



# LAVAZZA

TORINO, ITALIA, 1895



## SUSTAINABILITY REPORT 2016



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Lavazza has always valued the importance of its human capital. Our people are key to the entire production chain and the main driving force behind the results that our brand has always been proud of achieving.

From coffee producers, whom our Foundation actively supports side-by-side; to our employees, who are welcomed at our new Headquarters through an integrated, sustainable and shared approach and who are the recipients of all our *welfare* programmes; to consumers, to whom our commitment to supply superior quality products has been the Company's main goal since its very onset. All these actors need to be aware of their role in the Lavazza System, so that they can share the corporate values and actively pursue them. Sustainability, in fact, is a shared responsibility.

Lavazza is committed to pursuing sustainability by promoting its principles and by applying them daily through the involvement of all the Group's stakeholders.

It is with this mind-set of investing in human capital that we take the importance of a circular economy to heart, reinvesting our resources locally, so as to create value in the territory that has seen our Company grow and expand. 2016, in particular, was a year that saw us engaged in substantial investments in the Group's Italian manufacturing plants, as well as in all newly acquired overseas companies, with Carte Noire at the top of the line.

Our local roots, in fact, find their expression in the coherence of our entrepreneurial pursuits, acknowledging our belonging to the territory as an essential value.

Even the birth of *Nuvola*, the Company's new headquarters, and the development of the entire Lavazza complex in Aurora, a district in the centre of Turin, naturally head in this direction.

We did not drift somewhere "yonder" without a sense of identity, but we chose to stay in the heart of our city, rediscovering the value of a neighbourhood and amplifying its potential. Nevertheless, we did more than that, choosing to develop a sustainable space for all our employees. I am not thinking only of a work environment that is consistent with the highest sustainability standards and that obtains the most prestigious LEED certifications for an industrial building. I am thinking especially to the services designed for our people, to the promotion of sustainable mobility and to how our headquarters will be open to the territory and the city.

This openness will result in increasingly effective and targeted community engagement actions, investing in our territory and supporting the social and economic fabric that Lavazza is part of.

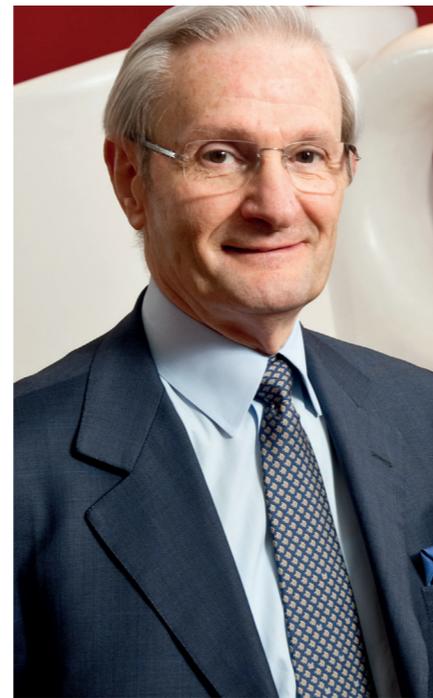
Resilience. Passion and Perseverance. These are the attributes that have always defined our work and that have enabled us to face new challenges and pursue new goals while consistently raising the bar on our horizon.

Lavazza, an increasingly international company, wants to continue to strive for the sustainable development of its business by focusing on the welfare of the Group's human capital and by more and more actively endorsing the Foundation's action in coffee-producing countries, a world to which we have a moral duty to reaffirm and where we recognise our farming roots.

The year we examine and describe in this Sustainability Report 2016 is therefore a year of substance, vision and close relationship with all the events linked to innovation, culture, sports, food and sustainability, above all the relationship with Terra Madre and Slow Food, with which we celebrated 20 years of collaboration.

**It has been a year of great change, a year which provided a clear picture of a family, the family of all Lavazza's stakeholders, which grows more and more with each new day.**

[G4-1]



ALBERTO LAVAZZA  
President

Sustainability is a path of constant evolution. It calls for us to be aware of our limitations, strengths and priorities for action. This is the reason why listening to and discussing with stakeholders are key elements in building a path that creates shared value throughout the production chain.

Sustainable development regards our common future. It is for this reason that the 17 *Sustainable Development Goals* were conceived and formally stated in a necessarily global and internationally shared context, such as the United Nations are.

These Goals need to be recognised as essential by all economic operators, as only by doing so can we achieve tangible and lasting results.

For Lavazza, these principles are not negotiable: not only because our product is derived from the processing of raw materials of plant origin and therefore potentially threatened by the phenomenon of climate change, but also because the responsibility that the Goals carry with them are global and overshadow the specific business interests of any Group.

Companies are key actors when it comes to overcoming challenges and achieving the Global Goals. For example, the commitment to reduce greenhouse gas emissions and energy consumption fails if it is not taken on as a responsibility first hand by those for whom the use of energy to create value is an economic obligation. Just as we cannot shy away from the commitment towards sustainability-oriented partnerships or an inclusive and fair economic growth.

Every company can and should actively commit to sustainable development. The fight against climate change, the commitment to a responsible consumption and production or to sustainable innovation generate a virtuous circle. Not only do they benefit the environment and society, but they also generate efficiency in the manufacturing processes, waste reduction and less uneconomic processes, even for the benefit of the company's profit margins. Lavazza's international growth, therefore, necessarily depends on principles of Sustainability.

It is from such principles that it must draw inspiration, involving and motivating its employees, and encouraging that feeling of belonging to a Group that is financially solid, with prospects for sustainable economic development and opportunities for growth.

The commitment that weighs on us as a global leader is not limited to streamlining our processes and our energy consumption. It calls on us to be sponsors for the whole chain of our business cycle, to work with farmers to improve the farming techniques and make them more sustainable for the future and to work with all our partners to produce the greatest positive impacts that we are capable of for the environment and society.

**The commitment that our role as a market leader involves is consistent with what our customers ask of us: that we offer a high-quality product obtained with solid, safe, reliable and repeatable processes that are respectful of people and the environment.**

[G4-1]



ANTONIO BARAVALLE  
CEO

# Methodological note

## Document Objectives

[G4-23]

Lavazza's Sustainability Report 2016 represents the tool for disclosing to its stakeholders the Company's annual results about Sustainability. This year, the reporting scope gradually extends to Lavazza's **foreign companies**, with the goal in upcoming years to have a single Report for the whole Group. A detailed description of the subsidiaries included in this Report can be found in the section "Reporting period and scope".

## A strategic approach to Corporate Social Responsibility

Lavazza develops the themes of **Corporate Social Responsibility** throughout the value chain, making Sustainability an integral part of its business. For this reason, it uses specific, measurable and repeatable key performance indicators (KPIs), which all the Company's Divisions are called on to achieve. The Company also defines the guidelines promoting the creation of an integrated systemic process. To do this, Lavazza works on Corporate Social Responsibility activities, focusing on four main pillars linked to **sustainability of the product**, **sustainability of manufacturing processes** and the **strengthening of relations** with both **internal** and **external** stakeholders. In 2016 Lavazza created the **Institutional Relations & Sustainability Department**, a Management team whose task is to manage the activities assigned to the CSR Division, the institutional relations of the Company, as well as the activities of the Fondazione Giuseppe e Pericle Lavazza ONLUS.

## Drafting principles and reference standards

[G4-29; G4-30; G4-31; G4-32]

The Lavazza **Institutional Relations & Sustainability** Department has coordinated the preparation of the Sustainability Report 2016, gathering contributions from the entire organisational structure of the Group's companies included in the reporting scope. The process followed the guidelines provided by the internal procedure of September 2014. The Report's content is also consistent with the Guidelines established by the Global Reporting Initiative (GRI) in the GRI-G4 version. The GRI-G4 option chosen by the Lavazza Group for the Luigi Lavazza S.p.A. in drafting this document is "in accordance - Core". With reference to foreign subsidiaries included in the scope of this Sustainability Report, the data refer to the "Economic" and "Social" categories required by GRI-G4, and not to the category "Environmental", which will be discussed in future editions of the document.

## Reporting scope and period

[G4-3; G4-5; G4-6; G4-8; G4-9; G4-10; G4-13; G4-17; G4-23; G4-28]

Lavazza has branch offices in five continents and is present in more than 90 countries worldwide, operating through both direct subsidiaries and a broad network of distributors. Lavazza's industrial system consists of six Manufacturing Plants. Three are based in Italy (Settimo Torinese, Gattinara and Pozzilli)<sup>1</sup>; one in Brazil; one in India and one in France. The Lavazza Group staffs about 3,000 employees<sup>2</sup>. In Italy, Lavazza reaches its consumers directly through operators as retail outlets and stores. Abroad, Lavazza affirms its presence across different markets through its subsidiaries and a network of distributors specialising in the *Home* and *Away From Home* markets. Lavazza caters to consumer demand, offering its customers a wide and diverse range of products. This Report refers to Luigi Lavazza S.p.A. in the years 2014, 2015 and 2016, in order to allow a comparison of data in the three-year period. As mentioned, Lavazza's foreign subsidiaries were included in the Report's scope of analysis only with reference to year 2016.

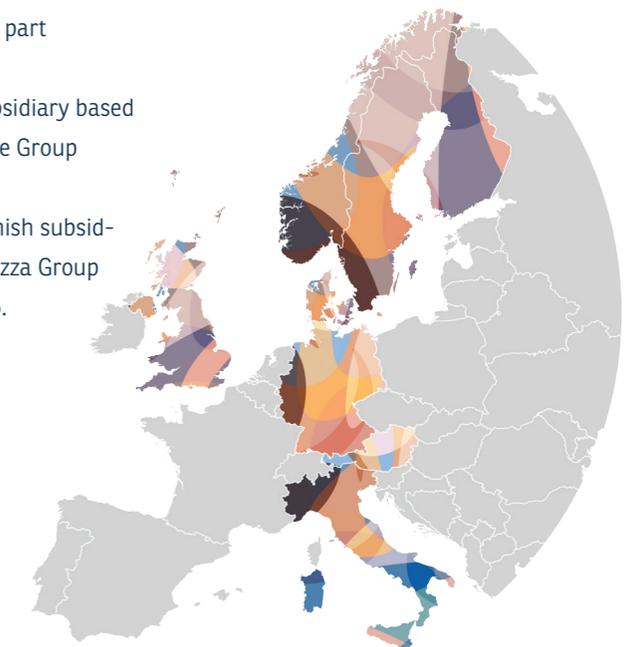
The figures reported in the document concern:

- **Luigi Lavazza S.p.A.**, Parent company of Lavazza based in Turin, i.e.:
  - Headquarters, Innovation Center and Sales Offices;
  - Manufacturing plants of Settimo Torinese, Gattinara, Verrès<sup>3</sup> and Pozzillis.
- The following foreign subsidiaries of the Lavazza Group:
  - **Luigi Lavazza Deutschland GmbH**, German subsidiary based in Frankfurt and part of the Lavazza Group since 1987;
  - **Lavazza Kaffee GmbH**, Austrian subsidiary that has been part of the Group since 1988;
  - **Lavazza Coffee UK Ltd**, British subsidiary that has been part of the Group since 1990;
  - **Lavazza Nordics AB**, subsidiary based in Sweden and part of the Group since 2009;
  - **Merrild Kaffe ApS**, a Danish subsidiary and part of the Lavazza Group since 30 September 2015.

<sup>1</sup> The manufacturing plant in Verrès was officially shut down in July 2016 as part of an industrial plan and its productions were transferred to the Group's multifunctional centres located in Italy. The site has been included in this Report's reporting scope, as it was in use in the three-year period 2014-2016 reviewed herein up to the date in which it was permanently shut down (29/07/2016).

<sup>2</sup> The number of employees refers to the Lavazza Group.

<sup>3</sup> See Note 1



## Stakeholder Engagement and Materiality analysis in Lavazza

[G4-18; G4-25]

Lavazza has focused its Sustainability Report 2016 on issues that are consistent with guidelines GRI-G4:

- stakeholder engagement;
- sustainability context;
- materiality;
- thoroughness.

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

To identify the most relevant topics eligible for inclusion in the 2016 Report, the Company has:

- Identified its stakeholders, using the list contained in Lavazza's Code of Ethics as its primary source;
- Surveyed the questions and expectations of its stakeholders through listening and communication tools;
- Conducted a benchmark analysis compared to major competitors and an assessment of the issues most relevant to the Company's core business, so as to analyse its sustainability context and the one of its target industry;

- Conducted a materiality analysis on the sustainability issues that are most relevant to the Group. To do this, priority indexes were assigned to aspects deemed most relevant to its business, around which a materiality matrix was developed.

In 2016, *Stakeholder Engagement* activities focused on the following categories:

- Employees (internal communication campaigns with the identification of Nuvola's Ambassadors, for which we ask you to refer to Chapter 5);
- Local community (Community engagement initiatives designed and launched in 2015; new initiatives are under way, for which we ask you to refer to the section "Lavazza's commitment to the territory" in this chapter);
- Consumers (specific market analyses, for which we ask you to refer to Chapter 3).



# Lavazza's stakeholders: major listening and communication tools

[G4-24; G4-26; G4-27]



## Customers and consumers

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

## Local communities

Meetings to define initiatives that promote sports, culture, youth, education and social integration.  
Events.

## Community of producers

Meetings to define and implement the sustainability projects.  
Regular contacts to define the quality standards.  
Regular contacts on purchases of coffee.  
Round-up meetings on critical issues related to coffee production.

## Suppliers

Regular meetings.  
On-site visits.  
Plans for improvement.  
Sharing the Supplier Code of Conduct and the Code of Ethics.

## International/national institutions; Non-governmental organisations and local institutions

Participation in international fora.  
Events.  
Regular meetings.

Organisation of regular meetings.  
Ethics Committee.

Organisation of events and regular meetings.

Definition of communication strategies.  
Issuance of press releases and PR materials.  
Blogger relations and Digital PR.  
Organisation of press events and conferences.  
Preparation and coordination of interviews with the Board and Top Management of Lavazza.  
International coordination of Public Relations.

Training programmes.  
Leading Change.  
Welfare Programme.  
*Nuvola* Ambassador Programme.  
Sharing the Employee Code of Conduct and the Code of Ethics.

Regular briefings on the Group's situation.  
Negotiation meetings about production plant issues.  
Relationships and participation in the activities of trade associations.  
Creation of a System of industrial relations as a factor of development and support for growth.

## Governance bodies

## Partners

## Press & Digital Media

## Human Resources

## Unions and Trade associations

# Materiality matrix

[G4-19; G4-20; G4-21; G4-27]



	Projects designed for producers		Quality and consumer satisfaction		Integration of new acquisitions
	Relationships with suppliers and partners		Human resources of the Lavazza Group		Relations with other Institutions and with the Territory
	Environmental performance and carbon/water footprint		Growth, profitability and corporate values		Sustainable innovation

To update the materiality analysis and the Lavazza Group's Sustainability strategy, interviews were conducted and meetings held with the Lavazza Family, the CEO and Top Management, as well as with the General Manager of the subsidiaries included in the reporting scope. Based on the materiality matrices of previous years, the meetings allowed to:

- Rationalise the significant macro-issues at stake and identify the micro-issues (projects, initiatives, activities, etc.);
- Identify the links between the macro Sustainability issues and Lavazza's value chain, thereby highlighting integration among the issues and the business of the Group;
- Ascribe priority levels to the macro and micro-issues in terms of both their internal relevance to the Lavazza Group and their external relevance to stakeholders.

The graph shows the results of the updating process: the degree of importance attributed to the issues according to an internal perspective (horizontal axis) and external perspective (vertical axis) is highlighted within the matrix. Relevant issues identified within the materiality matrix are discussed in the following chapters.

The relevant macro-issues are highlighted at the beginning of each chapter. This allows for an easy integration between the materiality analysis and the contents reported.

## Assurance Process

[G4-32; G4-33]

The Sustainability Report of the Lavazza Group has been subject to a limited audit by the firm PricewaterhouseCoopers Advisory S.p.A.<sup>4</sup>. The results of the audits conducted are contained in the report of the independent auditors. The report is included at the end of this document.

<sup>4</sup> Luigi Lavazza S.p.A., following a competitive bidding, has chosen to rely on the services of PricewaterhouseCoopers Advisory S.p.A. (PwC) for the assurance of the Sustainability Report. Lavazza's Top Management has been involved in the Report's assurance process through individual interviews.

# 1. The Lavazza Group

Accomplishments  
and new goals



# Relevant aspects



Growth, profitability and corporate values



Integration of new acquisitions



Relations with other Institutions and with the Territory



## 1.1 2016 for Lavazza

[G4-15]

2016 was an important year for Lavazza, during which the Group has grown and further consolidated its business in the name of integration and consistency.

Firstly, because of the acquisition in March 2016 of **Carte Noire**, the leader in the coffee market in France that shares the history and values of Lavazza. An important integration combining principles and professional skills with solid and efficient production targets.

Secondly, for the many events and activities that have seen Lavazza continue to pursue its goals and overcome challenges, remaining faithful to its role as a key player and market leader.<sup>5</sup>

<sup>5</sup> For a recount and details of the activities that have made the history of Lavazza until 2015, please refer to the previous Sustainability Reports.

2016 for Lavazza





## January

- **18-31 January.** Lavazza is the official coffee of the 2016 Edition of the **Australian Open**, the tennis tournament that takes place in the Rod Laver Arena in Melbourne and the first tournament in chronological order of the Grand Slam circuit.
- **23-27 January.** At Sigep in Rimini, the European coffee&bakery exhibition, Lavazza launches **¡Tierra! Origins**, the single-source blends dedicated to the Away from Home market.

## February

- **22-25 February.** Lavazza is the official coffee of **4 Years From Now**, the International Congress held in Barcelona and dedicated to tech start-ups and innovation.
- **25-27 February.** Lavazza is the sponsor of the first edition of the **Festival of Food Journalism** at the *Cavallerizza* in Turin.

## March

- **1 March.** The new offices of **Carte Noire** are inaugurated and production starts at the manufacturing plant in Lavérune in southern France.
- **10 March.** The acquisition of **Carte Noire** is celebrated in Paris.
- **11 March.** At the manufacturing plant in **Lavérune**, Lavazza celebrates the acquisition with its President Alberto Lavazza, Production Manager Philippe Maillard and the plant's employees.
- **18-20 March.** At **Fa' la Cosa Giusta (Do the Right Thing)**, the national trade fair of responsible consumption and sustainable lifestyles held in Milan, Lavazza presents the **compostable capsule** developed in partnership with Novamont.
- **31 March.** Lavazza sponsors the exhibition **Il Mondo di Steve McCurry (The World of Steve McCurry)** at *Reggia di Venaria*. Among the shots of the great American photographer, who has been a partner of Lavazza and Ambassador of the Company's cultural sustainability for 15 years now, several images made for the Lavazza Foundation as part of the ¡Tierra! project.

## April

- **9 April.** Lavazza sponsors the third edition of **TEDxRoma**, the international meeting that takes place at the *Auditorium Parco della Musica* in Rome. The event is dedicated to the "Game Changers", the 19 top researchers, artists and international entrepreneurs who in their field have changed the "rules of the game".

## May

- **4 May.** Lavazza inaugurates its new **Training Center** in the PolLux Turm skyscraper in Frankfurt, inside the headquarters of the German subsidiary.
- **7 May.** Lavazza supports **TEDxUniTO**, the event dedicated to the relationship between technology and society held in Turin.
- **7-10 May. Barista & Farmer** in Lambari, Brazil, with Lavazza. The coffee reality show for bartenders takes place in the Brazilian coffee-growing areas, where the Foundation Lavazza is active with the ¡Tierra! project. A unique opportunity to tell the wider public about the places where coffee originates, the cultivation and harvesting methods, and to introduce them to the *caficultores*, coffee growers who devote their lives to the production of superior quality coffee.
- **22 May - 5 June.** Lavazza is the official coffee of the **Roland Garros** tennis tournament in Paris. The French Open is the second tournament in chronological order of the Grand Slam.

## June

- **7 June.** Lavazza is awarded the **Italian Company of 2016** award by the French Chamber of Commerce.
- **15 June.** Lavazza launches the **instant coffee Prontissimo!** on the Italian market, a 100% Arabica blend enriched with 10% of finely roasted and ground coffee, which produces a rich and full-bodied coffee.
- **27 June - 10 July.** Lavazza reaffirms its leading presence at **Wimbledon** as the official coffee of the tennis tournament. For the sixth year in a row, the oldest and most prestigious tennis event in the world speaks about the taste and excellence of true Italian espresso. Wimbledon is the third tournament of the Grand Slam in chronological order.

## July

- **9-17 July.** Lavazza is a sponsor of the **World Tour 500 Series** in Hamburg, the male tennis tournament of the **ATP circuit**.
- **22-31 July.** Lavazza sponsors the **Rogers Cup** tennis tournament in Toronto.

## August

- **29 August - 11 September.** Lavazza is the official coffee of the **US Open**, the fourth tennis tournament of the Grand Slam that since 1978 takes place on the hard courts of Flushing Meadows in New York

## September

- **20 September.** Presentation of the **Lavazza Calendar 2017 *We are what we live*** by French photographer Denis Rouvre at the Mudec in Milan. This is the third instalment of the trilogy **The Earth Defenders** created in collaboration with Slow Food.
- **22 September. We are what we live.** The 20 years of partnership between Lavazza and Slow Food and the opening of the **2016 Salone del Gusto** in Turin are celebrated with a slideshow of the **Lavazza Calendar 2017** by Denis Rouvre, accompanied by the music of maestro Ezio Bosso.
- **22 - 26 September.** Lavazza is the official partner of **Terra Madre Salone del Gusto 2016** - Loving the Earth, an edition that for the first time takes place in the *open air* in various locations around the city. With its **Spazio Lavazza** inside the former Stock Exchange of Turin reopened for the occasion, the Company illustrates its products and sustainability strategy and discusses great photography with meetings and events organised in collaboration with the newspaper *La Stampa*.

