emissions

Scope: Luigi Lavazza S.p.A.



### OTHER INDIRECT EMISSIONS

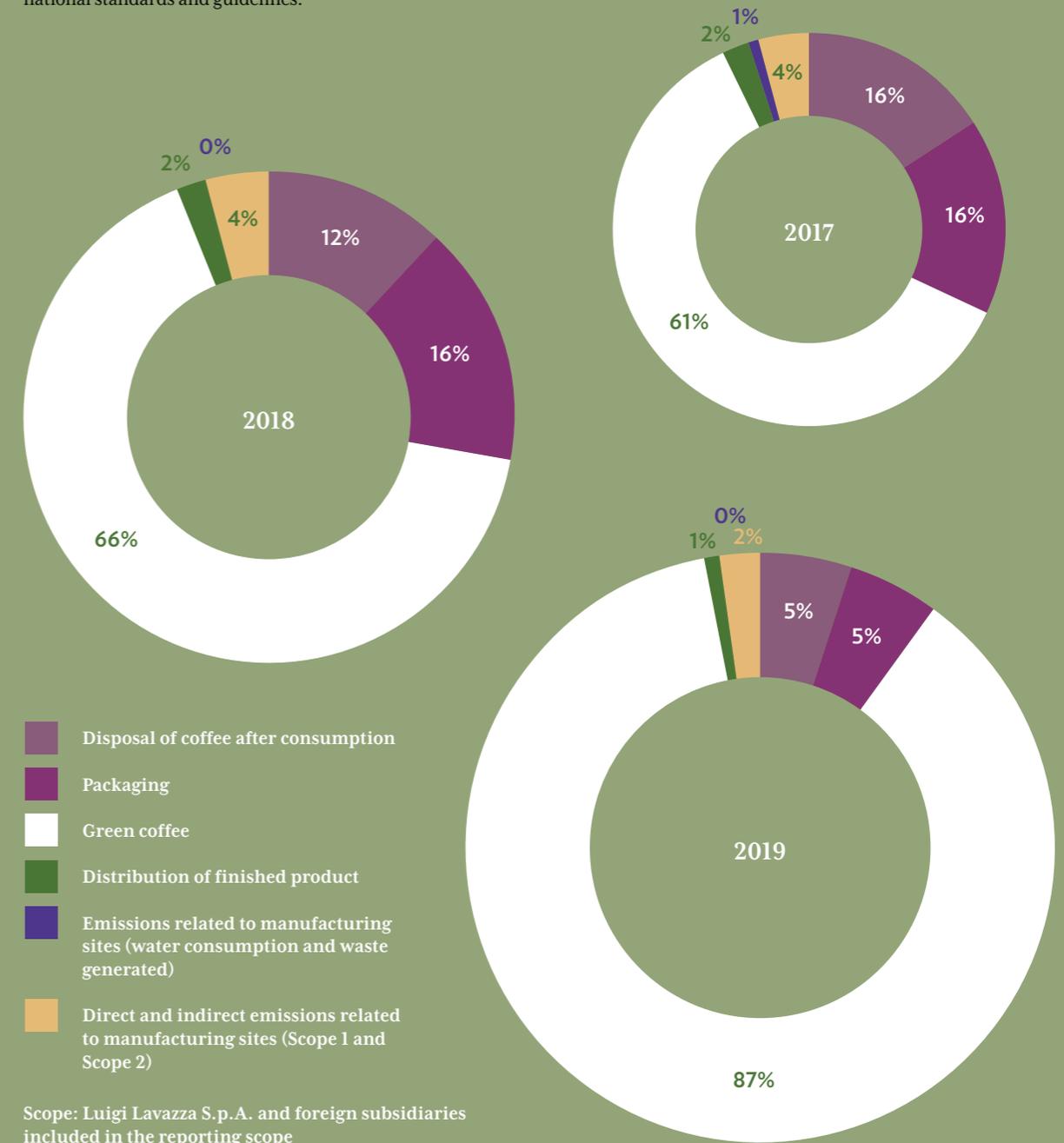
- Disposal of coffee after consumption
- Packaging
- Green coffee
- Distribution of finished product
- Emissions related to manufacturing sites (water consumption and waste generated)