## October

- **4-5 October.** Lavazza sponsors the 4th annual **Salone della CSR e dell'Innovazione Sociale (CSR and Social Innovation Showroom)** at the Bocconi University in Milan.

## November

- **7-9 November.** Lavazza participates in the **FHC China in Shanghai**, the most important event dedicated to the food industry in China.
- **29 November.** Lavazza sponsors the telecast **Masterchef Denmark**.

## December

- **6 December.** Lavazza, partner of the **Hermitage** in St. Petersburg, sponsors and launches **Fortuny. A Magician from Venice** in collaboration with the Venetian Civic Museums, an exhibition dedicated to the creative and artistic work of Mariano Fortuny.
- **28 December.** Lavazza supports **Cena a Mille**, a charity dinner organised by the Banco Alimentare Onlus of Piedmont at the *Lingotto* in Turin.



## Carte Noire. A new Member joins the Lavazza family

[G4-13]

The Lavazza Group's internationalisation process is once again a priority this year, following along the lines of Sustainability Report 2015.

A tangible sign of its priority is the completion of the acquisition of Carte Noire, leader in the coffee retail market in France, which is the 4th largest market in the world when it comes to coffee consumption. Thanks to the acquisition of Carte Noire, France becomes the second market after Italy for Lavazza in terms of coffee consumption.

Along with the acquisition of Carte Noire, Lavazza also acquires the manufacturing plant in Lavérune in southern France, which staffs about 130 employees.

In a market that is increasingly characterised by the concentration of its key players, the acquisition of Carte Noire is meant to consolidate the Company's business with the aim of creating **a third global coffee hub** by uniting regional producers.

The acquisitions of Merrild, historical brand leader in the retail sector in Denmark and the Baltic countries, and the establishment of the subsidiary Lavazza Australia, both completed in 2015, head in this direction.



## Lavazza and tennis. Tradition and fair play.

Tradition and innovation. International outreach. Passion and fair play.

These are some of the values linking Lavazza to great tennis and affirming an alliance started six years ago at Wimbledon. Today, Lavazza is not only a major sponsor at the most important international tennis tournaments. It also clinched the heterogeneous public of tennis fans with its superior-quality

espresso. From the Grand Slam circuit to the most prestigious international events, such as the Rogers Cup in Toronto and the ATP World Tour 500 Series in Hamburg, each event has seen Italian espresso reaffirm its status as one of the most beloved products by tennis fans. A universal sport for people of all ages: it is in this context that in 2016 Lavazza chose an international tennis legend like **Andre**

**Agassi** to be its Ambassador. The **American champion**, star of the **I'm back** advertising campaign, officially announced his return to the scene for charity purposes at the **US Open** along with Lavazza. An event that, in receiving wide acclaim, highlighted the qualities that the champion and Lavazza share in common: **the ongoing search for improvement, their tendency towards**

**excellence, their ethical commitment and attention to sustainability.** With support from the USTA Foundation, during the US Open, the two Lavazza bars next to the tennis courts donated 1 dollar for every coffee drink purchased to the Andre Agassi Foundation, which is in the frontline promoting quality education and new opportunities of development for young boys and girls.

# Steve McCurry and ¡Tierra! at the Reggia di Venaria



Lavazza and Steve McCurry have been working together for more than 15 years. The great American photographer, a full-fledged Ambassador of the Company's cultural sustainability, has been following the ¡Tierra! project since its inception, using his photographs to tell the story of coffee growers in the countries of origin, their families and their world. Over the years, there have been several public opportunities to give tangible expression to this relationship, but the first exhibition to be actually dedicated to the bulk of McCurry's photographic work was organised in 2016 in Turin. The exhibition entitled *IL Mondo di Steve McCurry (The World of Steve McCurry)* took place at the *Scuderie Juvarriane della*

*Reggia di Venaria* and took viewers on a journey through 270 of the photographer's best shots, from the unreleased black and white photographs taken in 1978 in Afghanistan to those of his latest trips. A dive into the peoples and cultures of the world, their faces and their stories that Steve McCurry's lens always manages to capture in a unique way. Among the images on display, **40 spoke of coffee** and were dedicated to ¡Tierra!, a project that the Lavazza Foundation has been working on since 2002 with the aim of improving the living conditions in the coffee producing communities and of sharing a model of sustainable development, with Steve McCurry as its distinguished Narrator.

## ¡Tierra! Origins

The sustainability project ¡Tierra! in 2016 gave birth to the ¡Tierra! Origins coffee blends dedicated to the Away from Home market: single-source blends combining the values of sustainability, support to local communities and environmental protection with the high quality of the product. The blends come from the community of Lambari (Brazil) and Kirua/Vunjo (Tanzania). Fondazione Lavazza is present in these communities involving thousands of producers with training projects, whose key focus is teaching sustainable farming practices to improve the quality of the coffee produced. The producers of the two ¡Tierra! Origins coffee blends have been certified by the international non-governmental organisation **Rainforest Alliance**. Lavazza, in light of the market's appreciation for these blends, will continue in the research and selection of the best coffee origins from sustainable cultivation, expanding the ¡Tierra! Origins product range.



# Terra Madre Salone del Gusto 2016

The 2016 edition of *Terra Madre Salone del Gusto* proved to be a pivotal platform to discuss the topic of *Voler bene alla Terra (Loving the Earth)*. In fact, for the first time after 20 years, the event has moved into the heart of Turin, opening to free visits from the public and getting all of the streets and squares of the city's historic centre with it to talk about promoting taste and sustainability.

A challenge met to the fullest: from 22 to 26 September 2016, the large crowds that attended the event and the spirit of sharing and participation have made the city the global Ambassador of taste.

Lavazza, which has been an official partner of the Showroom since the very beginning and with which it has always shared the same values and goals, fully endorsed the new direction taken by the event, setting up its *Spazio Lavazza at Borsa Valori*, the former Stock Exchange building of great architectural value that was reopened for the event.

The 1600 square metres of *Spazio Lavazza* dedicated to the Lavazza Calendar 2017 *We are what we Live* by Denis Rouvre and to the trilogy of *Earth Defenders*, have become a key place to visit for the audience of the Showroom.

The photo exhibition, 10 workshops of the Training Centre, ¡Tierra! Origins tasting event and the rich programme of side events, meetings and conferences organised in collaboration with newspaper *La Stampa* attracted more than **22,000** visitors to *Spazio Lavazza*.

Therefore, consistently and in full agreement with the values expressed by Slow Food, *Spazio Lavazza* talked about promoting taste, food ethics, and about furthering the development of typical products and fostering respect for the consumer and the world around him.



## 20 years together

The Company chose the inaugural date of the Showroom (22 September) and a venue as exceptional as *Teatro Carignano* in Turin to celebrate its 20 years of collaboration with Slow Food and to showcase the photographs of the Lavazza Calendar 2017 *We are what we live*. It turned out to be an exciting evening. Marco, Giuseppe and Francesca Lavazza, together with Carlo Petrini and storyteller Matteo Caccia, recalled the most significant

moments of a friendship and of a journey to promote values, allowing the photographs of photographer **Denis Rouvre** and the notes by pianist **Ezio Bosso** to give the 600 spectators the experience of the symbiosis between man and nature. An event also broadcast in streaming for the public outside the theatre, by setting up big screens in *piazza Carignano* and in *Spazio Lavazza* in the Stock Exchange building.

# WE ARE *what* WE LIVE

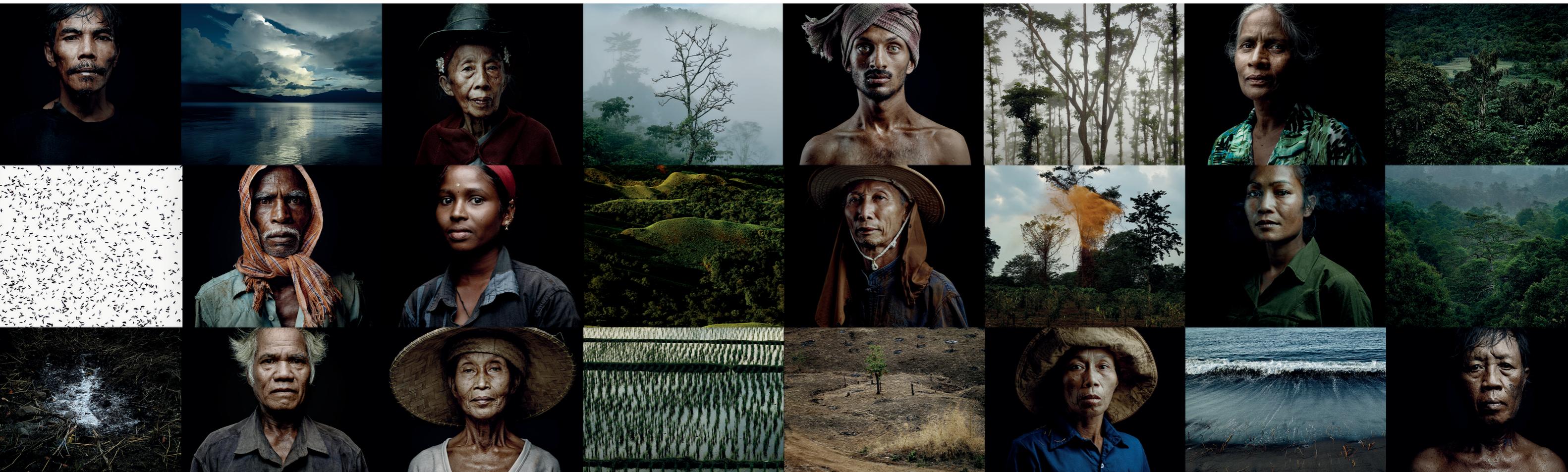
THE 2017 CALENDAR BY DENIS ROUVRE

LAVAZZA

*Salone del Gusto 2016* was also an opportunity to present the Lavazza Calendar 2017 **We are what we live** by French photographer Denis Rouvre and the final chapter of the trilogy of calendars dedicated to **Earth Defenders** to the broader public. "We are what we live" is the main theme of the Calendar 2017, whose protagonists are men and women of Southeast Asia symbiotically living their bond with the land in a relationship that is so close-knit and intense that it leaves an indelible mark on their faces and the landscape. Twelve diptychs that show the faces and the territories side-by-side. Photographs that passionately reveal the relationship between man and the environment and the continuous efforts of local communities to cope with the impact of climate change.

The author of these shots that have a great narrative force is Denis Rouvre<sup>6</sup>. The French photographer captured the authentic relationship between man and environment and transposed it into a single photograph with force and passion. Proceeds from the sale of the Lavazza Calendar 2017 were used to finance the participation of the *Terra Madre* delegates at the Showroom.

<sup>6</sup> The photographers of the past editions were Steve McCurry (2015) and Joey L. (2016).





### A Showroom fit for children and teens

The task of educating and training children and teenagers on taste proved to be one of the most important moments of *Terra Madre - Salone del Gusto 2016*. Lavazza in fact, introduced two new interactive workshops on coffee for youths under-18. The first, entitled "Travelling with coffee" and intended for primary school children, described the product's path from the plant to the coffee cup, explaining the stages of coffee cultivation and processing in an interactive and engrossing way. The second workshop, dedicated to teenagers, was organised in collaboration with Novamont, Lavazza partner in developing the compostable capsule. The workshop had the aim of raising awareness among teenagers on the importance of separate waste disposal, inviting them to describe both the raw materials used to produce the compostable capsule and the composting process that the capsule undergoes after its consumption. The workshop also highlighted the experimental project on the recycling of used

coffee grounds to grow edible mushrooms<sup>7</sup> launched in 2015 by Lavazza and Novamont in partnership with AMSA (a waste management company for the city of Milan) and with the social co-op *Il Giardinone*.

<sup>7</sup> For more details on the project, please refer to Lavazza's 2015 Sustainability Report.



# Community Engagement: Lavazza's commitment to the Territory

[G4-S01]

Lavazza's **Community Engagement** unfolds in a series of activities deeply rooted in the territory and that embody the Company's DNA. It is for this reason that, through supporting cooperative relations, the Company's Community Engagement programme aims to improve the social, cultural and environmental context of local communities.

The next steps that Lavazza will undertake will implement further interventions of strategic philanthropy, as well as foster close ties with the local communities in which Lavazza is present, with both its Headquarters and manufacturing plants. Community Engagement initiatives follow well-defined criteria: **the type of recipients** (associations, NGOs, universities, hospitals, etc.), chosen in agreement with the relevant institutional stakeholders (Cities, Districts); **the type of support provided** (economic support, sponsorships, product donations); **the "local" ownership of the initiative and its development; coordination and integration** with similar initiatives already supported by the Company.

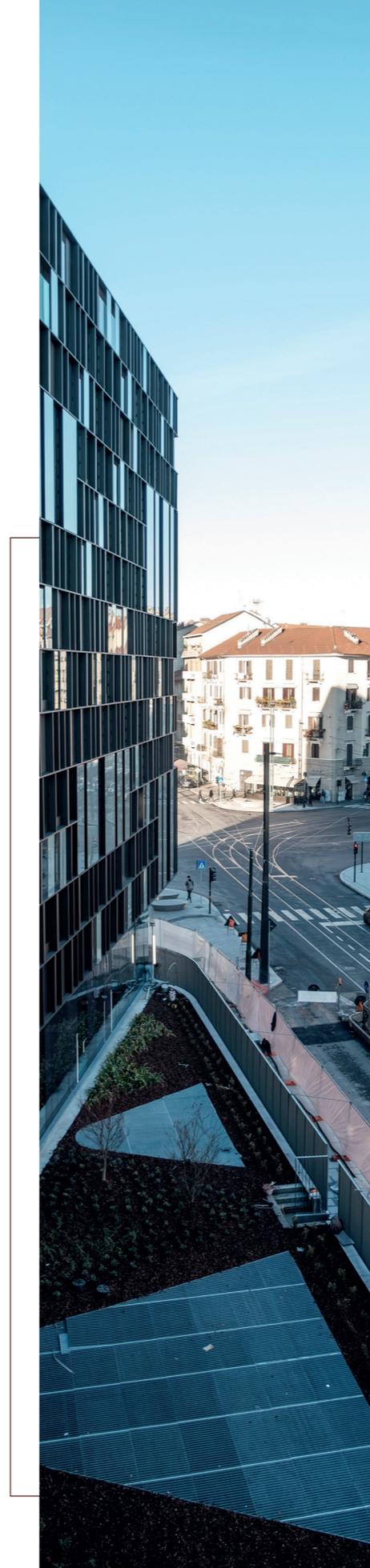
The activities carried out in 2016 are several:

- Support for social projects such as **Gruppo Noi** which, by involving over **80 schools** of the Piedmont region, aims to create a network of schools, law enforcement agencies, mediation centres and psychologists to **fight bullying**.
- Support to the **Earthink Festival**, the international theatre and music festival dedicated to sustainability and aiming at raising awareness on respect for environmental resources and on energy and food waste.
- Support for the project **I Luoghi del Bello (the Places of Beauty)** involving different age groups within the communities of the district on issues like education and care for the urban décor.

In 2017, Lavazza will further develop the projects already in progress and will establish new partnerships that aimed at studying, implementing and supporting new ideas.

**StripOut** is one of them: at the time of the Company's relocation to its new

Headquarters Nuvola, part of the furnishings of the former offices was made available to employees at a discounted price, donating the proceeds to charity. In parallel, Lavazza organised the relocation of the disused office furniture free of charge and under the banner of sustainability and recycling, as a way to assist the associations, schools and hospitals in the territory.



## Lavazza and "I Luoghi del Bello"

Alongside the urban changes introduced by the new *Nuvola* headquarters, Lavazza pursues actions and organises cultural events dedicated to and directly involving the inhabitants of the Aurora district. The project *I Luoghi del Bello*, whose goal is to redevelop the neighbourhood and encourage a permanent culture of care for the urban décor, is consistent with the above-mentioned actions and events.

The project is sponsored by District 7 of the City of Turin in partnership with the associations *ASAI*, *CleanUp*, *Tèkhné* and *Torino Spazio Pubblico*, all of which are specialised in the field of teaching, education and urban regeneration.

The project has been broken down into several stages.

The first involved children in the neighbourhood schools: after identifying with them the places at risk of degradation, actions to recover the urban green were planned. The same children trained by experts then helped out cleaning

and planting flower beds with natural micro-systems which, thanks to particular botanical species, will foster the settlement and reproduction of butterflies. The project then involved the elderly population of the District, who prior to engaging in the maintenance of the urban green and décor told the children of their experience, how they settled in the neighbourhood and the bond they share with it.



## 1.2. Corporate values as a way to add value to our business

[G4-56; G4-EN32; G4-LA14; G4-HR1; G4-HR10]

For over 120 years, the Lavazza Group **business model** has been driven by a synergy between its values and financial viability. This is showed also by Lavazza efforts in pursuing Sustainability. The investments made by Lavazza in the three-year period 2014-2016 in this area<sup>8</sup> amounted to **Euro 17.7 million**, with an annual average of **Euro 5.9 million**. The Lavazza Group also shared its values – passion for excellence, teamwork, consistency, transparency, integrity and vision – with its internal and external stakeholders and formally detailed them in the Code of Ethics, which is published on the Intranet and on the corporate website ([http://www.lavazza.it/it/mondo\\_lavazza/ethics.html](http://www.lavazza.it/it/mondo_lavazza/ethics.html)).

The **Code of Ethics** also forms an integral part of the Code of Conduct for Employees and of all contracts with suppliers. A Code of Conduct for Suppliers<sup>9</sup> is also distributed and it pinpoints the values that should guide mutual relations between them and Lavazza.

For a description of how the Supplier Code of Conduct has evolved over the years, please see Chapter 6 on the Lavazza Group's goals when it comes to Sustainability.

<sup>8</sup> Lavazza's financial commitment to Sustainability refers to expenditure incurred in the following areas: CSR, membership fee dues to the Institute for Scientific Information on Coffee (ISIC), consumer health and safety, responsible management of the supply chain, Fondazione Lavazza, donations, environmental costs, sustainable coffee pod redesign, packaging, environmental sustainability projects and eco-design.

<sup>9</sup> Lavazza's Code of Ethics and the Supplier Code of Conduct have been drawn up with reference to:

- International Labour Standards (ILO) <http://www.ilo.org/global/topics/lang--en/index.htm>
- UDHR (Universal Declaration of Human Rights) <http://www.un.org/en/documents/udhr/index.shtml>

Over the three-year period, all suppliers have endorsed the Supplier Code of Conduct when agreeing to the terms & conditions of purchase and/or conclusion of contracts/purchase orders and/or by registering on Lavazza's online supplier platform.

# Lavazza Corporate Governance

[G4-7; G4-34]

## Board of Directors

### President

Alberto Lavazza



### Vice-chairmen

Giuseppe e Marco Lavazza



### Chief Executive Officer

Antonio Baravalle



### Directors

Antonella Lavazza  
Francesca Lavazza  
Manuela Lavazza  
Pietro Baroli

Gabriele Galateri di Genola  
Robert Kunze-Concewitz  
Antonio Marcegaglia



## Supervisory Board



## Board of Auditors

Gianluca Ferrero  
Angelo Gilardi  
Lucio Paquini

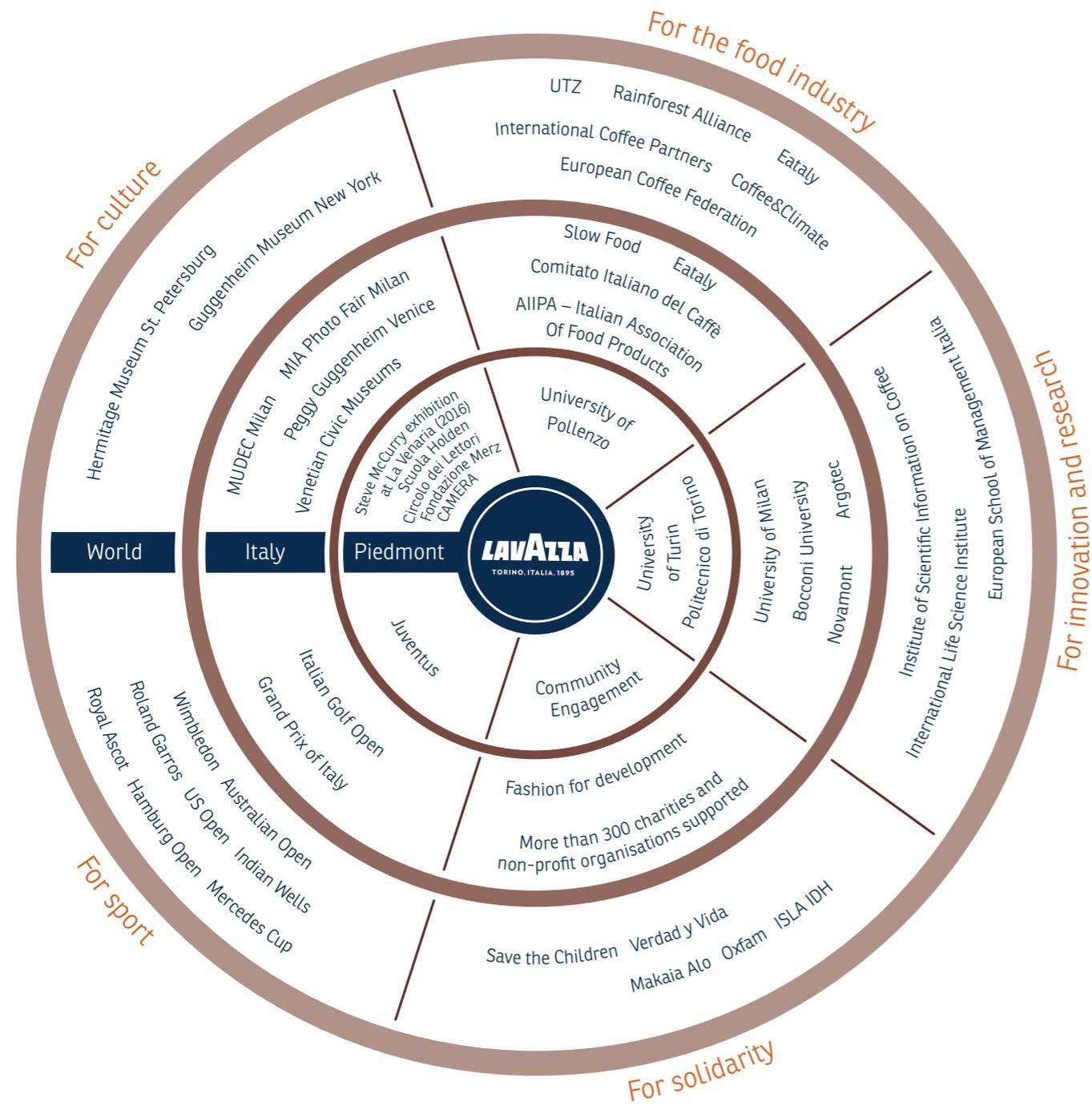


## Internal Audit



# Lavazza's main partnerships

[G4-16]





### 1.3 Sustainability as an opportunity to create value

Sustainability as an opportunity to create value: it is this change of perspective that the whole production chain is called on to assimilate.