Scope: Luigi Lavazza S.p.A. and foreign subsidiaries included in the reporting scope



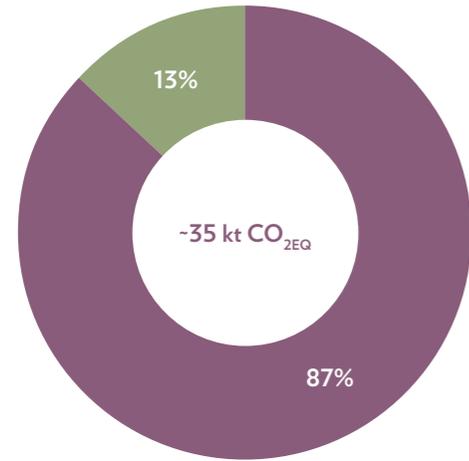
## Breakdown of Scope 1, Scope 2 and Scope 3 GHG emissions

The graph summing up the percentage distributions of total GHG emissions shows a different distribution between the impacts of the categories in question, linked primarily to the new trend in the impact of green coffee production achieved due to the adoption of the modelling approach suggested by new international standards and guidelines.



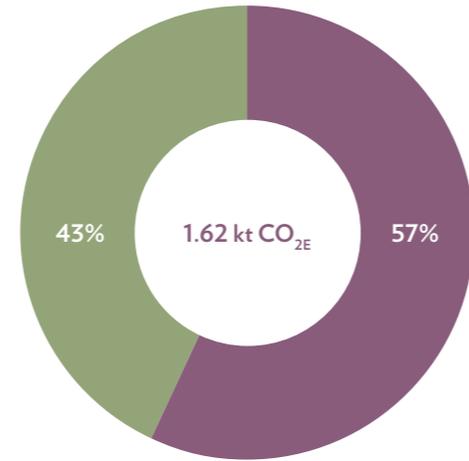
Scope: Luigi Lavazza S.p.A. and foreign subsidiaries included in the reporting scope





*Breakdown of direct emissions*

- Luigi Lavazza SpA
- Foreign subsidiaries



*Breakdown of indirect emissions*

- Luigi Lavazza SpA
- Foreign subsidiaries

### Breakdown of direct emissions

*Luigi Lavazza SpA and foreign subsidiaries*

The distribution of direct emissions in 2019 remained unvaried compared to 2018. Total value was 35 kt of CO<sub>2e</sub>. The increase in emissions was due both to the increase in the contribution of Scope 1 of Luigi Lavazza SpA, and to the expansion of the scope to include Kicking Horse Coffee.

### Breakdown of indirect emissions

*Luigi Lavazza SpA and foreign subsidiaries*

The breakdown of indirect emissions refers to the four production sites considered, the headquarters and the Italian commercial sites.

In the breakdown of indirect emissions of 2019, Luigi Lavazza SpA's contribution decreased compared to 2018.

The total decreased to 1,62 kt of CO<sub>2e</sub>. The drop in emissions value was due to the reduced contribution of Scope 2 of Luigi Lavazza SpA, despite the expansion of the scope to include Kicking Horse Coffee.





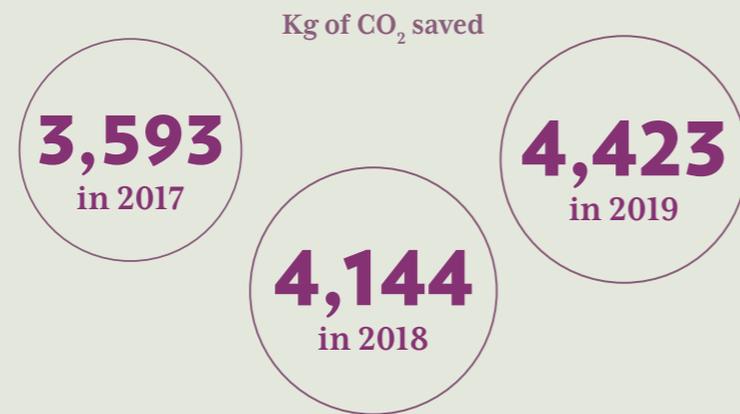
## Sustainable mobility at Lavazza

In order to raise awareness about environmental sustainability among its employees, the Company has provided a company carpooling system, which promotes sustainable mobility for home-work journeys by encouraging the sharing of vehicles among colleagues in a more efficient way, thus reducing emissions.

The companies participating in this service also establish incentives for those who use the service.

Lavazza, for example, has decided to reserve 10% of total parking spaces in the new Headquarters to cars taking part to the carpooling scheme.

Also, in 2019, the growth trend for the use of the service was confirmed.



## COFFEE & CLIMATE: THE IMPORTANCE OF ADAPTING

In order to respond to the need to mitigate the effects of climate change in the field, Lavazza has been a part of the Coffee&Climate (C&C) initiative since 2010 and is one of its founding members. This project is based on a precompetitive partnership between several companies in the coffee industry, including both traders and roasters, with the active involvement of agronomists, trainers and small-scale coffee producers.

C&C has set itself a number of different goals: to study how climate change is affecting coffee productivity and quality; to test and put forward smart agriculture climate solutions that are easy for small-scale producers to apply in the field; to train small-scale producers in using these solutions and support them in their application.

There are different tried and tested smart agriculture climate solutions in use: from efficient irrigation techniques to better cover crops to keep the soil at the right temperature, advice on how best to diversify agricultural production in the area, and which shade trees to use to protect the coffee.

C&C has also developed a toolbox, namely a platform containing the tried and tested solutions and tutorials on how to implement them, which is accessible to everyone and available in four languages (English, Portuguese, Spanish and Vietnamese).

<https://coffeeandclimate.org/>

*From 2010 to today:*

**800**  
trainers trained on  
C&C solutions

**+80,000**  
small producers  
trained

**4** regions  
involved:  
Central America, Brazil,  
Tanzania, Vietnam





LA CENTRALE

# GLOBAL COMPACT: COMMUNICATION ON PROGRESS

## Lavazza and the Global Compact

The United Nations Global Compact 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 was launched. It 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. The following table specifies the section of the Sustainability Report which analysis the issues defined by the Global Compact in terms of policies promoted and actions implemented.

<i>Human rights</i>	<i>Labour</i>	<i>Environment</i>	<i>Anti-corruption</i>
<p><b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights within their remittance</p> <p><b>Principle 2</b> Businesses should make sure that they are not complicit in human rights abuses, not even indirectly</p>	<p><b>Principle 3</b> Businesses should uphold the freedom of association of workers and the effective recognition of the right to collective bargaining</p> <p><b>Principle 4</b> Businesses should uphold the elimination of all forms of forced and compulsory labour</p> <p><b>Principle 5</b> Businesses should uphold the effective abolition of child labour</p> <p><b>Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>	<p><b>Principle 7</b> Businesses should support a precautionary approach to environmental challenges</p> <p><b>Principle 8</b> Businesses should undertake initiatives to promote greater environmental responsibility</p> <p><b>Principle 9</b> Businesses should encourage the development and diffusion of environmentally friendly technologies</p>	<p><b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery</p>



## IMPLEMENTATION OF TEN PRINCIPLES WITHIN BUSINESS STRATEGIES AND OPERATIONAL MANAGEMENT

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

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.

### *Implementation of sustainability in the value chain*

The IR&S Department, established in 2016, 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. For further information, reference should be made to the section on the Group's governance in Chapter "Goal 8: Dignified Work and Economic Growth".