In order for the Company and its stakeholders to benefit from the results obtained in a sustainable context and for them to be interested in planning future investments, it is necessary that the financial commitments as well as product and process innovation generate resources allowing Lavazza to self-fund its business.

Part of the margins generated must be reinvested in the processes. This ensures that the economic result can be reproduced in the short term while also being sustainable over the long term.



The search for efficient and sustainable processes as a means of reducing environmental impact has been one of the cornerstones of Lavazza's action plan in 2016, generating cost savings equivalent to 3.1% of the total industrial 2015 production costs. The progressive improvement of process' quality can be ensured through efficient minimising of energy and raw materials consumption as well as through waste and process scraps reduction.

# Lavazza Group financial-economic trend

[G4-9; G4-22; G4-EC1]

During 2016, the Group continued to pursue its strategic expansion plan, which focused on specific markets and geographical areas, while at the same boosting the Group's growth through the acquisition of "Carte Noire" (the market leader in France) for a total price of Euro 713 million.

Revenues amount to **Euro 1,895.7 million**, up by 28.8% compared to 2015. The increase in revenues is largely due to the sales made by "Carte Noire", the business branch purchased in late February 2016, and those made by "Merrild", another business branch purchased in late September 2015.

The share of revenues from foreign markets increased from 52.8% in 2015 to 60.3% in 2016, thanks also to the added business of "Carte Noire" and confirms the Group's gradual internationalisation process.

The EBIT went up from Euro 46.0 million in 2015 to Euro 61.7 million in 2016, while the percentage impact of revenues

remained stable, going up from 3.2% in 2015 to 3.3% in 2016.

EBITDA also remains stable thanks to the contribution of the cost of sales, offset by increased costs for services (advertising and communication costs in particular).

The operating profit amounted to Euro 82.2 million, down by Euro 719.9 million compared to the 802.1 million generated in the previous year. The difference between the result in 2015 and 2016 is primarily due to the financial income Lavazza generated in 2015 from the sale of its stake in the company Keurig Green Mountain Inc.

In 2016, the Company made important net investments, which amounted to Euro 101.8 million.

Industrial investments in the Italian manufacturing plants are broadly in line with the previous year. Their purpose was to extend the product range and increase production capacity, thus reaffirming the vital importance of Lavazza's presence in the territory.

The Group retains a solid financial balance with a positive net financial position at the end of 2016 of Euro 687.5 million (down by Euro 663.5 compared to the previous year) that is chiefly due to the aforementioned acquisition of "Carte Noire".

	2016	Incidences %	2015 (*)	Incidences %	2014 (*)	Incidences %
Sales revenues	1.895,70	100,00%	1.471,40	100,0%	1.344,10	100%
EBITDA	178,5	9,40%	128,9	8,80%	246,3	18,32%
EBIT	61,7	3,30%	46	3,20%	176,9	13,16%
Profit before taxes	62,1	3,30%	873,2	59,40%	195,2	14,52%
<b>Operating profit</b>	<b>82,2</b>	<b>4,30%</b>	<b>802,1</b>	<b>54,60%</b>	<b>126,7</b>	<b>9,43%</b>
Net current assets	406,8		375,5		274,4	
Net fixed assets	1.053,90		363,7		684,40	
<b>Total investments</b>	<b>1.460,70</b>		<b>739,2</b>		<b>958,80</b>	
Net financial position	-687,5		-1.351,10		-340,5	
Shareholders' equity	2.148,20		2.090,30		1.299,30	
<b>Total Sources</b>	<b>1.460,70</b>		<b>739,2</b>		<b>958,80</b>	
Net investments	101,8		63		80,2	
<b>Workforce</b>	<b>2.829</b>		<b>2.598</b>		<b>2.526</b>	
ROS	3,40%		3,30%		13,32%	
ROI	4,40%		6,80%		30,32%	
<b>ROE</b>	<b>3,80%</b>		<b>38,40%</b>		<b>9,75%</b>	

Values expressed in million of euros – SOURCE: Lavazza Group consolidated financial statements on 31 December 2016

(\*) The figures for 2014 and 2015 are different than those reported in the Sustainability Report 2016, as they were reclassified because of the introduction of new accounting standards. The reclassification involved the extraordinary component of the income statement and the "Treasury shares".

	2016	2015 (*)	2014 (*)
<b>Direct economic value generated</b>	€ 1.922.563	€ 2.317.092	€ 1.369.963
a) Revenues	€ 1.922.563	€ 2.317.092	€ 1.369.963
<b>Distributed economic value</b>	€ 1.763.837	€ 1.464.894	€ 1.193.732
b) Operating expenses	€ 1.518.254	€ 1.181.094	€ 944.478
c) Salaries and benefits	€ 206.158	€ 167.694	€ 153.826
d) Payments to lenders	€ 30.984	€ 25.862	€ 14.245
e) Payments to Public Administration	-€ 10.392	€ 77.654	€ 70.124
f) Investments in the community	€ 2.870	€ 3.075	€ 2.566
g) Other expenses	€ 15.963	€ 9.515	€ 8.493
<b>Retained economic value</b>	€ 158.726	€ 852.198	€ 176.231

Values expressed in thousand of euros

In the years 2016-2015-2014, the Lavazza Group was able to generate positive economic value thanks to its increasingly internationalised business and its ability to innovate.

The **"Direct economic value generated"** also includes dividends received and non-recurring income and expenses besides revenues from sales. In 2015, these concerned the aforementioned capital gain on the sale of the shares of Keurig Green Mountain Inc. for an amount of about Euro 822.8 million. In 2014, instead, they are linked to extraordinary income generated by changes in the criteria for evaluating inventories (shift from LIFO to weighted average cost) and are worth an approximate Euro 37.6 million.

The **"Distributed economic value"** paid out to stakeholders increased considerably in the three-year period.

More specifically:

- operating costs include the cost of raw coffee, which is often liable to significant fluctuations in its purchase price. In order to mitigate the effects of such

fluctuations, the Lavazza Group relies on hedging operations to stabilise its financial performance for the benefit of the entire chain of stakeholders. The increase in operating costs in 2016 when compared to 2015 is mainly influenced by the increase in turnover as a result of the acquisition of the "Carte Noire" business branch and the higher investment in advertising and communication.

- Payments to lenders refer to dividends paid-out to shareholders, as the Group funds its business almost entirely with its own capital.
- Payments to the Public Administration, instead, largely refer to current taxes on income.

The **"Economic value retained"** represents the difference between the Economic value generated and the Distributed economic value, and has decreased due to the capital gain in 2015 from the sale of the shares of Keurig Green Mountain Inc.

(\*) The figures for 2015 and 2014 are different than those reported in the Sustainability Report 2016 because, as mentioned previously, the values were reclassified based on the new accounting standards.



## 2. The Lavazza Foundation

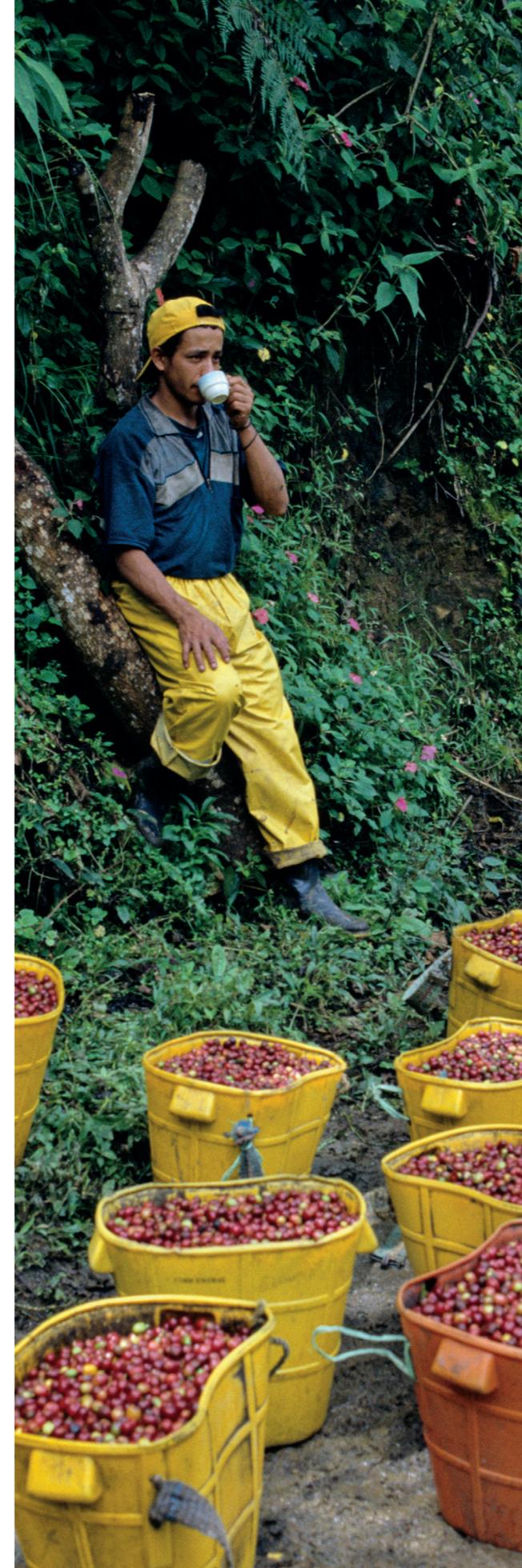
Sustainable  
development projects  
in coffee-producing  
countries



# Relevant aspects



Projects designed for producers

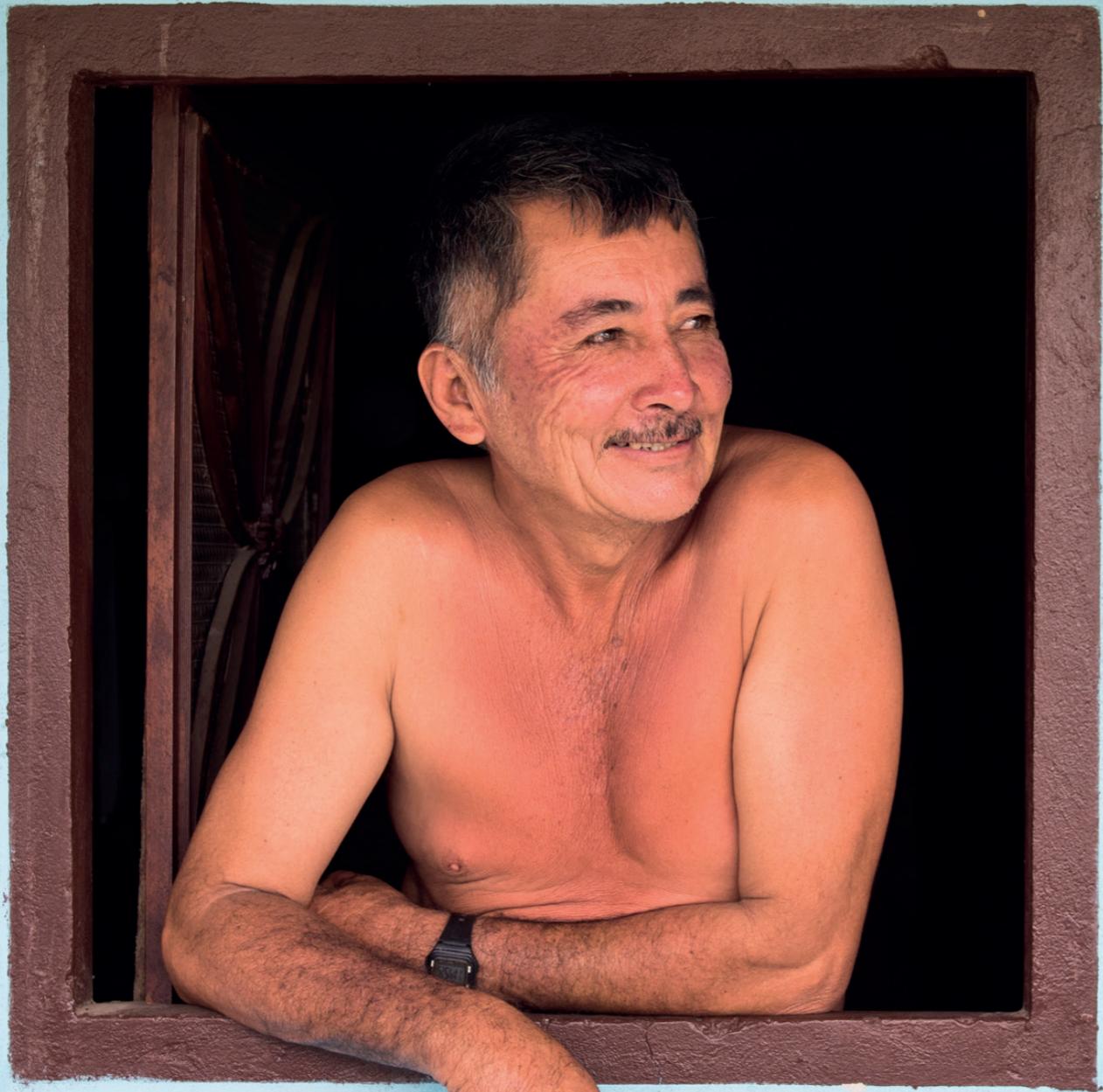


## 2.1 Fondazione Giuseppe e Pericle Lavazza ONLUS

To describe this chapter in Lavazza's history, we need to go back to 2002, when our attention and commitment to coffee-producing countries led to the very first sustainability project: ¡Tierra! The project was conceived with the goal of promoting good agricultural practices, protecting the environment and supporting the economic and social development of coffee-producing communities.

¡Tierra!'s first beneficiaries were the small communities of *caficultores* of Peru, Honduras and Colombia. In the years that follow, the project is extended to other coffee-producing communities in India, Brazil, Tanzania, Ethiopia and Viet Nam. To efficiently coordinate, supervise and develop the economic, social and environmental sustainability projects in coffee-producing countries, in 2004, the Company establishes **Fondazione Giuseppe e Pericle Lavazza Onlus** which, since then, has been promoting and funding (both independently and through public and private partnerships) several sustainability projects in the countries of origin of the product.

The Foundation consists of five members, including two members of the Lavazza family and Professors Giovanni Zanetti, President of the Foundation, Arnaldo Bagnasco and Giacomo Büchi. The Secretary of the Foundation is Mario Cerutti, Chief Sustainability Officer of Lavazza.



## 2.2 Project goals supported by the Foundation

The goal of the projects supported by the Foundation is first to improve the **productivity and quality of coffee cultivation** and at the same time promote entrepreneurship and the independence of **producers**.

The main tools used to achieve these goals are the **promotion of good agricultural practices** and the **support** provided to producers to enable them to form and manage **their own organisations**, such as associations, cooperatives or companies.

Forming associations, in fact, enables them to access wider markets, benefit of useful services for improving production and facilitates access to credit and group marketing methods.

In addition, Fondazione Lavazza projects aim to:

- Promote **gender balance** within households and communities.
- **Encourage the work of the younger generations** through training programmes and by providing support, so as to motivate them not to abandon the coffee plantations.
- **Support young people** in their native lands to allow them to develop their own business ventures in the coffee industry;
- **Promote access to food resources and diversification of production** (*food security*).
- Support **reforestation**.
- Foster coffee-growing methods that minimise the **environmental impact** caused by the production of coffee.

The hallmark of the Foundation's projects is that they are **implemented locally**, which guarantees the authentic **ownership of the projects** by coffee-producing communities.



## 2.3 Teamwork to achieve shared development

Since 2001, Lavazza has been an active member of the **International Coffee Partners (ICP)**, an organisation that includes seven European coffee companies that are actively engaged in sustainability projects in coffee-producing countries: Franck, Joh. Johansson Kaffe AS, Lavazza, AB Anders Löfberg, Neumann Kaffee Gruppe, Paulig Group and Tchibo.

Its mission is to develop, support and monitor the best agricultural practices of small coffee producers internationally, by applying a “help for self-help” approach.

That is why producers are directly involved in all ICP projects, thereby becoming key contributors to the improvement of their working and living conditions.

ICP projects follow a PPP (Public-Private Partnership) logic, which means international organisations, NGOs, national institutions and private actors are all involved.

An approach shared by Fondazione Lavazza, which for many years now has witnessed first-hand how close-knit strategic partnerships, whether public or private, from a pre-competitive viewpoint allow partners to maximise the results of a project when its goal is to achieve development.

In fact, when everyone works together to pursue the economic, social and environmental sustainability of coffee production, combining skills, resources and expertise, the whole industry benefits from the teamwork.

Moreover, the synergy creates a **leverage effect**, promoting **great impact and scalable results**.

From 2001 to date, ICP projects have involved **43,000 families** in **12 countries** around the world.

## 2.4 Challenges of coffee production

Coffee production faces many challenges.

Among these, the main ones are definitely tied to **climate change**, which has a strong impact on the quality and availability of the product.

Since 2010, Lavazza is a founding member of **Coffee&Climate**, an initiative that aims to **provide coffee producers the technical tools necessary** to respond to climate change effectively.

In 2015, the first phase of the initiative ended with the development of **four test projects** in Central America, Africa and Asia. About **4,000** producers involved have benefited from the technical and scientific support necessary to increase the **resilience** of their production systems to climate change.

In addition, to disseminate this know-how and make it available, Coffee&Climate has developed a **technical manual** in several languages, which is available online.

The **second phase of intervention (2015-2018)** plans to expand the number of projects to involve up to **70,000 producers**.

[www.coffeeandclimate.org](http://www.coffeeandclimate.org)

## Fondazione Lavazza - Partnerships

### DIRECTLY DEVELOPED PROJECTS



Brazil, Ethiopia, Tanzania, India

### PRE-COMPETITIVE PARTNERSHIP PROJECTS



Trifinio area, Brazil, Peru, Tanzania, Uganda, Indonesia

**coffee & climate**

Trifinio area, Brazil, Tanzania, Viet Nam

### PROJECTS DEVELOPED IN PARTNERSHIP WITH SUPPLIERS



Viet Nam



Colombia

### PROJECTS DEVELOPED IN PARTNERSHIP WITH NGOS



India



Guatemala



Dominican Republic, Haiti



Colombia



## 2.5 Results achieved in 2016

[G4-S01]



# Highlights in 2016

*Improve resilience of coffee production to climate change. (Viet Nam)*

## THE CHALLENGE

In Viet Nam, coffee is mainly produced in the sun. Sudden climate change, rainfall out of season and periods of prolonged drought are a problem and pose a challenge in terms of production. To mitigate the effects of climate change in Viet Nam, Lavazza in 2016 committed to a three-year project to provide technical support to small coffee producers, along with Olam and ISLA (Initiative for Sustainable Landscapes).

## THE SOLUTION

Using the method of **Farmer Field Schools**, the project will provide technical assistance and training to small Vietnamese coffee producers. Tests will be performed on soil characteristics and the best quality of fertilisers will be identified for use in production. Innovative irrigation systems will go hand-in-hand with growing shade trees suitable to protect the coffee from excessive sun exposure or sudden rain. The project beneficiaries will update the Farmer Field Books daily, so as to keep track of the activities and monitor the effects of climate change on each farm, as well as their respective investments.

## THE GOALS

- Improve the efficiency of the irrigation systems
- Quantify and reduce the carbon footprint associated with the production of coffee
- Develop effective systems of adaptation to climate change

## BENEFICIARIES

1,245 coffee producers in the Vietnamese province of Dak Lak



## Technology Transformation. Improving the quality of life for coffee producers. (Colombia)

### THE CHALLENGE

In 2015, Fondazione Lavazza and Carcafé worked on a joint project to support and improve the productivity and quality of coffee grown by communities of small producers in the Department of Meta, Colombia.

The Rainforest Alliance certified the producers of the communities involved in the Lavazza Carcafé project in 2016<sup>10</sup>. The Lavazza Carcafé project fits into the land restitution programme that the Colombian State is carrying on to return lands to the peasants of Meta, in a historically difficult part of the country that has been ravaged by internal conflicts and the forced displacement that occurred in the past.

In 2016, Fondazione Lavazza also decided to develop a **project in this area that combines agriculture with technology**, in collaboration with the organisation ALO&Partners and the NGO MAKAIÁ. The technology used, in fact, represents a great opportunity for coffee producers, because it can support activities related to production and contribute to the improvement of living conditions. Making sure farming communities have access to the technology is also one of the strategic goals of the Colombian Government, whose President Juan Manuel Santos was awarded with the Nobel Peace Prize in 2016.

### THE SOLUTION

In 2016, assessments and field research were conducted in the villages of Mesetas, Lejanias and San Juan de Arama, areas already involved in the Lavazza Carcafé project. These areas have no access to the Internet and have low mobile device connectivity.

In 2017, the project will start working on improving connectivity by applying TV White Space technology, which will allow access to the network even in remote mountain areas.

The project involves the collaboration of different public and private actors: Carcafé, NGO Makaia, the organisation ALO&Partners, Microsoft Colombia and Colombian institutions.

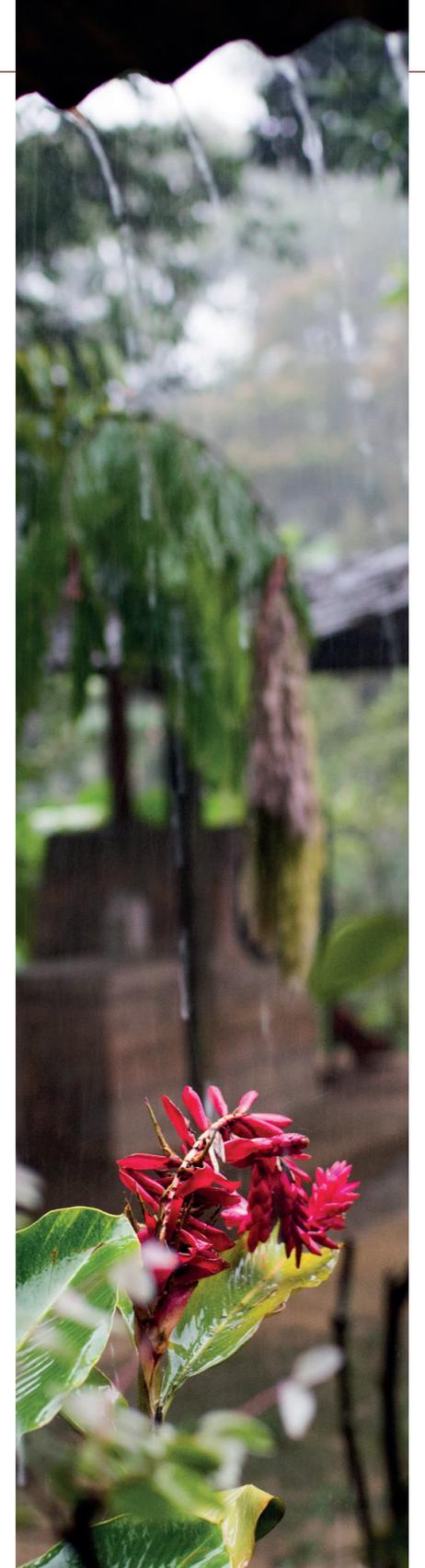
### THE GOALS

The goal is to enable small coffee producers to access the technology, so as to improve the quality and productivity of crops.

Providing network access in remote coffee production areas will, in fact, allow for closer relations between the communities and promote data collection, analysis, prevention and the management of factors that affect agricultural production, such as climate change.

### BENEFICIARIES

The communities that will benefit from the project are the caficultores of the villages of Mesetas, Lejanias and San Juan de Arama, which are already involved in the Lavazza Carcafé project.



<sup>10</sup> For further details please refer to Lavazza Sustainability Report 2015.

*Verdad y Vida.  
Coffee for life.  
(Guatemala)*

**THE CHALLENGE**

San Lucas Chiacal in Alta Verapaz in Guatemala is a small community of 130 families, mostly women who work on the farms or as carpenters. In the past, most of the ethnic population of the Maya Pop'omchì was involved in an internal conflict, which caused numerous deaths and the destruction of their lands. Now this community, which grows high-quality coffee, is in need of technical support, training and assistance to enable it to market effectively the product.

**THE SOLUTION**

Fondazione Lavazza, in collaboration with the association Verdad y Vida, supports a group of 20 Maya Pop'omchi women, who have developed a project for the production and marketing of coffee grown in the community of San Lucas Chiacal.

**THE GOALS**

- Training on good agricultural practices and marketing strategies
- Organisational and managerial support to strengthen the Association
- Support in the establishment of local and regional alliances with like-minded organisations

**BENEFICIARIES**

Families of the San Lucas Chiacal community



### 3. Quality of the product and manufacturing process

A passion  
for excellence



LAVAZZA

# Relevant aspects



Relationships with suppliers and partners



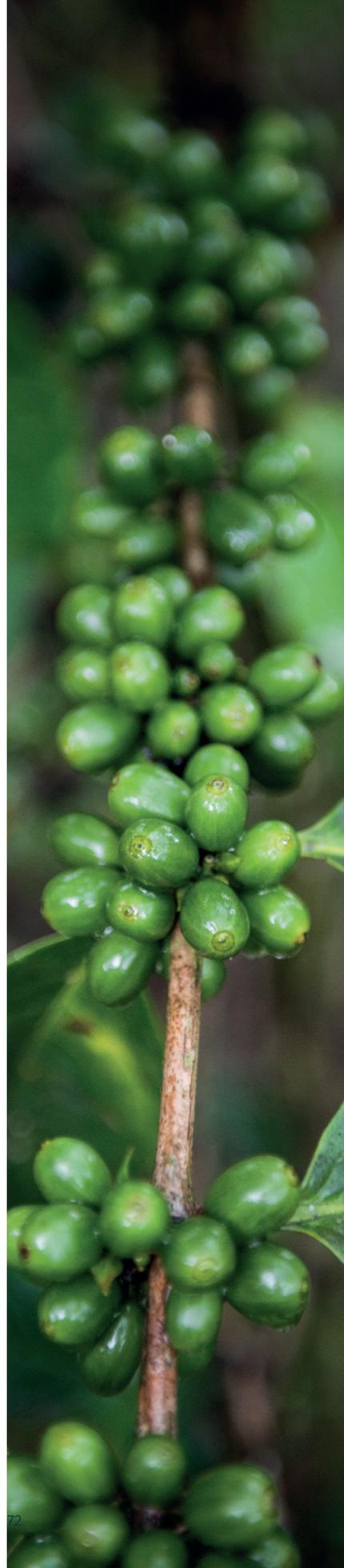
Quality and consumer satisfaction



Passion, commitment, dedication and mutual trust are the foundations that have always characterised the relationship between Lavazza and its stakeholders.

Consumers and clients who recognise the brand as being synonymous with competence, both in terms of technology related to the production of coffee and as an absolute guarantee when it comes to food safety and consistently high-quality standards.

Moreover, it is precisely thanks to the excellence, reputation and attention to their needs that Lavazza has affirmed its leadership in Italy and in the world, in exchange reaping an ever-greater customer loyalty.



### 3.1. The approach to product quality and the manufacturing process

The quality of a business' organisational and manufacturing processes is the condition that guarantees excellence in coffee production at all times. Since 2012, Lavazza has set-up a process for the widespread dissemination of a **Culture of quality** to ensure the utmost safety for its customers and the constant improvement of its products and processes. This process has included important steps such as:

- The establishment in 2013 of the **Corporate Quality Management**.
- Changes in 2014 to the **Quality and Food Safety Policy**.
- The new edition of **Good Manufacturing Practices** and the pursuit of uniform procedures to handle product claims.
- Issuing the **Lavazza Supplier Standard Requirements**, in which Lavazza provides a detailed description of the standards it expects its suppliers to uphold. This applies both to food products and materials and items that

come into contact with food (packaging and advertising material);

- A new **Protocol** to conduct **Audits** at the premises of our suppliers and our internal logistics and production facilities: specific checklists were defined and a rating system was established, with a shared and unified reporting format;
- Review of the **Food Products Development Practices and Appliance Development**.

In 2016, Lavazza has continued its work towards ensuring the product's quality and food safety.

The first model to test the centralised process control system and to monitor data from the lines was launched on the new Nespresso® Compatible capsules.

In addition, Lavazza introduced the new **Corporate Quality & Food Safety-Documents Repository**, the platform to share all the materials and documents within



the Company regarding Food Quality and Safety.

In 2016, the Company further extended its portfolio of available Certifications, implementing the Quality & Food Safety Certification Framework, which enables it to respond effectively to the needs of markets and customers.

Some of the achievements include:

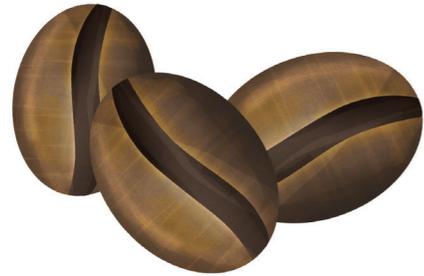
- Lavazza having obtained **FSSC22000 Certification** for its manufacturing plants in Turin, Gattinara and Lavérune (together with the Indian manufacturing plant of Sri City, already obtained in 2015). Now all Lavazza roasted-coffee production sites feature the main system for the assurance of Food Safety of their production processes.
- Lavazza having obtained **HACCP certification according to Codex** for the manufacturing plant in Pozzilli, dedicated to the decaffeination process with CO<sub>2</sub>.
- Lavazza having started a process to

innovate the Quality System according to the new criteria defined by **ISO 9001 in the 2015 Review**. The policy, already in use at the site in Sri City, will be applied to other production sites in 2017.

- The Company renewing and retaining its extensive portfolio of System and Product certifications (see paragraph 3.1.3 *Certifications*).
- Thanks to the new **System for Collecting and Handling Customer Claims**, Lavazza has prepared a new reporting system ensuring an overall but detailed overview of all claims filed.

### 3.1.1. Quality of the raw material

Lavazza coffee owes its excellence to its complex **Quality System**, which starts with a careful selection of the raw material and ends with the coffee's final tasting by a panel of Lavazza experts.



### Coffee purchasing system

Thanks to an organised system for coffee purchasing<sup>11</sup>, Lavazza ensures better quality of the product and consistent organoleptic properties over time, and by doing so, it guarantees a consistent taste which produces “excellence” and amplifies the positive reputation of the Brand.

Lavazza, when buying green coffee, applies even stricter parameters than those required by official laws and regulations.

The **verification activities on the field** and the **verification and validation procedures** that follow, in fact, are **carried out on 100% of consignments of purchased coffee**.

Lavazza buys most of its coffee volumes from exporters it has been working with for several years, whose reliability lies on quality, “country risk” analysis and financial strength.

In parallel, Lavazza conducts research and assessments on potential new suppliers in order to ensure a stable cup profile when it comes to the organoleptic properties.

<sup>11</sup> The Company purchases green coffee from producing countries and transports it by sea. Once it arrives at Lavazza, the coffee is stored in a number of Italian warehouses and then transported to the manufacturing plants for the different processing stages.

The other raw materials come from different suppliers, which are largely Italian and French. The finished product is manufactured in three manufacturing plants located in Settimo Torinese, Gattinara and Lavérune. The other products sold by Lavazza have various origins. Distribution is organised through 3 major logistics centres in Italy and a central warehouse for each subsidiary. All transfers between these warehouses are performed with saturated media and relying on intermodal transport whenever possible. Secondary distribution is entrusted to specialised logistics operators. [G4-12]



# Coffee varieties

*Coffea*, or coffee tree, belongs to the *Rubiaceae* family, which includes plants like *Gardenia* and *China*.

There are about 90 species of *Coffea*, two of which are grown for consumption: *Coffea Arabica* and *Coffea Canephora* (*Robusta*).

## Coffea Arabica

*Coffea Arabica* accounts for about 58% of the world's coffee production and is the species from which everything is born.

Native to Ethiopia, it currently comes in many varieties (*Bourbon*, *Caturra*, *Catuai*, *Catimorra*, *Mundonovo*, etc.) and is characterised by long and flat grains that are blue-green in colour.

The countries where Arabica is cultivated are mainly those of South and Central America, but, at the same time, some African and Asian countries produce an excellent quality of the variety.

Temperate climates and soils, including volcanic soils that are rich in minerals, are the places where this variety grows most luxuriantly, while the height of the cultivation of Arabica can vary from 600 up to more than 2000 metres.

Full-bodied, sweet and with a rich aroma and a slightly sour taste: these are the organoleptic properties of Arabica coffee after roasting.

Average caffeine content in this variety of green coffee is about 1.4%.

## Coffea Robusta

This variety originates in the Congo basin, but the Robusta species, as well as in Africa, Asia and Indonesia, is also cultivated in northern Brazil, at altitudes ranging from 600 meters above sea level.

Stronger than Arabica, Robusta can withstand even warm-damp climates, with temperatures exceeding 30°C.

The annual production per plant is slightly higher than that of Arabica: its grains have a round shape, are grey-green in colour and have an average caffeine content of 2.7%.

Once roasted, Robusta coffee looks full-bodied, with hints of chocolate and a lingering aftertaste.

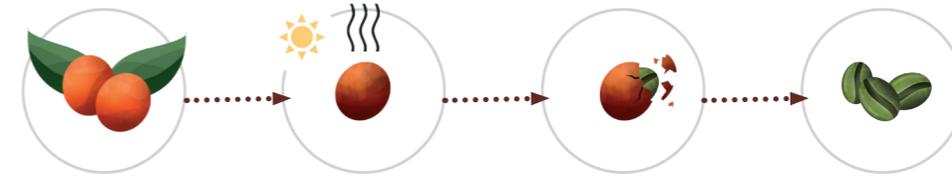
## Processing methods

Once harvested, the coffee arrives at the processing plant where it is prepared to be sold on the market.

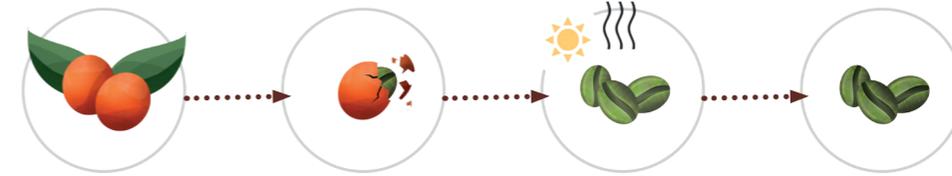
The processing methods include:

- Dry
- Semi-washed
- Moist-washed

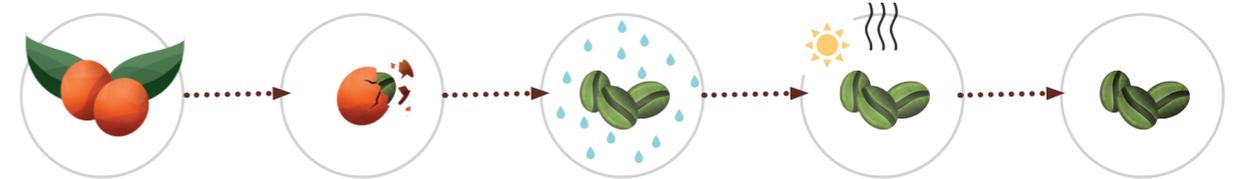
### Dry



### Semi-washed



### Moist-washed



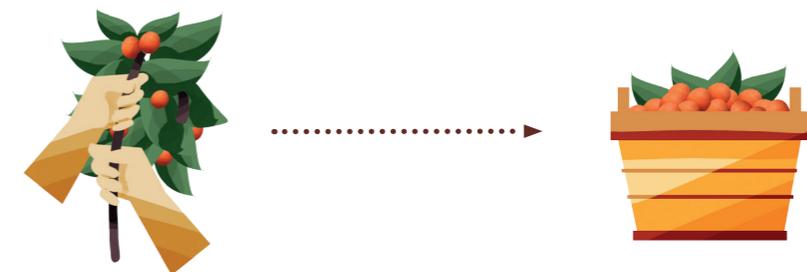
## Harvesting methods

- **Picking:** This technique of picking the coffee cherries guarantees a uniform and refined result. Harvesters pick only the ripe cherries, detaching them one by one. With the picking method, harvesters must return to the same plant several times until all the cherries have ripened.
- **Stripping:** method used in coffee-producing countries where there are vast plantations and labour has a high cost. All the cherries are harvested as soon as they are medium ripe. This method has the advantage that it is fast, but the disadvantage of having to proceed then with a careful selection. Along with the ripe beans, in fact, harvesters end up also picking immature or already fermented beans that, if not eliminated, could lower the quality of the product.

### Picking

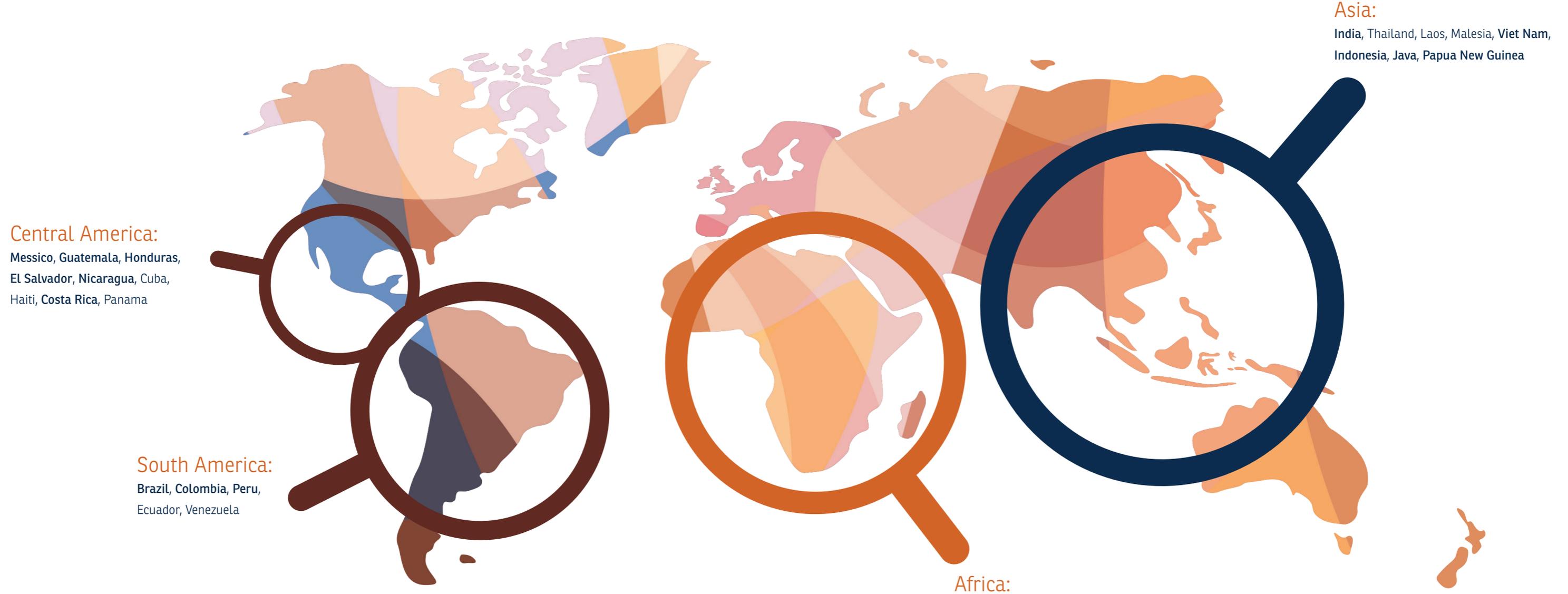


### Stripping



# Coffee producing countries

In **bold** the countries where Lavazza purchases coffee



**Central America:**  
**Messico, Guatemala, Honduras, El Salvador, Nicaragua, Cuba, Haiti, Costa Rica, Panama**

**South America:**  
**Brazil, Colombia, Peru, Ecuador, Venezuela**

**Asia:**  
**India, Thailand, Laos, Malesia, Viet Nam, Indonesia, Java, Papua New Guinea**

**Africa:**  
**Guinea, Liberia, Ivory Coast, Ghana, Togo, Nigeria, Benin, Cameroon, Central African Republic, Congo, Angola, Zimbabwe, Malawi, Madagascar, Tanzania, Kenya, Uganda, Ethiopia**

The top 4 coffee producing countries in the world are:

	Brazil	Viet Nam	Colombia	Indonesia
<b>Bags produced (60 kg)</b>	51.9 M crops 2016/2017	30.5 M crops 2015/2016	13 M crops 2015/2016	11 M crops 2015/2016
<b>Produttivity/hectare (60 Kg bags):</b>	Arabica: 22 Robusta: 33	Arabica: 24 Robusta: 43	Arabica: 14	Robusta: 8



# Coffee quality control



Lavazza checks the quality of **100% of the batches of coffee it processes**. To do so, it applies standard procedures that meet precise assessment and verification criteria by defining: the **frequency**, the **control methods** and the **analytical parameters** to be applied to samples of green coffee.

Lavazza collects the beans from customs warehouses and checks them for shape, size, colour, foreign bodies, physical and chemical properties, the presence of any chemical and biological contaminants and the cup profile. **In 2016, Lavazza conducted 9,751 analyses on green coffee<sup>12</sup>.**

<sup>12</sup>The increase in the number of analyses compared to 2015 (7,113) is largely due to coffee batches purchased for the manufacturing plant in Lavérune.