## CRITERIA 3-5 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

The Lavazza Group considers respect for human rights to be a fundamental value that underpins its own business culture. Lavazza promotes respect for human rights, both within the organisation and along its own value chain. To this end, it complies with the laws and regulations of the countries where it operates, as well as international standards such as:

- the UN Universal Declaration of Human Rights (1948);
- the International Labour Standards of the International Labour Organisation;
- the principles of the United Nations Global Compact;
- the Children's Rights and Business Principles developed by Save the Children, UNICEF and the UN Global Compact;
- the Sustainable Development Goals of the United Nations.

Lavazza promotes, respects and actively preserves, within its own organisation and in relations with its stakeholders, the following principles:

- rejection of forced or compulsory labour and child labour;
- respect for diversity and non-discrimination;
- freedom of association and collective bargaining;
- workplace health and safety;
- working hours, remuneration and benefits;
- respect for the rights of local communities.

In order to share with its stakeholders, the values and ethical and behavioural principles to which the Group aspires, Lavazza has prepared the following three documents: Code of Ethics, Supplier Code of Conduct, and Employee Code of Conduct.

In 2019, Lavazza also drew up a Human Rights Policy that will be formally released in 2020.

#### Actions implemented

Lavazza has started up projects for assessing its own supply chain with reference to the topics of human rights and prevention of child labour. For more details, reference is made to the paragraph "Responsible supply chain: on the suppliers' side to protect human rights" in the Chapter "Goal 8: Dignified Work and Economic Growth".

#### Monitoring and assessment mechanisms

Lavazza has defined its own system for monitoring its supply chain in terms of respect for human rights. It has also set up partnerships with non-governmental organisations such as Oxfam and Save the Children to carry out ad-hoc projects and takes part in platforms such as EcoVadis and Sedex. For more details, reference is made to the paragraph "Responsible supply chain: on the suppliers' side to protect human rights in the Chapter "Goal 8: Dignified Work and Economic Growth".

## CRITERIA 6-8 SOUND MANAGEMENT OF POLICIES AND PROCEDURES RELATED TO LABOUR

### 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.**

#### Commitments, policies and objectives

Lavazza sets out its own values regarding the workforce through a series of formal policies and documents, but also through constant dialogue with trade union representatives. In particular, Lavazza establishes the principles concerning ethics and conduct for the topics considered to be a priority in documents such as: the Code of Ethics, the Employee Code of Conduct, the Supplier Code of Conduct, the Modern Slavery and Human Trafficking Policy (applicable to British and Australian laws). The key principles of Lavazza's commitment regard:

- the guarantee of safe and dignified working conditions and fair pay;
- freedom of association;
- protection of workplace health and safety;
- protection of personal freedom, dignity and integrity;
- rejection of any form of discrimination or oppression in the workplace;
- rejection of any form of child exploitation;
- rejection of any form of forced labour.

#### Actions implemented

The above-mentioned documents describe how to report 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. For further information, reference is made to Chapter "Goal 8: Decent Work and Economic Growth".

#### Monitoring and assessment mechanisms

As regards workplace health and safety, Lavazza:

- has implemented a Health, Workplace Safety, Energy and Environment Management System;
- carries out periodic audits at its offices and plants;
- provides for its employees to receive specific workplace H&S training.

Lavazza has implemented a Workplace Health and Safety Management System designed to define, monitor and improve all processes relating to workplace health and safety.

Accidents, for which frequency and severity indices are also calculated, are mapped and recorded within the framework of the Management System. For further information, reference should be made to Chapter "Goal 8: Dignified Work and Economic Growth".