## Lavazza standards

To ensure the uniform quality of the coffee purchased, to establish a relationship of continuity and respect with suppliers and to ensure consistent quality, Lavazza has outlined a series of its own highly restrictive standards, in line with the high quality benchmark that the Company has historically set for itself. For each standard, Lavazza defines the acceptable limits according to the following parameters:

- number of product flaws
- sifter
- cup profile
- moisture
- key production area (if possible).

The standards have been applied to the following coffee-producing countries:

- Brazil
- Viet Nam
- Indonesia
- Colombia
- Honduras
- Peru
- Guatemala
- Mexico
- Costa Rica

## Lavazza's quality control system

The excellence of the final product depends on the quality of the raw material, which is why checking the quality at every stage of production (at origin, on arrival in Italy and in the manufacturing plant) is crucial for Lavazza.

Lavazza checks the product's moisture in the countries of origin, applying parameters that are by far stricter than those established by law (Italian Presidential Decree No. 470/1973) and that are outlined in the "Lavazza standards".

When green coffee arrives in Italy, it is

stored in customs warehouses that comply with Lavazza's specifications and that undergo routine audits.

In addition, for each batch of purchased coffee, Lavazza conducts physical, organoleptic and hygiene and sanitary analyses.

When coffee arrives at the Company's manufacturing plants, it undergoes another audit to measure its suitability compared to the standards.

Coffee is also cleaned a second time in order to remove any foreign bodies still present.

### QUALITY CONTROL IN THE MANUFACTURING PLANT

Process stage	Control type
Green Coffee	<ul style="list-style-type: none"> <li>• Weighing</li> <li>• Destoning</li> <li>• Removal of foreign bodies</li> <li>• Visual inspection</li> </ul>
Roasting	<ul style="list-style-type: none"> <li>• Time and temperature</li> <li>• Water quantity and quality control for quenching</li> <li>• Final colour of roasted coffee</li> </ul>
Grinding	<ul style="list-style-type: none"> <li>• Grain size</li> <li>• Density</li> <li>• Colour mixture</li> </ul>
Finished Product	<ul style="list-style-type: none"> <li>• Packaging</li> <li>• Weight check</li> <li>• Oxygen control for cans, paper coffee pods, coffee beans</li> <li>• Search for foreign bodies with X-ray scanner</li> <li>• Physical, microbiological and chemical controls</li> <li>• Panel of expert tasters</li> </ul>



### 3.1.2. Quality of the manufacturing process

**Quality**, a guiding principle for Lavazza, finds one of its highest expressions in the manufacturing processes.

For coffee roasting, which is a critical step in the production of coffee, Lavazza has developed all the best technologies that apply both the principle of **convection heating** and **thermal conduction**.

The two different heating methods enable Lavazza to obtain different organoleptic and aromatic profiles that accurately characterise each product and that ensure it meets the different needs of consumers and markets.

Over the years, Lavazza has acquired remarkable expertise in managing these types of coffee roasting machines, to the point of defining specific roasting cycles for each blend, so as to enhance their organoleptic properties.

Lavazza experts control the process and product parameters throughout production. Among these, the **blend's colour** and the **particle size of ground coffee** are certainly the most important.

Consumer food safety is thus guaranteed on all levels: even the packaging materials, in fact, are subjected to rigorous testing, especially the materials that come into direct contact with coffee. Coffee is then packaged with a **vacuum process** or in a **modified atmosphere**. This guarantees that the organoleptic properties of the product remain intact up to the moment in which the coffee is consumed in the cup.

## Certifications

Key:

- Current certifications
- Scheduled for 2017

	Settimo Torinese	Gattinara	Pozzilli
<b>Process/System certifications</b>			
 ISO 9001:2008 Quality Management System	●		●
 ISO 9001:2015 Quality Management System	●	●	●
 HACCP (Ref. Codex Alimentarius) HACCP System - International Food Standards	Included in Certification FSSC22000	Included in Certification FSSC22000	●
 FSSC 22000 Food Safety management System	●	●	To date not required
<b>Product certifications</b>			
 UTZ Product Sustainability Standard	●	●	To date not required
 Rainforest Alliance Product Sustainability Standard	●	●	●
 Confida Italian Vending Products Standard	●	●	Not applicable
 BIO European regulatory framework governing organic foods	●	●	●
 NOP US federal regulatory framework governing organic foods	●	●	●
<b>Certifications of a Religious Nature</b>			
 Kosher Jewish Religious Certification	●	●	●
 Halal Muslim Religious Certification	●	●	●

## Distribution logistics

[G4-12; G4-EN30]

In Italy, Lavazza runs its own coffee distribution network using three storage units:

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

The manufacturing plant in Gattinara does not have its own warehouse and the coffee it produces is transported to the distribution centres in Novara and Milan.

Secondary distribution is entrusted to specialised logistics operators: deliveries to Italy depart from the hub in Milan and from neighbouring deposits to bring coffee to the South of Italy and the Islands.

The network of subsidiaries can rely on a central warehouse in each country that is strategically located and linked to the volume of sales, and where the secondary distribution of coffee is handled. For large volumes of product, Lavazza organises direct deliveries from Italy to the customer of the subsidiary, not using the secondary distribution local warehouse. In this way, the Company is able to significantly shorten the delivery times, streamline logistics complexity and lower the emissions into the atmosphere.

All logistical performance data are systematically collected, analysed and monitored by Lavazza by using specific KPIs that measure the completeness and correctness of shipping orders and the quality of service for customers.



## The key importance of the consumer

[G4-PR8]

In 2016, the Company's Customer Service, which responds to customer inquiries, reported the following contacts in Italy: 372,580 inbound requests (131,931 phone calls, 123,534 emails, 9,077 chats, 108,038 other inputs<sup>13</sup>) transformed into 659,718 contacts recorded on the Customer Relationship Management (CRM) SAP tool. Of these contacts, 263,032 refer to Business to Business (B2B)<sup>14</sup> and Business to Consumer (B2C) requests.

Lavazza also relies on its Customer Service to process requests received from customers who want to withdraw their consent to the processing of their personal data (2014: 383; 2015: 1,754; 2016: 2,298).

Information requests and any claims filed by consumers and customers are also handled in a personalised manner and followed up. This is done by cataloguing the claims; problems are examined in collaboration with the Quality Department, so as to give the consumer and customer thorough answers in real time.

Claims handled in the three-year period 2014-2016 and related to products were **3,898**.

Please note that the trend is growing because of the new structure of the system for handling requests received by Customer Service, which allows Lavazza to map them more efficiently.

<sup>13</sup> Faxes, letters, events, website, SMS

<sup>14</sup> In 2016, the CRM has also been extended to B2B.

Year	Total Claim
2014	819
2015	1062
2016	2017
<b>Total</b>	<b>3898</b>





## An evolving customer service

As mentioned in the previous Sustainability Report, Lavazza had already begun a process to centrally manage requests received by **Customer Service** for the Food Service and Retail areas in 2015.

The goal was (and is) to centrally coordinate a network of Lavazza professionals, defining the guidelines and common tools that can strengthen the identity, know-how and operation of the Lavazza Customer Services worldwide.

The sub-projects include:

- Use of a **CRM tool** to map all relationships with customers and consumers and to define a set of common processes.
- Definition of a **common reporting template** that is globally comparable, in order to extract data in a uniform manner.
- Use of the **Customer Masterdata Management** to define a standard master model for the Company that is replicable in all countries, both in the B2B and B2C areas.

- Use of the **Personal Data Management** system to ensure the proper management of personal data.

All this will increase the effectiveness and efficiency of Customer Service processes internationally and will simplify the relationship between Lavazza and its consumers and customers. In short, an effective way to further enhance the customer service Lavazza already provides. The results can already be seen in Italy. Here, the process of homogenisation and centralisation is already in place and the CRM tool, which has been active since 2015 for the B2C area, is now extended also to B2B. A unique work tool, therefore, for the different corporate actors tracking all Customer Care activities, dividing them by specific areas and with the possibility of constantly monitoring them. Customer Service thus becomes the primary contact between the consumer, customer and Lavazza in Italy for sales, after-sales, logistics, technical support and quality areas.

The birth of a Customer Service across all businesses led us to streamline the activities so that we could coordinate the work of the various departments and reap greater satisfaction of the customer, consumer and the business sector at large.

The extension of the CRM to other countries where Lavazza operates started in October 2016 with the launch of the Consumer Care of Carte Noire, and is continuing in all other companies.

**Completion of the plan is expected in 2018.** The **Global CRM** came also to be a part of the **standard tool model** implemented in each new company joining the Lavazza Group.

When fully implemented, the programme will define specific indicators (service levels, response times, lead-time and processing time, etc.) to measure the effectiveness of the Customer Service as well as the efficiency perceived by consumers and customers.

## The importance of customer feedback

[G4-PR5]

Even in 2016, Lavazza conducted comprehensive market research to test the satisfaction of its customers and consumers and to identify any needs for improvement.

More specifically, the research monitoring key aspects of the relationship between consumers and the Lavazza A Modo Mio espresso machine was updated.

The Company interviewed more than 400 owners of A Modo Mio online, choosing a representative panel both by geographical area and by numbers of years that the customers have owned the machine. What emerged is a growing customer satisfaction, especially when it comes to the latest machines added to the range.

As mentioned in Sustainability Report 2015, Lavazza then included Sustainability as one of the topics of the market analysis.

In particular, research was conducted in France and in Germany to evaluate the level of knowledge of the concept of environmental Sustainability and its relevance for the population.

The analysis showed that the population (71% in **France** and 73% in **Germany**) very well knows the generic term "Sustainability".

However, when the focus switches to more specific sustainable issues, such as bio-degradability, renewable energy sources, compostability and recycling, the level of knowledge and awareness is lower.

Only a third of respondents, in fact, are familiar with these sub-categories.

At a general level, a business is viewed as being "sustainable" if it has already undertaken and publicised environmental protection actions. The common perception, in fact, is that a company is eco-sustainable when it reduces emissions of CO<sub>2</sub>, the packaging of products and when it actively recycles resources.

With reference to businesses in the coffee industry, their perceived sustainability is closely tied to their attention towards the cultivation and storage of the raw material.

Between the end of 2016 and the beginning of 2017, Lavazza has expanded its research to include the **United States**, the **United Kingdom**, **Italy** and **Australia**.



## 3.2. Responsible supply chain management

### 3.2.1. The key importance of the local market

[G4-EC9]

In spite of Lavazza's increased focus on growth and internationalisation, the Company continues to purchase most of its goods and services (apart from green coffee) from Italian suppliers, consultants and partners.

In 2016, the purchasing turnover of Luigi Lavazza S.p.A. from Italian suppliers has increased by 3.9% in absolute terms when compared to 2015. As you can see from the chart, the percentage of purchases

from Italian suppliers accounts for approximately 80% of the total purchasing turnover.

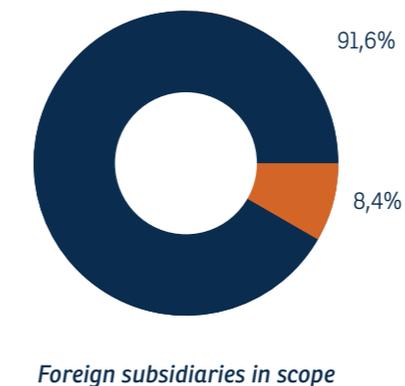
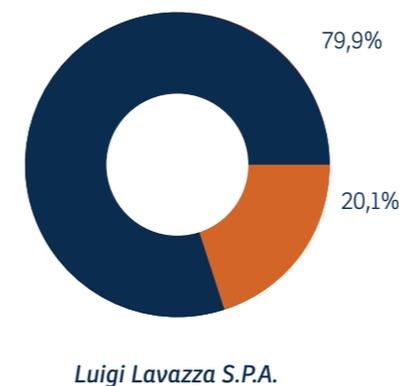
In general, veering towards a supply chain management that favours local suppliers is also confirmed by the figures reported by subsidiaries that are part of the scope of Sustainability Report 2016, for which purchases made "locally"<sup>15</sup> represent 91.6% of the total.

<sup>15</sup> Purchases were considered as being "local" (and are indicated in the charts under "domestic suppliers") when made from suppliers whose main office is in the country of the companies included in the scope of analysis.

	2014	2015	2016	
	Luigi Lavazza SpA	Luigi Lavazza SpA	Luigi Lavazza SpA	Foreign subsidiaries in scope
Domestic suppliers [M €]	€ 347,1	€ 374,8	€ 389,6	€ 39,0
International suppliers [M €]	€ 78,9	€ 79,4	€ 98,2	€ 3,6
Domestic suppliers [%] (*)	81,5%	82,5%	79,9%	91,6%
International suppliers [%] (**)	18,5%	17,5%	20,1%	8,4%

(\*) Impact (%) of purchasing turnover for purchases made from domestic suppliers in relation to the total purchasing turnover

(\*\*) Impact (%) of purchasing turnover for purchases made from international suppliers in relation to the total purchasing turnover



Purchase of goods and services turnover 2016 (except for green coffee)

■ Domestic Suppliers  
■ International Suppliers

### 3.2.2. Approach to supplier management and qualification

The reliability of the supply chain is essential both to ensure product quality and for the Company's reputation, which is why excellence for Lavazza also means responsibly managing the whole chain of suppliers and furthering relationships with local suppliers.

Lavazza's goal is to establish stable and enduring relationships and partnerships with its suppliers.

Relationships that are based on mutual trust through the transparent management and consistent communication of needs on the one hand and the selection and evaluation criteria on the other.

For this reason, in 2012 Lavazza restructured its purchasing processes, procedures and criteria applied in the qualification, assessment and monitoring of its suppliers. The Lavazza Purchasing Department has launched a number of activities to harmonise and simplify the operational tools used at a Group level.

From 2014 onwards, the Company introduced the Vendor Rating system that measures the performance of its suppliers, testing the persistence of the selection requirements and allowing for the analysis of any areas for improvement.

This is a web-based tool that aggregates the evaluations of the various Departments involved and that guarantees a qualitative feedback to suppliers about their service to the Company.

Every six months, meetings are then

organised with suppliers to share these assessments and to identify possible areas for improvement and action plans.

The Vendor Rating system is used with suppliers considered most relevant under the various categories<sup>16</sup>, according to a gradual involvement approach that will be completed in 2018.

In 2016, in order to further simplify the processes, the Purchasing Department also implemented a series of initiatives that:

- Promote a more simple and timely communication within the Company and with suppliers.
- Provide greater standardisation and automation of the activities.
- Make information readily available for monitoring purposes.

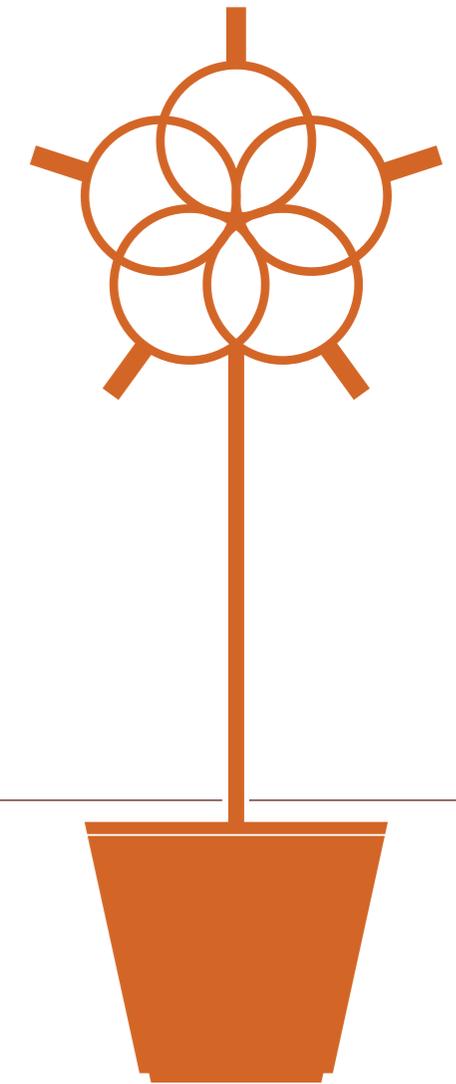
More specifically, the activities completed include:

- Online applications from suppliers, by registering with the Lavazza E-Procurement platform.
- Definition of specific bid templates for each category of purchase.
- Integration between the corporate management system and the Lavazza E-procurement online platform.

The Purchasing Department has initiated a process for the review of its internal policies to improve local purchasing processes and procedures and to standardise and harmonise the operational tools used at a Group level.

<sup>16</sup> Logistics operators, security-related supplies and production facilities (direct materials, investments and services of various kinds), finished food products, secondary services that have an impact on safety and production (testing labs, waste management, etc.)





## Involvement of suppliers in the pursuit of Sustainability and Innovation

Lavazza has begun a process to raise awareness about sustainability among its main suppliers, to encourage also a tangible commitment on their part to social and environmental issues.

Lavazza is also currently revising its **Supplier Code of Conduct** (which will be completed in 2017), task overseen by its Institutional Relations & Sustainability Department, which is coordinating and involving the various corporate departments.

In parallel, the **Institutional Relations & Sustainability Department** and the Pur-

chasing Department are working to define a supplier sustainability assessment scheme, as part of a process that will involve both the qualification and monitoring phases, and to define a set of improvement plans.

**Involving suppliers in the innovation process as conducive to the pursuit of sustainability.**

In 2016, thanks to **InnovAzione**, a programme described in Sustainability Report 2015, Lavazza won the **1<sup>st</sup> prize of the Procurement Award** in the category "Innovation in Procurement". The goal

of the programme is to encourage suppliers and partners through a system of incentives to submit technical proposals to Lavazza for reducing costs or increasing the efficiency of purchased goods and services.

# 4. Sustainability and Innovation

The driving force behind  
corporate development



# Relevant aspects



Environmental performance and carbon/water footprint



Human resources of the Lavazza Group



Relations with other Institutions and with the Territory



Sustainable innovation



## 4.1 Innovation as a daily goal

**Innovation** is the driving force in developing Lavazza's business and the key to its success. It puts value into focus and represents a goal to be pursued daily. The integration of environmental sustainability into products and processes and the ongoing diversification of the offer to long-standing and potential consumers is the pillar of Lavazza's approach to innovation.



## Patent portfolio

The purpose of product innovation is to effectively and timely respond to consumer expectations.

The context in which coffee consumption has grown significantly in recent years is multicultural and changeable, which is why the Company must be able to offer a diverse and broad range of products, so as to meet the diverse needs of consumers.

Lavazza's ability to create value for its stakeholders and for the territory through innovative processes is even more fuelled

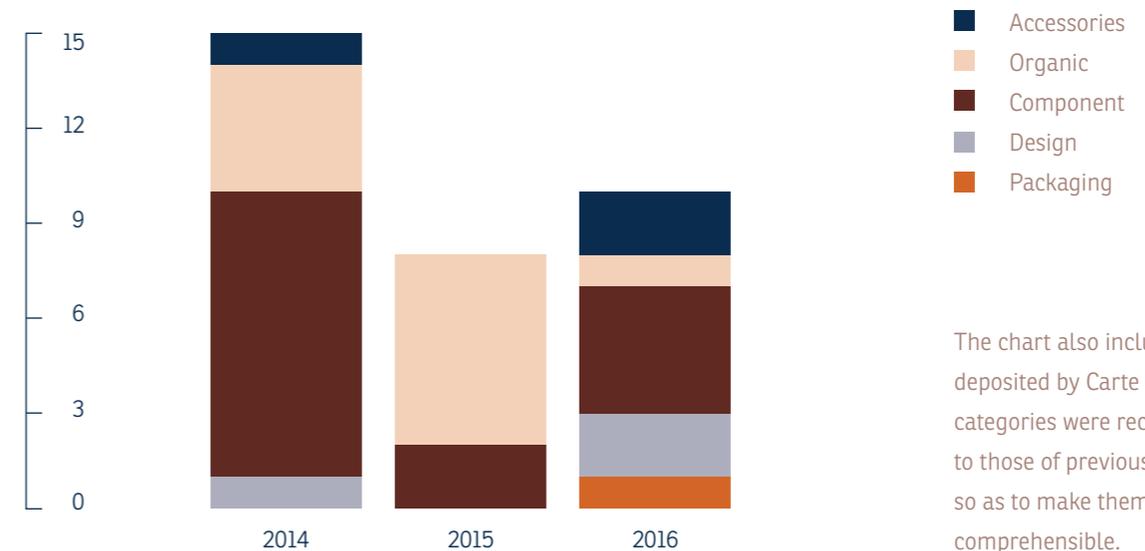
by the careful disclosure and protection of the intellectual property generated as part of the process.

Lavazza's "patent portfolio", in fact, consists of **443** titles of intellectual property protection (**345** invention patents, **95** designs and models, **3** utility models) officially recognised in Italy and abroad, and of **355** pending patent applications, including 10 new applications filed in **2016**.

# 433

*titles of intellectual property protection*

## Patents deposited in



The chart also includes the patents deposited by Carte Noire. The patent categories were reclassified compared to those of previous Reports, so as to make them more readily comprehensible.



## 4.2. Our commitment to environmental sustainability

One of the most important challenges the Company faces is global climate change.

Organisations, associations of individuals and individuals themselves have a key role in preserving the balance of the ecosystem of which they are a part of, and such balance is crucial to preserving the planet for future generations and to ensuring the welfare of the people with the resources available.

Lavazza has decided to take on this important challenge responsibly, **shaping a solid path of sustainability** that will encourage the conscious involvement of all actors in the supply chain.