## CRITERIA 9-11 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, strategies and/or policies;**

**Management systems;**

**Control/monitoring/assessment mechanisms (impact measurement/assessment)**

#### Commitments, policies and objectives

Lavazza has a Corporate Policy for Health, Safety, Energy and Environment in which it undertakes to pursue the principles of sustainable development. In particular, it undertakes to:

- communicate and disseminate the culture of workplace health and safety, energy saving and respect for the environment to internal and external stakeholders;
- promote the use of more advanced technologies to achieve a continual improvement in performance in terms of workforce health and safety, protection of the environment, energy saving and rational use of natural resources;
- support the design and purchase of energy-efficient products and services to improve energy performance;
- evaluate and reduce the environmental impact, including the consumption of natural and energy resources, of its own activities, products and services in relation to the life cycle;
- use resources responsibly in order to achieve sustainable growth that respects the environment and the rights of future generations;
- assess the risks of workplace accident and injury and professional diseases; identify and assess the environmental impacts, including the consumption of natural and energy resources, of its own activities, products and services in order to eliminate or minimise them, in compliance with the regulations of the different countries in which it operates, as a minimum requirement;
- involve all levels of the organisation facilitating staff engagement and consultation, ensuring that duties/responsibilities are defined precisely, communicated appropriately and clearly acknowledged.

#### Actions implemented

Lavazza has established Corporate Guidelines 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.

In 2019, Lavazza obtained the ISO 14001 certification for its Headquarters and its Italian plants.

For further information, reference is made to Chapter "Goal 12: Responsible Consumption and Production".

#### Monitoring and assessment mechanisms

Lavazza disseminates its Corporate Policy for Health, Safety, Energy and Environment at group level, measuring and assessing its environmental performance as described in Chapters "Goal 12: Responsible Consumption and Production" and "Goal 13: Climate Action".

## CRITERIA 12-14 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, strategies and/or policies;**

**Management systems;**

**Control/monitoring/assessment mechanisms (impact measurement/assessment)**

#### 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, and adopts documents and codes governing all matters related to anti-corruption: the Code of Ethics, the Employee Code of Conduct and Supplier Code of Conduct. In Italy, Lavazza has also adopted the Organisational Model pursuant to Legislative Decree No. 231/01.

In addition, in 2019 Lavazza has drawn up a Group Anti-corruption Policy, which will be formally released in 2020.

#### Actions implemented

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

In 2018, the Lavazza Group created the Compliance Function within the Legal Department in order to ensure the regulatory compliance of business activities and strengthen company culture in compliance matters through training activities. For further information, reference is made to Chapter "Goal 8: Decent Work and Economic Growth".

#### Monitoring and assessment mechanisms

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 availing of Lavazza personnel or organisations appointed by the Company.

Such controls may include inspections of the Supplier's facility and interviews with its workers. Lavazza requires collaboration from Suppliers during these auditing activities and expects Suppliers to promptly address any shortcoming with regard to the Supplier Code of Conduct through the implementation of targeted corrective measures and remedies.

Where any non-compliance is reported by Suppliers or assessed by Lavazza, the latter may ask the Supplier to plan and implement any necessary corrective actions.

Lavazza reserves the right to interrupt or 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.

## CRITERIA 15-18 ACTIONS TO SUPPORT THE BROADER 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 has adopted the 2030 Agenda as a guideline for its sustainability strategy, defining the priority SDGs and redefining its Sustainability Report accordingly. For further information, reference should be made to the section of the Methodological Note.

## CRITERIA 19-21 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*

The Sustainability Report is approved by the Board of Directors.

### *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, reference is made 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. For more details, reference is made to the Methodological Note.

### *Independent audit*

The Lavazza Sustainability Report has been subjected to external assurance by a third party, whose report is attached hereto.



# GRI INDICATORS

The table below lists the indicators that are reported in this Sustainability Report. Each GRI indicator is cross referenced to the chapter or section of this Report; if the data/information is not contained in this document, the table provides a description of the indicator in question.

UNIVERSAL STANDARDS	
UNIVERSAL STANDARD	REFERENCE OR DESCRIPTION
<b>102-1: Name of the organization</b>	See the Methodological Note
<b>102-2: Activities, brands, products, and services</b>	Below is a list of the brands under the management of the Lavazza Group in Italy and in the countries included in the extended reporting scope of the Sustainability Report 2019. <b>Single Serve</b> <ul style="list-style-type: none"> <li>• Lavazza</li> <li>• Carte Noire</li> </ul> <b>Food Service</b> <ul style="list-style-type: none"> <li>• Lavazza</li> <li>• Carte Noire</li> <li>• Merrild</li> <li>• Senseo</li> </ul> <b>Roast &amp; Ground</b> <ul style="list-style-type: none"> <li>• Lavazza</li> <li>• Merrild</li> <li>• Kicking Horse</li> </ul> There are no Lavazza products and/or services banned in some markets or countries.
<b>102-3: Location of headquarters</b>	See the Methodological Note
<b>102-4: Location of operations</b>	See the Methodological Note
<b>102-5: Ownership and legal form</b>	See the Methodological Note
<b>102-6: Markets served</b>	See the Methodological Note
<b>102-7: Scale of the organization</b>	See the Methodological Note
<b>102-8: Information on employees and other workers</b>	See paragraph “Men and women at Lavazza: key figures” in chapter: “Goal 5: gender equality”
<b>102-9: Supply chain</b>	See paragraph “responsible supply chain: on the suppliers’ side to protect human rights” in chapter “Goal 8: decent work and economic growth”.

<b>102-12: External initiatives</b>	See chapter “Goals on the field: Lavazza Foundation”
<b>102-13: Membership of associations</b>	See Methodological Note (section: “Lavazza’s stakeholders and listening and communication tools”)
<b>102-14: Statement from senior decision-maker</b>	See the Chairman’s and Chief Executive Officer’s opening letters
<b>102-16: Values, principles, standards, and norms of behavior</b>	See the Appendix “Lavazza and the Global Compact”
<b>102-18: Governance structure</b>	See paragraph “Responsible economic growth” in chapter “Goal 8: decent work and economic growth”
<b>102-40: List of stakeholder groups</b>	See Methodological Note (section: “Lavazza’s stakeholders and listening and communication tools”)
<b>102-42: Identifying and selecting stakeholders</b>	See Methodological Note (section: “Lavazza’s stakeholders and listening and communication tools”)
<b>102-43: Approach to stakeholder engagement</b>	See Methodological Note (section dedicated to materiality matrix)
<b>102-44: Key topics and concerns raised</b>	See Methodological Note (section dedicated to materiality matrix)
<b>102-45: Entities included in the consolidated financial statements</b>	See Methodological Note (section dedicated to reporting scope and period)
<b>102-46: Defining report content and topic Boundaries</b>	See Methodological Note (section dedicated to materiality matrix)
<b>102-47: List of material topics</b>	See Methodological Note (section dedicated to materiality matrix)
<b>102-48: Restatements of information</b>	There are no changes/restatements compared to the 2018 Sustainability Report
<b>102-49: Changes in reporting</b>	See Methodological Note (section dedicated to reporting scope and period)
<b>102-50: Reporting period</b>	See Methodological Note (section dedicated to reporting scope and period)
<b>102-51: Date of most recent report</b>	The latest edition of the Sustainability Report refers to 2018
<b>102-52: Reporting cycle</b>	See Methodological Note (section dedicated to document objectives and reference standards)
<b>102-53: Contact point for questions regarding the report</b>	See Methodological Note (section dedicated to document objectives and reference standards)
<b>102-54: Claims of reporting in accordance with the GRI Standards</b>	See Methodological Note (section dedicated to document objectives 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”)
MANAGEMENT APPROACH	
<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 STANDARDS DISCLOSURE