The Company, thanks to the expertise it has gained over the years, has strengthened the structures involved in environmental sustainability, in order to map the impacts over the entire supply chain in a way that is comprehensive and representative.

For this reason, Lavazza has expanded the scope of analysis and intervention

and has redefined the indicators and performance parameters.

Lavazza's **approach** is based on **Life Cycle Thinking (LCT)**, which factors the different stages of the product life cycle and evaluates its key impacts from conception to design, including the assessment of processes not under the Company's direct control.

The tool used, which has obtained scientific and international recognition, is the **Life Cycle Assessment (LCA)** that assesses the environmental impacts of the different stages of the life cycle, **from purchasing of the raw material to disposal of the finished product.**

The product's and Company's LCA is a complex task that through a massive collection of data calls for thorough knowledge of all the processes involved and their environmental aspects.

To reaffirm this approach to sustainability, Lavazza collaborates closely with research Institutions and Partners, so as to share a synergetic vision over

the medium-long term.

The Company, in fact, is convinced that in order to achieve tangible results when it comes to improving environmental performance, integration with its stakeholders is essential.

For this reason, Lavazza also participates actively in major national and international fora, working to define standards for calculating the specific impacts by product category. Identifying these parameters is essential to enable businesses to compete and achieve tangible results and to act effectively in reducing the impacts involved.



### 4.3. Carbon Footprint

[G4-EN4; G4-EN15; G4-EN16; G4-EN17; G4-EN18; G4-EN19]

Lavazza systematically monitors regulatory developments on the assessment of the environmental impacts of products and organisations.

It is indeed vital that a *life cycle* approach go hand-in-hand with a common and harmonised method for calculating and reporting the Company's environmental performance.

Lavazza applies a method for analysing environmental hotspots that relies on multiple criteria, in line with the directions and guidelines of the European Commission<sup>17</sup>.

Proper identification of significant impact categories and the definition of the performance indicators involved allows the Company to more efficiently target the actions undertaken. This translates into improved environmental performance throughout the supply chain. We ought to point out that the attention to climate issues of consumers and the international community has grown significantly. In light of such growth, to communicate in this Report the way that the various stages of the supply chain contribute to environ-

mental impact, Lavazza has decided to use the **Carbon Footprint** as environmental sustainability indicator<sup>18</sup>. In order to quantify and report greenhouse gas emissions at a corporate level, therefore factoring the Company's direct and indirect emissions as a whole, Lavazza adopted standard ISO 14064:2006<sup>19</sup> and the GHG Protocol Corporate Standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). All these standards focus exclusively on greenhouse gas emissions and are based on the methods used to calculate the LCA, whose international legal reference is represented by the ISO 14040 series:

- UNI EN ISO 14040 (2006) Environmental management, Life cycle assessment, principles and reference framework.
- UNI EN ISO 14044 (2006) Life cycle assessment, Definition and guidelines.

<sup>17</sup> With reference to the PEF – Product Environmental Footprint and OEF (Organization Environmental Footprint) and Recommendation 2013/179/EC.

<sup>18</sup> Sum of greenhouse gas emissions (3.1.3.5) and removals (3.1.3.6) in a product system (3.1.4.2), expressed as 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 (definition ISO/TS 14067/2013)

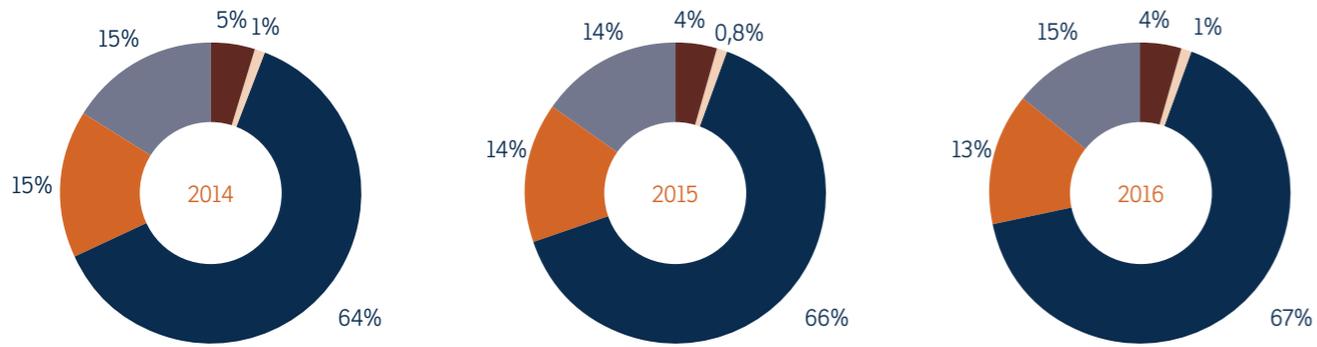
<sup>19</sup> UNI ISO 14064- 1 Part 1: Specifications and guidelines at an organisational level for the quantification and reporting of greenhouse gas emissions and their removal

<sup>20</sup> In 2016 no vehicles owned by the Company were used for handling goods within the manufacturing plants.



Scope	Emissions of GHG (Greenhouse gases)
Scope 1 Direct emissions	Direct emissions from the combustion of natural gas to generate Thermal Power used for heating and the manufacturing process
	Direct emissions from the combustion of diesel oil used to fuel vehicles owned by the Company and that are used for handling goods within the manufacturing plants <sup>20</sup> and to fuel the fleet of company cars
	Fugitive emissions related to loss of refrigerant fluids used in some equipment (heat pumps, refrigeration and air conditioning systems)
Scope 2 Indirect emissions	Emissions from electricity consumption
Scope 3 Other Indirect emissions	Emissions from the production of green coffee
	Emissions from the production and disposal of packaging raw materials
	Emissions from the consumption of water in the manufacturing plants and Headquarters
	Emissions from the treatment of production waste
	Emissions from the distribution of finished products
	Emissions from the disposal of coffee after its consumption

## Greenhouse gas emissions by Lavazza



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

The environmental impact is represented as the percentage of distribution over the entire value chain. The system borders include the Headquarters, the sales branches and the Italian manufacturing plants in Settimo Torinese, Gattinara, Verrès and Pozzilli. They include the flows of food raw materials (coffee only), raw materials, packaging materials and the distribution of finished products. The system borders instead exclude the production of food raw materials other than coffee (i.e. solubles) and the consumer phase understood as both the production of coffee machines and their operation was excluded from the system's border.

As shown by the indicators, the most relevant impacts concern green coffee cultivation and procurement, the production and disposal of packaging and the disposal of coffee after its consumption. Activities linked to the manufacturing plants and offices and for the distribution of finished products do not contribute significantly to the Organisation's total emissions. The following charts represent the trend of tonnes of equivalent CO<sub>2</sub> emissions (direct and indirect) both in absolute terms and in relation to tonnes of processed coffee.

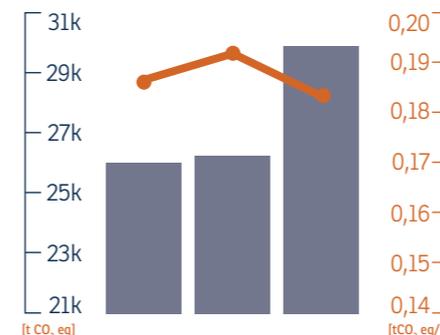
The pie chart shows the trend in the three-year period of equivalent CO<sub>2</sub> emissions calculated in accordance with the Global Warming Potential over a period of 100 years, adopted by the IPCC in 2013.

## Direct emissions

Absolute direct emissions in 2016 display a slightly growing trend. This is due to the consumption of natural gas used to generate thermal power for the production facilities and is therefore directly proportional to the quantity of coffee produced. As shown in more detail in the section on energy consumption, the upgrading of the thermal power plants of Turin and Gattinara led to a reduction in the consumption of natural gas used to heat the buildings. These energy efficiency measures, together with the winter temperatures, which in 2016 were higher than in 2015, have resulted in a decrease in the direct emissions index.

Within this framework, the contribution to the greenhouse effect linked to fugitive emissions of refrigerant gases is negligible compared with the total emissions (approximately 2% of scope 1)

### Direct Emissions Scope 1



- Total direct emissions
- Relative direct emissions

## Indirect emissions

Indirect emissions point to a substantial reduction over the three-year period 2014-2016, largely due to lower consumption of electricity generated from renewable energy sources and used in all the manufacturing plants and offices of Luigi Lavazza S.p.A.

The significant decrease in indirect emissions is due to the implementation of an improvement plan and plant engineering works carried out during the year.

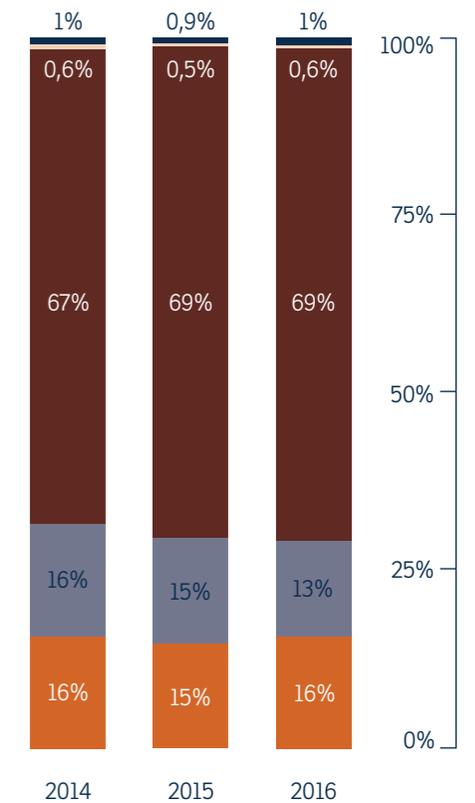
The chart shows the trends of impacts that occurred upstream and downstream of the supply chain in the three-year period.

### Indirect Emissions Scope 2



- Total indirect emissions
- Relative indirect emissions

## Other Indirect Emissions Scope 3



- Distribution of finished product
- Manufacturing plants emissions
- Green coffee
- Packaging
- Disposal of coffee after consumption



#### 4.4. Health & Safety, Energy and Environment

In 2016, as mentioned in the previous Report, Lavazza introduced an online platform for the **Health & Safety, Energy and Environment Management System** compliant with standards ISO 14001, ISO 50001 and OHSAS 18001.

The online platform:

- Enables the storage and management of all procedures, records and documents associated with the Management System;
- For each process, provides a "common" area accessible to all employees for them to consult and use the respective documents, and a "private" area with limited access, which is used by staff in charge for managing and editing documents.



#### 4.4.1 Environmental performance

[G4-EN3; G4-EN5; G4-EN6; G4-EN8; G4-EN10; G4-EN20;  
G4-EN22; G4-EN23; G4-EN24; G4-EN27; G4-EN29; G4-EN34]

The objectives of Lavazza's Environmental Management System include the continuous improvement of environmental and energy performance, which are constantly monitored according to individual factors of impact.

This section presents data and information regarding:

- Energy consumption (electricity and heat).
- Water consumption.
- Waste water volumes.
- Production waste and its management (disposal, recycling, etc.).
- Substances harmful to the stratospheric ozone.
- Spills on soil, subsoil and aquifer (if any).
- Any environmental fines (if any).



# Energy consumption

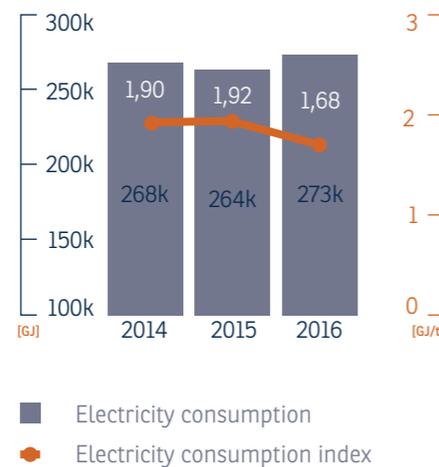
Data on energy consumption refer to the Headquarters, the Innovation Center, the Italian manufacturing plants in Turin, Gattinara, Verrès and Pozzilli, and the sales branches located throughout Italy. The data include electricity consumption, heat consumption and fuel consumption for the corporate vehicle fleet.

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

When calculating heat consumption for converting from m3 to GJ, specific Italian coefficients were used according to the criteria adopted in Sustainability Report 2015.

## Electricity consumption

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



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

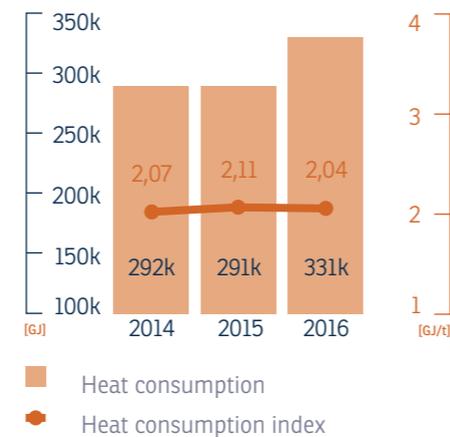
In the three-year period 2014-2016, absolute electricity consumption increased, in keeping with the trend of production which also did, while the specific electricity consumption decreased by about 12% (compared to 2015). The considerable decrease in electricity consumption

per product unit is to be attributable to the implementation of a systematic improvement plan that involved a series of plant engineering works (i.e. redevelopment of the set of compressors and introduction of those used for lighting) and production management decisions (i.e. achievement of high efficiency of the production lines, shutdown of utilities on stand-by, completion of special maintenance tasks in the various manufacturing plants).

## Heat consumption

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

In the three-year period 2014-2016, process heat consumption remained stable, while energy used to heat buildings dropped significantly because of the newly upgraded thermal power stations in the manufacturing plants of Turin and Gattinara.



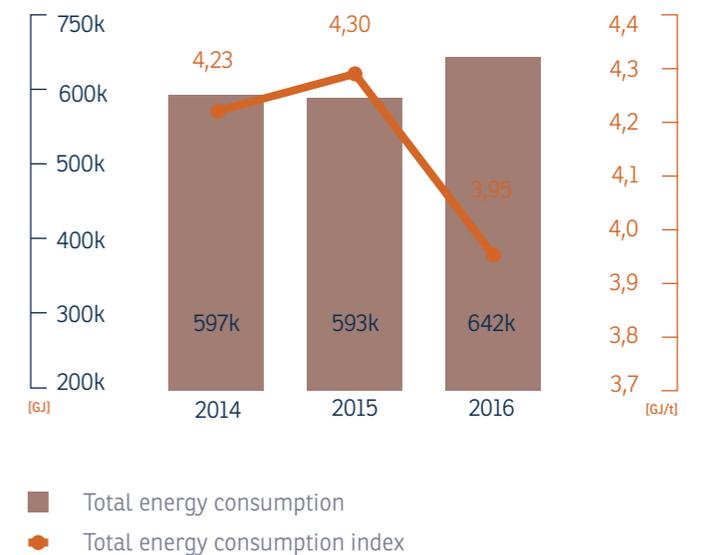
The chart represents the absolute amount of heat consumed expressed in Giga-Joules and the specific energy consumptions (or indices) compared to tonnes of packaged coffee. In 2016, the consumer index displayed a slight increase that is attributable to the higher consumption of natural gas to heat the buildings in all the operational units, directly consequential to the winter temperatures in 2016, which were higher compared to the previous year.

## Total energy consumption

Total energy consumption is the sum of the electricity, heat and fuel for the corporate vehicle fleet consumed.

In the three-year period 2014-2016, due to the low incidence of the third factor, the trend in absolute values displays an increase that is consistent with trend in the production of packaged coffee.

The specific consumption trend is down by about 8% as a result of the energy efficiency improvements described above (compared to 2015).



The accurate energy model developed in 2015 for all manufacturing plants in accordance with Italian Legislative Decree No. 102/14 - "Implementation of Directive 2012/27/EU on energy efficiency" and in accordance with standard UNI ISO 50001 - "Energy management systems - Requirements and guidelines for use" proved decisive in identifying the improvements that the Company needed to introduce. In addition, the energy monitoring system installed at the manufacturing plants in Turin and Gattinara, which is where most of the energy is consumed proved to be an essential tool to verify the effectiveness of the interventions.



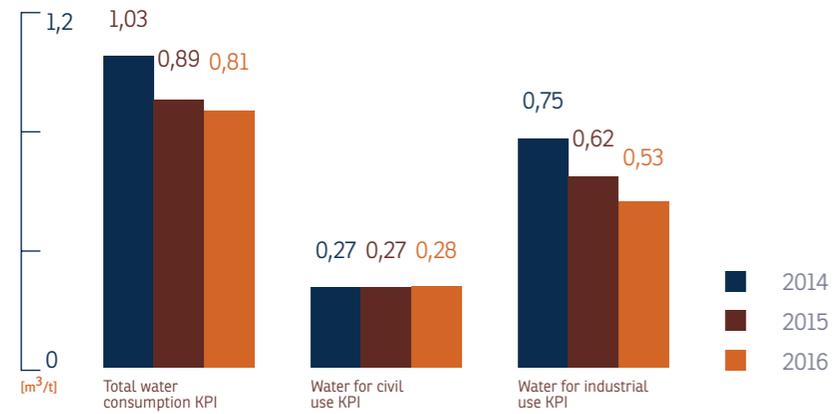
## Water consumption

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

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

The decrease in total water consumption recorded in the three-year period 2014-2016 is attributable to the reduction of water consumption for industrial use due to the final and complete decommissioning of a water-cooled compressor in the manufacturing plant in Turin, as well as the decrease of the water used in the cooling tower at the manufacturing plant in Gattinara. The change in the specific index of domestic hot water is considered natural for a complexly structured business like Lavazza's is.

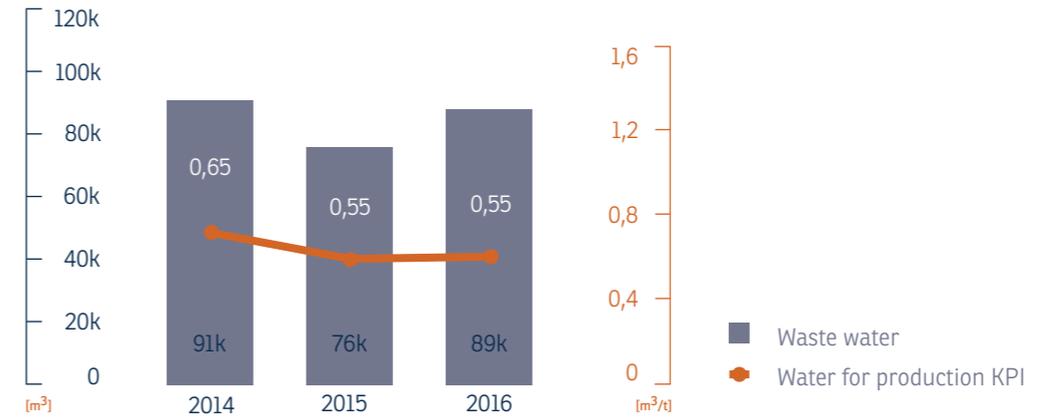
### Water consumption index



## Wastewater

All wastewater generated at the manufacturing plants and at Headquarters flows into the sewer system.

The chart shows the absolute wastewater expressed in m<sup>3</sup> of water discharged and the respective specific wastewater (m<sup>3</sup>) compared to tonnes of packaged coffee.



During 2016, absolute wastewater increased consistently with the production trend, which also did, while specific waste water levels remained stable.

## Water reuse and recycling

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

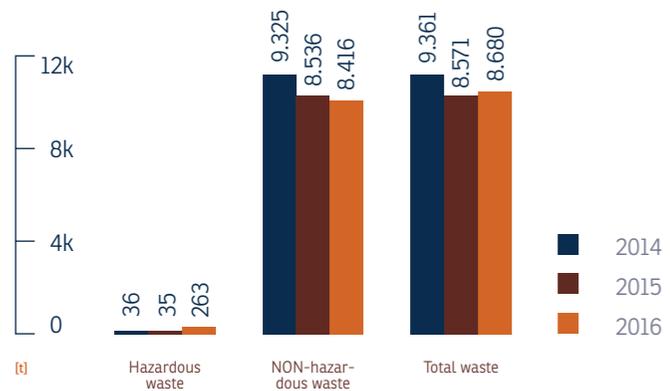


# Waste

The data refers to Headquarters, the Innovation Center in Turin and the Italian manufacturing plants and includes:

- Production waste.
- Waste generated by administrative activities and advertising, with the exception of solid urban waste.

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



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

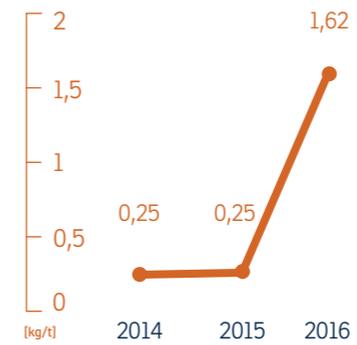
During 2016, the amount of total waste produced was slightly higher than in the previous year. The increase, though, was negligible, despite the significant increase in coffee production. This is due to the less waste from plastic processed and used in the moulding of capsules compared with important changes in the production process, which allowed the use of previously scrapped material.

Hazardous wastes, instead, increased due to the replacement of a number of plants for the treatment of industrial wastewater, resulting in the generation of temporary liquid waste collected and sent for disposal. The percentage of waste used for recycling compared to the total waste generated also decreased for the same reason.



The charts below represent the kg of waste produced (divided between "hazardous" and "non-hazardous") per tonne of packaged coffee.