SPECIFIC STANDARDS DISCLOSURE	REFERENCE OR DESCRIPTION
<b>200: ECONOMIC TOPICS</b>	
<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>300: ENVIRONMENTAL TOPICS</b>	
<b>GRI 301: Materials</b>	
<b>301-1: Materials used by weight or volume</b>	Si rimanda al paragrafo "La valutazione degli impatti ambientali" nel capitolo "Obiettivo 13: agire per il clima".
<b>GRI 302: Energy</b>	
<b>302-1: Energy consumption within the organization</b>	See paragraph "environmental performance and natural resource management" in chapter "Goal 12 responsible consumption and production"
<b>302-3: Energy intensity</b>	See paragraph "environmental performance and natural resource management" in chapter "Goal 12 responsible consumption and production"
<b>GRI 303: Water</b>	
<b>303-1: Water withdrawal by source</b>	See paragraph "environmental performance and natural resource management" in chapter "Goal 12 responsible consumption and production"
<b>GRI 305: Emissions</b>	
<b>305-1: Direct (Scope 1) GHG emissions</b>	See paragraph "assessment of environmental impact" in chapter "Goal 13: climate action"
<b>305-2: Energy indirect (Scope 2) GHG emissions</b>	See paragraph "assessment of environmental impact" in chapter "Goal 13: climate action"
<b>305-3: Other indirect (Scope 3) GHG emissions</b>	See paragraph "assessment of environmental impact" in chapter "Goal 13: climate action"
<b>GRI 306: Waste and effluents</b>	
<b>306-1: Water discharge by quality and destination</b>	See paragraph "environmental performance and natural resource management" in chapter "Goal 12 responsible consumption and production"
<b>400: SOCIAL TOPICS</b>	
<b>GRI 401: Employment</b>	
<b>401-1: New employee hires and employee turnover</b>	See paragraph "men and women at Lavazza: key figures" in chapter "Goal 5: gender equality"

**GRI 403: Occupational Health and Safety**

<b>403-2: Type of injury and rate of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities.</b>	See paragraph "people at the core: personnel's development, training and security" in chapter "Goal 8: decent work and economic growth"
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**GRI 404: Training and Education**

<b>404-1: Average training hours per year per employee</b>	See paragraph "people at the core: personnel's development, training and security" in chapter "Goal 8: decent work and economic growth"
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<b>404-3: Percentage of employees receiving regular performance and career development reviews</b>	See paragraph "people at the core: personnel's development, training and security" in chapter "Goal 8: decent work and economic growth"
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**GRI 405: Diversity and Equal Opportunity**

<b>405-1: Diversity of governance bodies and employees</b>	See paragraph "men and women at Lavazza: key figures" in chapter "Goal 5: gender equality"
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<b>405-2: Ratio of basic salary and remuneration of women to men</b>	See paragraph "men and women at Lavazza: key figures" in chapter "Goal 5: gender equality"
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**GRI 413: Local Communities**

<b>413-1: Operations with local community engagement, impact assessments, and development programs</b>	See paragraph "engaging local communities: the community care program" in chapter "Goal 8: decent work and economic growth"
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### **Independent report on the limited assurance engagement of the sustainability report 2019**

To the Board of Directors of  
Luigi Lavazza SpA

We have been engaged to undertake a limited assurance engagement on the Sustainability Report (hereinafter the "Report") of Lavazza (hereafter the "Company") for the year ended 31 December 2019. Lavazza identifies, only for Sustainability Report 2019 purposes, the following companies: Luigi Lavazza SpA, 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, Lavazza France Sas, Fresh and Honest Café Ltd and Kicking Horse Co Ltd.

#### **Responsibilities of the Directors for the Sustainability Report**

The Directors of Luigi Lavazza SpA are responsible for the preparation of the Report in accordance with the *Global Reporting Initiative Sustainability Reporting Standards* issued by *GRI - Global Reporting Initiative* (the *GRI Standards*), as illustrated in the "Methodological Note" section of the Report.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Sustainability Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for defining the sustainability performance targets of Lavazza, as well as for identifying the stakeholders and the material topics to be reported on.