## Hazardous waste



## Non-hazardous waste



We ought to point out that in 2016, 1 tonne of packaged coffee generated 53.45 kg of waste, of which 51.83 kg classified as "non-hazardous" and 1.62 kg classified as "hazardous". Waste generated per tonne of packaged coffee therefore dropped from an overall 62.2 to 53.45 Kg, down by about 14%.

The following chart shows the percentage of recycled waste.

## Recycled waste



## Substances harmful to the stratospheric ozone

Lavazza currently has very few equipment items (heat pumps, cooling and air conditioning systems) that run on coolants that contain ozone-depleting substances (HCFC). This equipment, whose maintenance is outsourced to specialised companies, are being gradually replaced.

During 2016, there were no leaks of coolant gases.

## Significant spills on soil, subsoil and aquifer

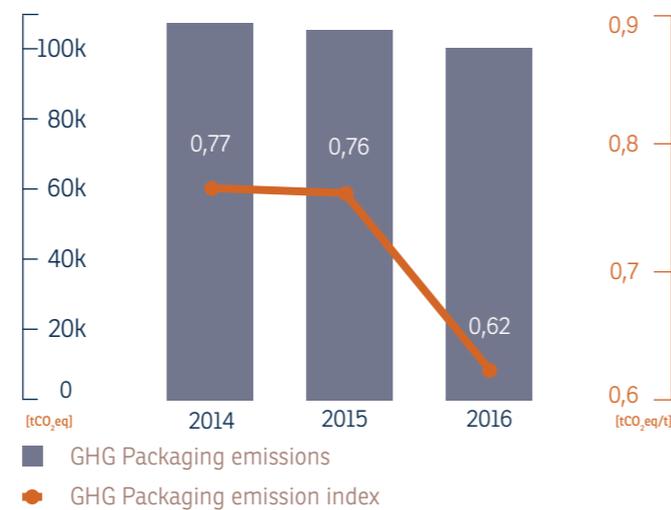
In the three-year period 2014-2016, there were no significant spills of potentially polluting liquid substances.

## Environmental fines

In the three-year period 2014-2016, the Company was not charged any administrative fines and did not receive any formal complaints regarding environmental issues.

## Greenhouse gas emissions GHG - Packaging

In terms of packaging environmental impact, in 2016 the situation improved when compared to previous years. This is due to eco-design initiatives, which supported processes' rationalization, waste reduction and promotion of circularity in the selection process of raw materials. An example of this kind of intervention is the "EP black" Capsule produced with 20% of recycled polypropylene coming from thermoforming scraps. Moreover, environmental data collecting tools have been upgraded. This improvement allowed the collection of more accurate environmental data about packaging, thus favouring the realization of more effective corrective actions.





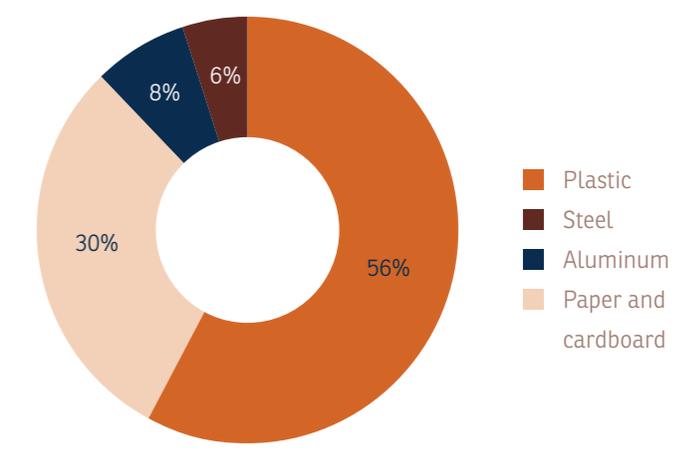
### IL RECUPERO DEI FONDI DI CAFFÈ

Lavazza ha messo un percorso sistemico di sostenibilità ambientale, economica e sociale che, dal 2007, la vede collaborare attivamente con il Dipartimento di Architettura e Design del Politecnico di Torino, per la ricerca sul recupero e la valorizzazione dei fondi di caffè dopo il consumo.

Photocredit: Federico...

Percentage distribution based on type of packaging material [G4-EN1]

Of the roughly 23,000 tonnes of material used for the production of primary, secondary and tertiary packaging, 56% is made up of plastic materials and 30% of paper and cardboard.



# 5. Development of human resources

The key importance  
of human capital



# Relevant aspects



Human resources of the Lavazza Group



Integration of new acquisitions



Growth, profitability and corporate values



Relations with other Institutions and with the Territory



For a Company, growth means helping its employees to grow with it. In Lavazza, this principle translates into an unflinching commitment to foster the development of the Group's human resources, both in terms of their knowledge and skills and in terms of their personal well-being.

Even in 2016, this commitment was reflected in the numerous initiatives in various fields: from training and evaluation of human resources to the Company's welfare plans and the activities revolving around the new Lavazza headquarters.

## Human resources of the Lavazza Group: key figures

[G4-9; G4-10; G4-22; G4-LA1]

The table below lists the main numbers regarding the Lavazza Group's workforce. More specifically, please note that the numbers for 2014 and 2015 refer to "Luigi Lavazza S.p.A." and its scope of business. The numbers have been reclassified in order to standardise the occupational levels, in light of the decision to expand the

scope to the Group's foreign subsidiaries. The 2016 Report therefore also includes the employees of foreign subsidiaries included in the extended reporting scope besides those of Luigi Lavazza S.p.A.



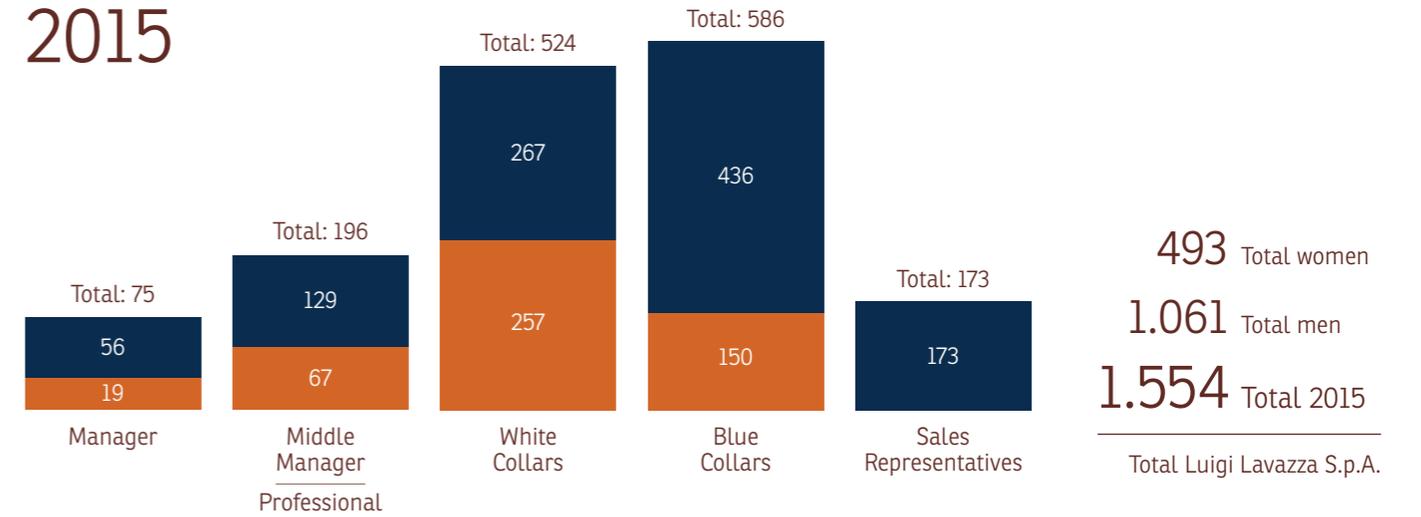
Luigi Lavazza S.p.A.

Women Men

Foreign subsidiaries in scope

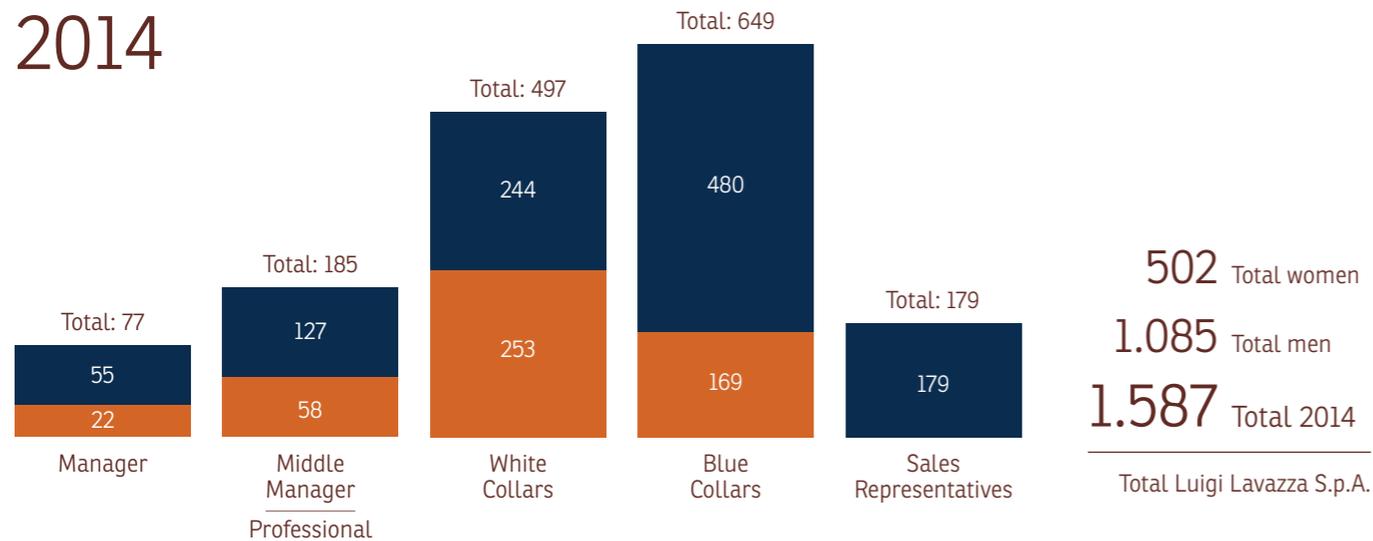
Women Men

## 2015

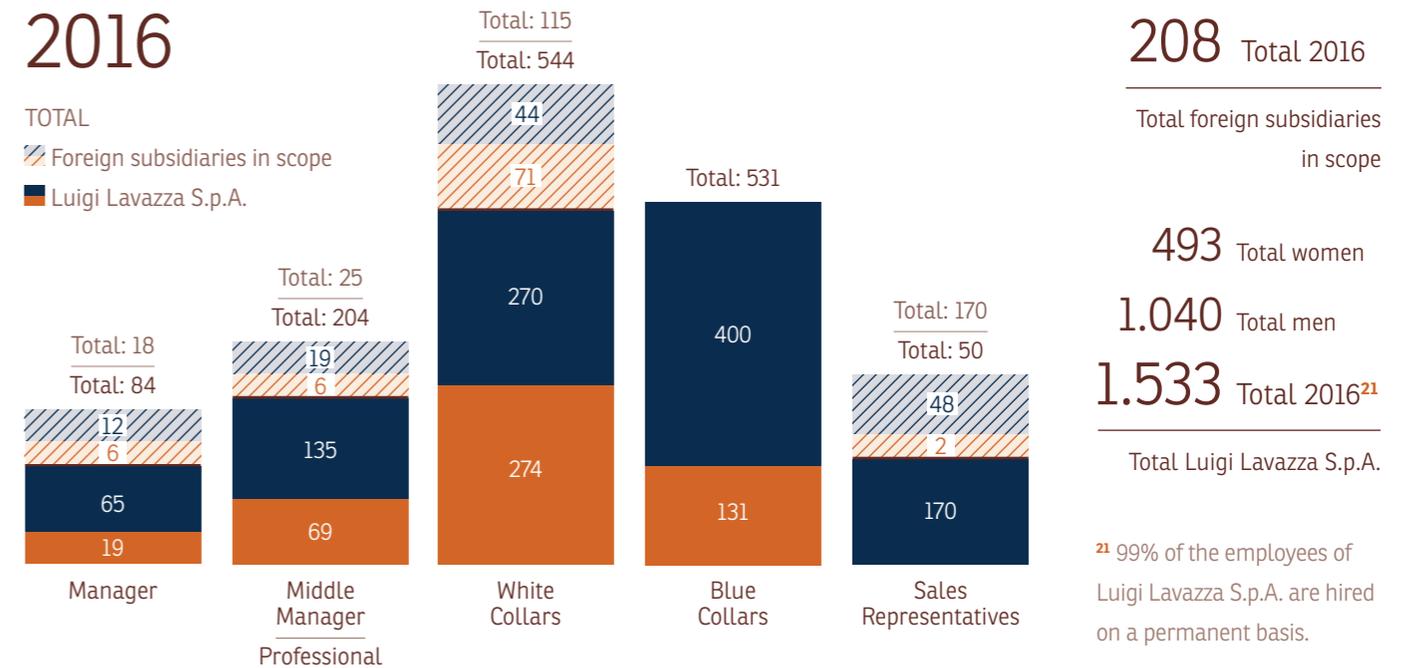


## Employees by gender and occupational level

## 2014

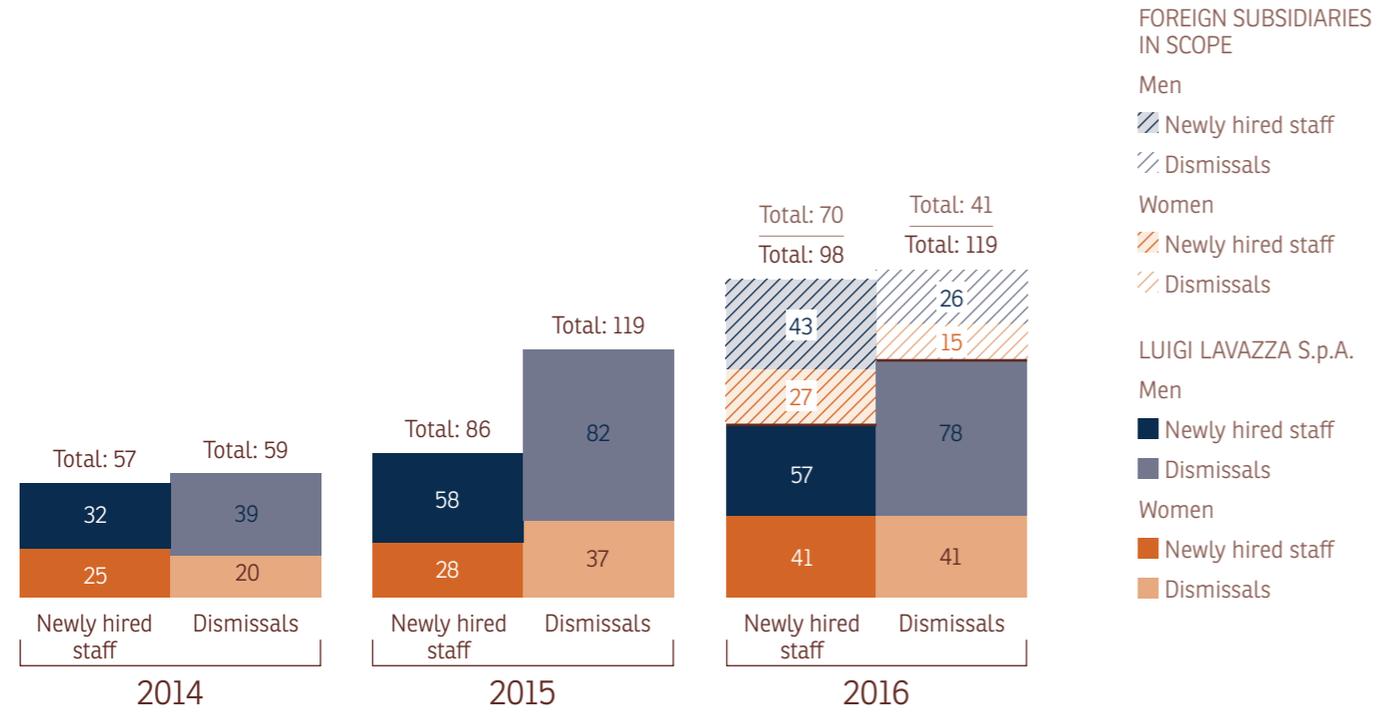


## 2016

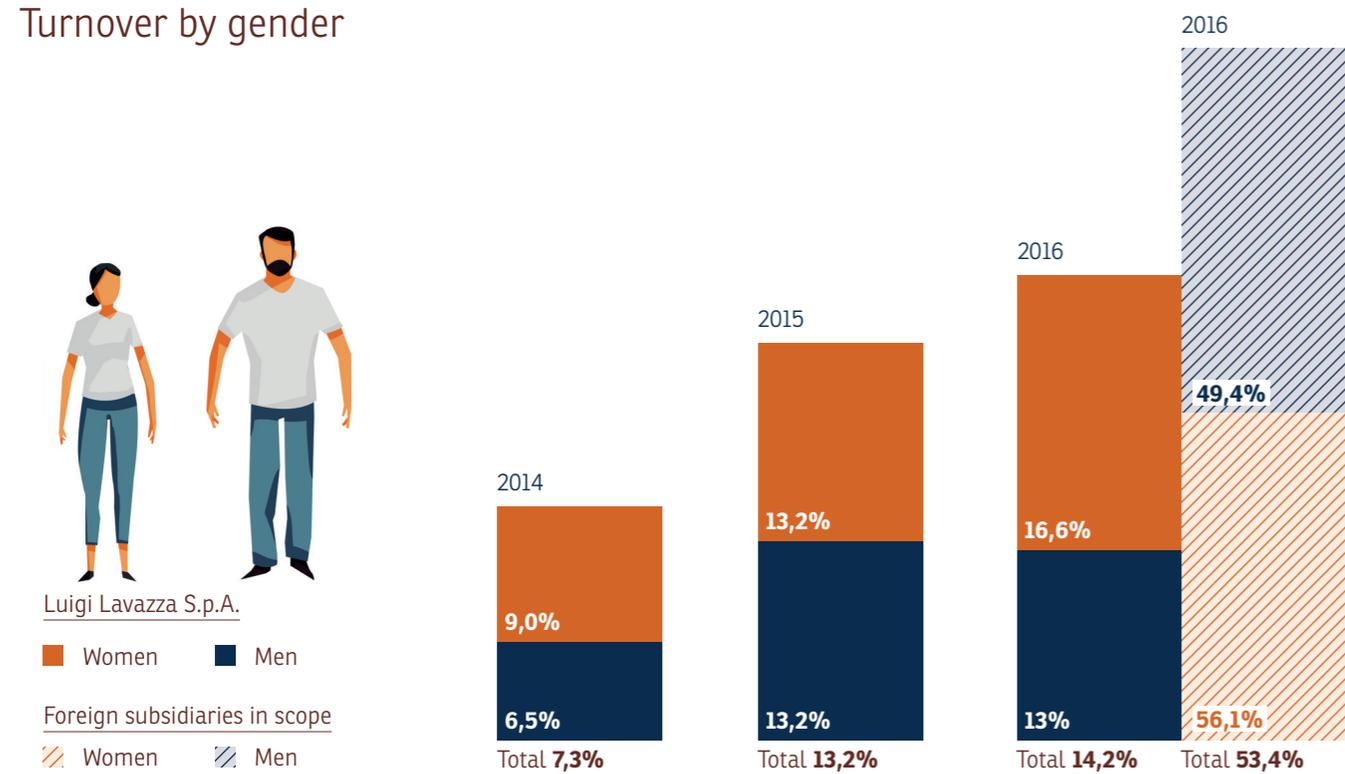


<sup>21</sup> 99% of the employees of Luigi Lavazza S.p.A. are hired on a permanent basis.

## Hiring and dismissal figures by gender



## Turnover by gender





## 5.1 Integrating development and training

[G4-LA9; G4-LA11]

### 5.1.1. The new Performance Management process

The most important initiative introduced by Lavazza in 2016 is the new **Performance Management**<sup>22</sup>, process, which has set **improvement objectives** in the evaluation of the Group's employees, with the exception of the workers and employees of certain subsidiaries (those in the United States, United Kingdom, Germany and Austria).

The concept behind this process is one of a **collaborative Leadership** according to which, in a growth-oriented Group, everyone can give his or her personal contribution.

Thanks to internal communications campaigns described in the 2015 Report (Coffee Telling), the Company consolidated the knowledge on the four pillars of Leadership (**Accountability, Innovation, Integration, Leading people**) and it is on these four pillars that it evaluated its employees.

This performance assessment model has also been integrated with the incentive mechanisms for personnel involved in the **MBO Programme**.

The table below provides a detailed overview of personnel involved in the MBO Programme, which includes employees of the Group's companies in Italy, Denmark, Sweden, Germany, the United Kingdom and Austria, which are the countries considered in the scope of Sustainability Report 2016.