#### **Auditor's Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **PricewaterhouseCoopers Advisory SpA**

Sede legale: Milano 20149 Via Monte Rosa 91 Tel. 02667201 Fax 0266720301 Cap. Soc. Euro 7.700.000,00 i.v. - C.F. e P.IVA e Iscrizione al Reg. Imp. Milano n° 02120150967 - Altri Uffici: Bari 70122 Via Abate Giampaolo 72 Tel. 0805640321 Fax 0805640340 - Bologna 40126 Via Angelo Finelli 8 Tel. 0510780211 - Brescia 25121 Viale Duca d'Acosta 28 Tel. 0303907300 - Cagliari 09123 Viale Diaz 26 Tel. 0705648776 - Firenze 50121 Viale Garibaldi 15 Tel. 0552482811 Fax 0552482800 - Genova 16121 Piazza Principe 6 Tel. 010290241 - Napoli 80121 Via dei Mille 16 Tel. 081236281 - Padova 35128 Via Venezia 4 Tel. 0498734111 Fax 0498734399 - Palermo 90121 Corso Palermo 10 Tel. 0912373211 Fax 0912373200 - Roma 00121 Largo Poletti 28 Tel. 06230831 Fax 0623083200 - Torino 10121 Corso Poletti 10 Tel. 0112373211 Fax 0112373200 - Trieste 34121 Viale della Costituzione 22 Tel. 0432373004 Fax 0432373007 - Treviso 31100 Viale Feltrina 90 Tel. 0422313711 Fax 0422313708 - Trieste 34123 Via Cesare Battisti 18 Tel. 0432367076 Fax 0432367137 - Verona 37123 Via Freato 21/C Tel. 0458263001

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#### **Auditor's Responsibilities**

Our responsibility is to express a conclusion, based on the procedures performed, on whether the Report complies with the requirements of the GRI Standards. We conducted our work in accordance with "International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement.

The work performed was less in scope than in a reasonable assurance engagement conducted in accordance with ISAE 3000 Revised and, consequently, we did not obtain assurance that we became aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the Report were based on our professional judgement and included inquiries, primarily of personnel of the Company responsible for the preparation of the information presented in the Report, inspection of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

- 1) We analysed the process of definition of the material topics reported on in the Report, with reference to the method of their identification in terms of priority for the various categories of stakeholders and to the internal validation of the results of the process;
- 2) We compared the financial information reported in paragraph "Operating and Financial Performance of the Lavazza Group" of the Report with those included in the Group's consolidated financial statements as of 31 December 2019 on which other auditors issued an audit opinion, in accordance with article 14 of legislative decree n° 39 of 27 January 2010, on 12 April 2019;
- 3) We obtained an understanding of the processes underlying the generation, collection and management of significant qualitative and quantitative information included in the Report.

In detail, we inquired of and discussed with Top Management of Luigi Lavazza SpA, 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, Lavazza France Sas, Fresh and Honest Café Ltd and Kicking Horse Co Ltd and we carried out limited analyses of documentary evidence, in order to obtain information about the processes and procedures supporting the collection, aggregation, processing and submission of non-financial information to the corporate function in charge of the preparation of the Report.



Furthermore, for significant information, taking into account the activities and characteristics of Lavazza, at a holding level:

- a) with reference to the qualitative information presented in the Report, we carried out interviews and obtained supporting documents to verify its consistency with available evidence;
- b) with reference to quantitative information, we performed both analytical procedures and limited tests to verify, on a sample basis, the accuracy of data aggregation.

For the companies Luigi Lavazza SpA, 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, Lavazza France Sas, Fresh and Honest Café Ltd e Kicking Horse Co Ltd which we selected based on their activities, contribution to performance indicators and location we obtained documentary evidence, on a sample basis, about the correct application of the procedures and calculation methods applied for the indicators.

### **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 2019 is not prepared, in all material respects, in accordance with the requirements of the GRI Standards as illustrated in the "Methodological Note" section of the Report.

Turin, 21 July 2020

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. We have not performed any controls on the Sustainability Report 2019 translation.*



### **LUIGI LAVAZZA S.P.A.**

Registered and administrative offices:

Via Bologna 32 - 10152 Turin - Italy

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