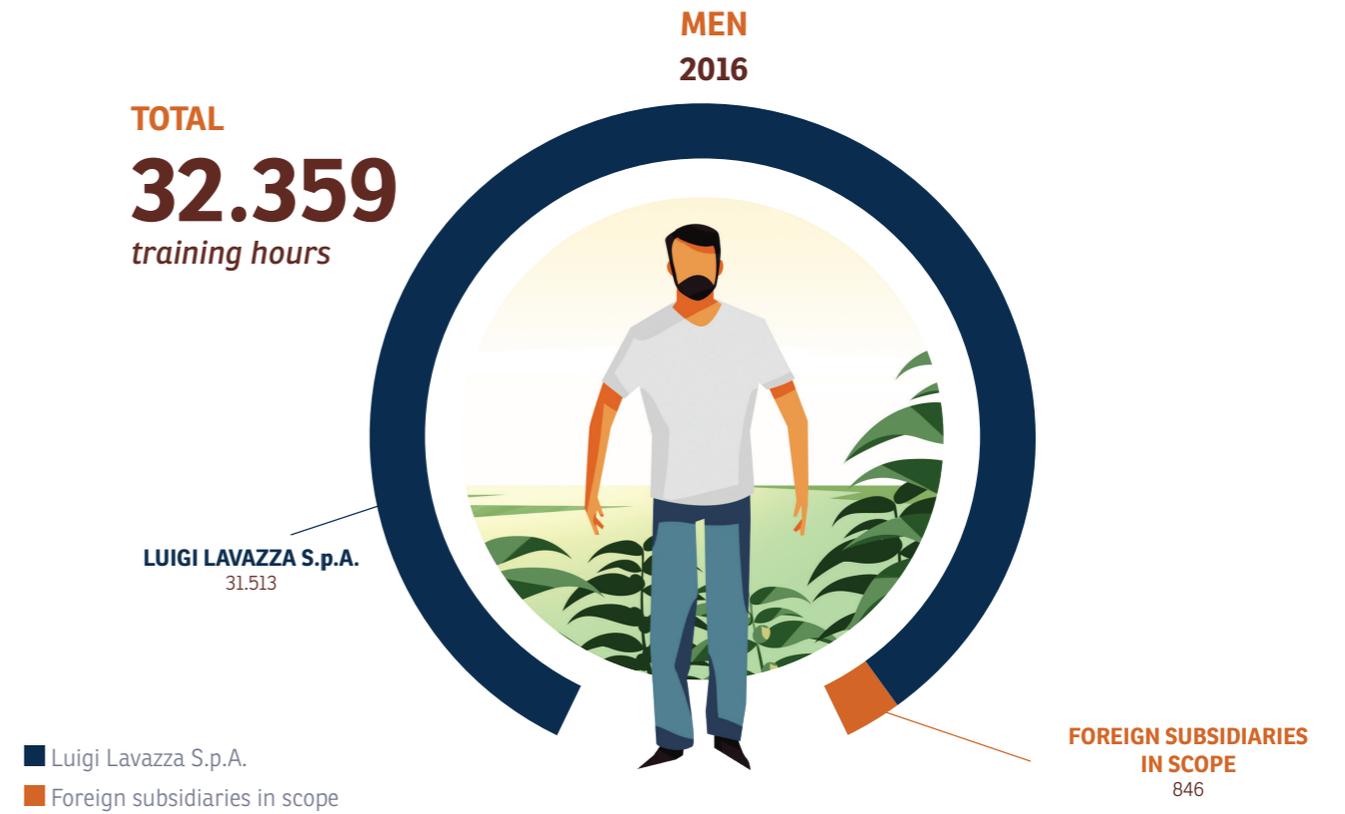
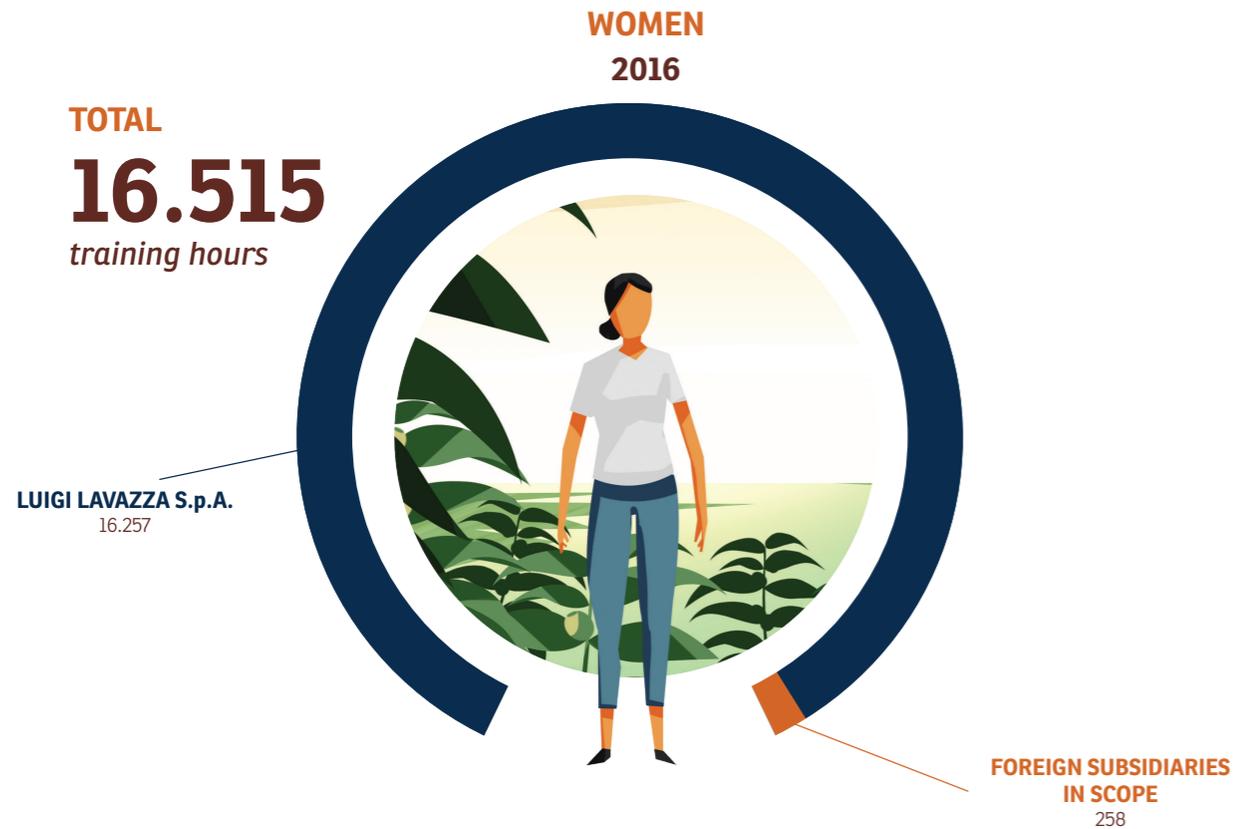
**Out of 1,741 people who are part of the Group's employees, 292 (about 17%) are involved in the MBO Programme.**

In the new system, MBOs become an integral part of the assessment on individual performance: each person is evaluated not only by the extent to which he or she achieves results, but also for the way in which results are achieved.

<sup>22</sup> For a detailed description of the process, please refer to Sustainability Report 2015

People involved in the MBO Programme

Gender	Position	2014	2015	2016
Women	Manager	18	16	17
	Middle Manager	47	44	70
<b>Total Women</b>		<b>65</b>	<b>60</b>	<b>87</b>
Men	Manager	52	54	64
	Middle Manager	87	89	141
<b>Total Men</b>		<b>139</b>	<b>143</b>	<b>205</b>
<b>Grand total</b>		<b>204</b>	<b>203</b>	<b>292</b>



### 5.1.2 Training programmes

In 2016, the bulk of the Company's training programmes focused on communication and familiarisation with the new **Performance Management and Incentives** processes described above. Other training programmes include the training course in sales areas (Food Service and Retail) for area managers and heads of district. The course included a specific project entitled **Growing together**, closely linked to the integration of the sales network Eraclea (brand acquired by the Lavazza Group in 2010).

The project was initiated based on a survey involving both employees and independent contractors hired by the Company to map and evaluate their sales strategies. In this first step, mentoring and assessment meetings followed to provide timely feedback to participants on their profile of sale and to identify possible areas for improvement.

\* The difference between the training hours in 2015 listed in the above table and those referred to in Sustainability Report 2015 is due to the exclusion of the "temporary workers" category, which was excluded in order to standardise the categories in the different countries in which the Group operates.

Training hours in the three-year period 2014-2016									
Luigi Lavazza S.p.A.	2014			2015*			2016		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Manager	1.302	2.054	3.356	707	2.024	2.731	886	2.268	3.154
Middle Manager   Professional	2.117	4.008	6.125	2.709	4.585	7.294	3.123	4.838	7.961
White Collars	3.678	5.291	8.969	6.785	9.865	16.649	7.789	8.760	16.549
Sales Representatives	-	192	192	-	2.632	2.632	-	1.874	1.874
Blue Collars	296	3.954	4.250	5.771	23.070	28.840	4.459	13.773	18.232
<b>Total</b>	<b>7.393</b>	<b>15.499</b>	<b>22.892</b>	<b>15.971</b>	<b>42.175</b>	<b>58.146</b>	<b>16.257</b>	<b>31.513</b>	<b>47.770</b>

Foreign subsidiaries in scope	2016		
	Women	Men	Total
Manager	74	145	219
Middle Manager   Professional	76	256	332
White Collars	72	65	137
Sales Representatives	36	380	416
<b>Total</b>	<b>258</b>	<b>846</b>	<b>1.104</b>



## 5.2 Nuvoliamo: a building open to the future

On 19 December 2016, the first Lavazza employees relocated to their new offices at the Nuvola Headquarters, but activities to prepare for the opening of the new office building continued year-round. A project in which all the core values of Lavazza (innovation, tradition, sustainability and quality) find expression and which provides a single functional space to all employees, where they can feel part of a close-knit team.

To allow a smooth relocation, **change management** and **internal communication** campaigns were organised to present the Nuvola building and to explain the new working conditions to employees. Nuvola, in fact, does not involve only the relocation of the employees to another

site, but it also represents a full-scale revolution in terms of interaction and business procedures, which have been made smarter and more flexible. The approaching inauguration of the Nuvola Headquarters was followed step-by-step by **Nuvoliamo**, an e-magazine that includes sections devoted to the construction site, interviews with designers and specialised workers, and an explanation of the LEED certification process. Moreover, the smart logic behind the new building's construction and the new rules of conduct required at Nuvola were described in a simple and entertaining way, using Carmencita and Caballero, Lavazza's two historic communication icons, as the narrating voices.

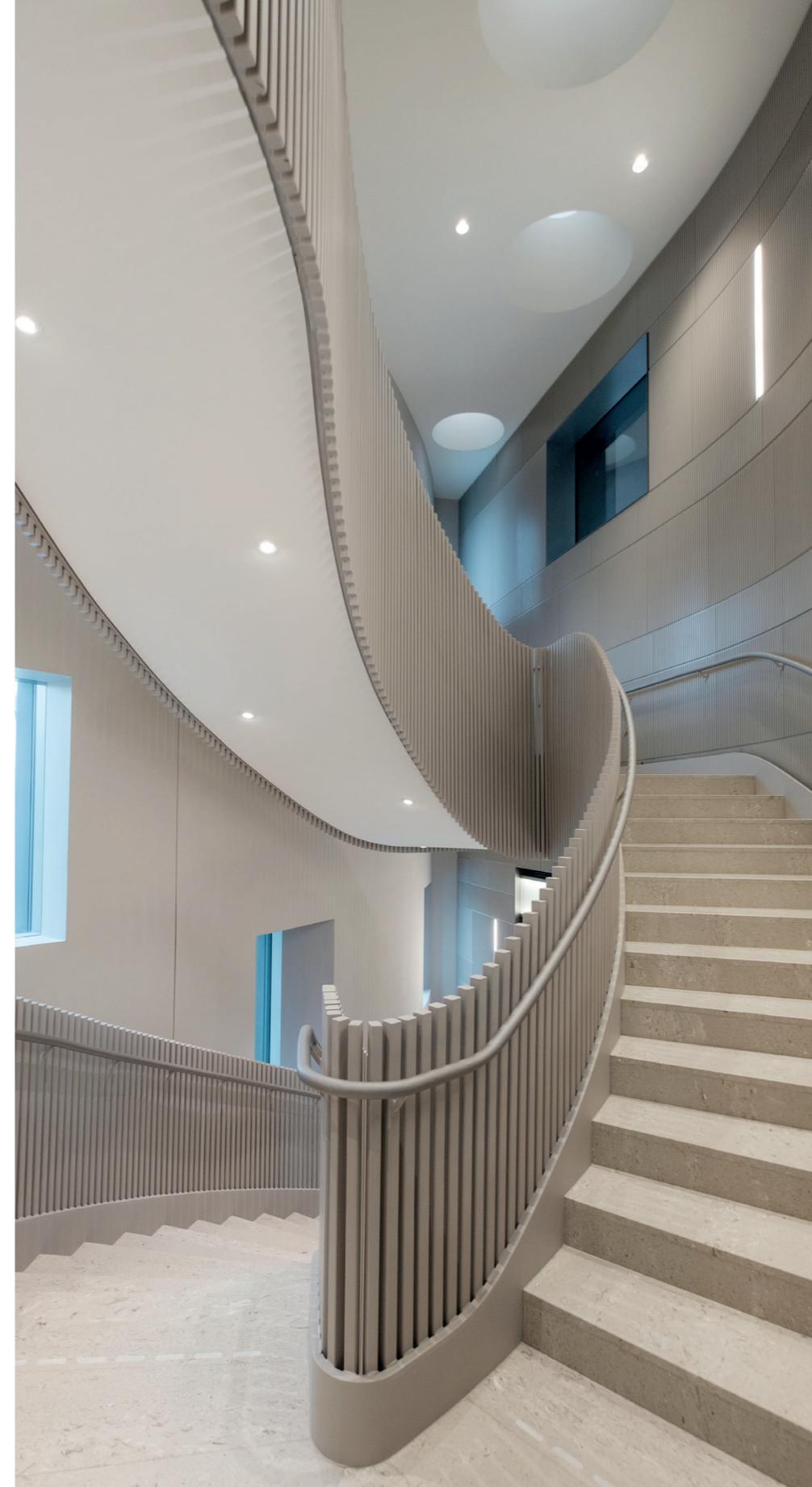
In addition to the two iconic testimonials, the Company issued an "open call" to all employees to select the **Nuvola Ambassadors**, who attended regular meetings of introduction to the new technologies available in the new site.

The **Nuvola Ambassadors** then became the representatives for their colleagues, while also gathering from them any questions and internal requirements tied with their relocation and addressing them. Finally, Lavazza continued its programme to digitalise corporate documents already described in Sustainability Report 2015, which led to the elimination of 41,790 kg of paper over the course of 2016.

**75%** of areas exposed to natural light

**90%** of areas have an external view

**41.790** kg of recycled paper thanks to documents digitalization



## Welfare

In 2016, Lavazza continued to promote its **Welfare Plan**, already described in Sustainability Report 2015. The plan allows employees to use their productivity bonus and to benefit of a series of family and health services.

The benefits introduced as part of the plan include the option for children of employees to participate to the Lavazza Summer camp.

The 143 employees who joined the plan had the opportunity to make their own choices through the **Welfare online platform**.

In view of the relocation to the new office building, Lavazza is also studying innovative formulas to offer its employees a series of services that can make the relocation smoother and to enable them to contribute to an increasingly sustainable mobility.

## Lavazza's excellence as a training tool

Lavazza has always valued the importance of training and is actively committed to promoting a scientific and specialised coffee culture by establishing partnerships with the academic world.

More specifically, it does so with two renowned vocational training centres, the **Politecnico di Torino** and the **University of Gastronomic Sciences in Pollenzo**, the first University in the world to be entirely dedicated to food and gastronomic culture, established by Slow Food.

In 2016, the 11th Edition of the **Coffee Design workshop** for students enrolled in the bachelor's degree course on **Systemic Design and Design and Communication** was held at the **Politecnico di Torino** (Faculty of Architecture and Design).

As part of the workshop, students have the opportunity to assimilate the expertise and know-how of Lavazza in coffee experimentation and are prepared to enter the world of work. Thanks to educational sessions and creative workshops, students have the opportunity to discover the origins of the raw materials in order to propose new product innovations, new consumption modes and to develop ideas related to communication.

Even students of the **University of Pollenzo**, thanks to a course that is now in its 12th Edition, have the opportunity to discover the world of coffee. Lavazza managers and trainers, in fact, make

their hands-on experience available to the students, offering a full immersion in the culture of coffee, with a course that includes theoretical lessons and practical exercises. In the workshops, the students can test their skills in the composition of coffee blends, to understand the art and the secrets of coffee blending, of which Luigi Lavazza has been the precursor.

The activities in the workshop are coupled with sensory analyses, tasting and roasting exercises, discussions with small local coffee roasters, and economic insights tied to the market, sustainability and coffee marketing strategies. Each year, the course makes the bond between Lavazza and Pollenzo a true value-promoting work in progress.

The training programmes are held at the **Lavazza Training Center in Settimo Torinese near Turin**, which for more than 30 years has been committed to training and furthering the education of professionals in the field, in addition to conducting research and the development of new products in the world of coffee.

A **coffee school** in every sense that has now become an international network with more than 50 locations in 5 continents.





### 5.3 Occupational Health and Safety

[G4-LA6]

Luigi Lavazza S.p.A. applies an **Occupational Health and Safety System** in compliance with the law.

In 2016, the Health & Safety, Energy and Environmental Management System of Lavazza<sup>23</sup> was developed even further. Since 2014, however, Lavazza has implemented a standard procedure at the level of Operations to identify the root causes of critical incidents (accidents and near-accidents).

The results are disclosed through an internal communication system. Staff at every manufacturing plant can thus check whether there are any similar conditions or critical issues, so that they can avoid or reduce the likelihood of an accident that has already happened elsewhere, happening again.

The results of the analysis and the progression of industrial accidents, which are monitored through a set of injury indices based on the injury's frequency and seriousness, are discussed during routine meetings with Top Management and its staff.

The charts of the injury indices<sup>24</sup> (frequency and severity index) over the three-year period 2014–2016 and referred to the Italian manufacturing plants and sales branches, the Innovation Center and Headquarters, are shown in the graphs.

With regard to the foreign subsidiaries included in the reporting scope, no injuries occurred during 2016.

The indicators confirm the gradual improvement in performance, both in terms of number of injuries and days of absence per accident.

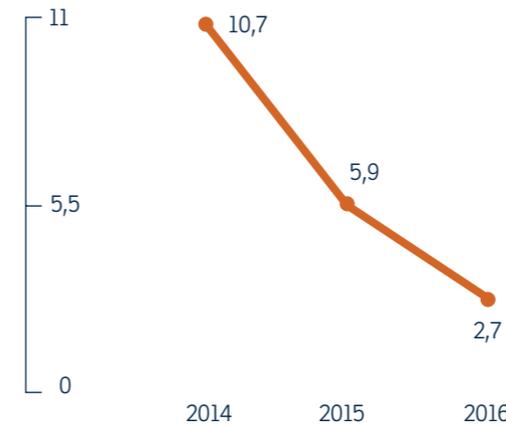
<sup>23</sup> For more details on the Health and Safety and Energy and Environmental Management System, please refer to Sustainability Report 2015.

<sup>24</sup> When calculating the injury indices, the Company factored accidents involving Lavazza's staff that resulted in an absence from work of more than 1 day, with the exception of so-called accidents in progress (accidents that took place either on the commute from home to the office or back).

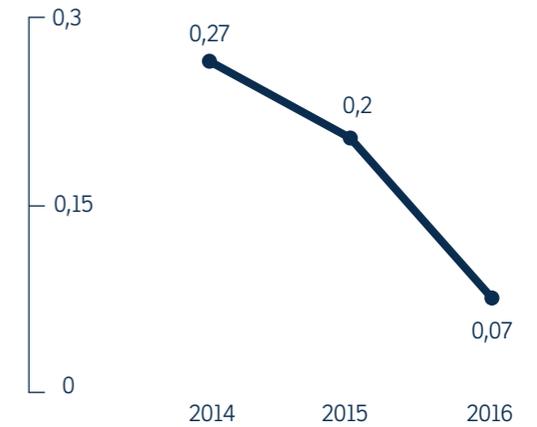
<sup>25</sup> The accident frequency index represents the number of injuries per 1,000,000 hours of labour.

<sup>26</sup> The accident severity index represents the number of days of absence from work due to an injury every 1,000 hours of labour.

Frequency index chart<sup>25</sup>



Severity index chart<sup>26</sup>



# 6. Achievements and new goals

The ongoing pursuit  
of improvement



# Progress status of goals set out in Sustainability Report 2015



## Human resources of the Lavazza Group

### SUSTAINABILITY REPORT 2015 - GOALS

### PROGRESS STATUS

1. The MBO model is introduced and integrated with the Performance Management system.

The human resource development programmes and plans are extended to foreign subsidiaries (including the Performance Management system and the new MBO model).

2. This is followed by the definition and implementation of the Health & Safety, Energy and Environment Management System (code name SG-SSEA) of Lavazza. Its development is also part of the goals set out in the Lavazza Strategic Plan 2017-2021. The SG-SSEA online platform is launched in 2016.

The "Occupational Health & Safety, Energy and Environment Group Guidelines" are communicated to employees and implemented.

1. The new Performance Management process starts in 2016. The process introduces the concept of "improvement goals" in the evaluation of all Group personnel, with the exception of the workers and employees of certain subsidiaries still not integrated in the process (those in the United States, United Kingdom, Germany and Austria). The new evaluation model is integrated with the incentive mechanisms planned for personnel involved in the MBO Programme (including the staff of foreign subsidiaries).

2. In 2016, Lavazza continues the process of implementation of the Health & Safety, Energy and Environment Management System (SG-SSEA) by launching the online platform accessible to all Lavazza employees. Via the corporate Intranet, the Occupational Health & Safety, Energy and Environment Group Guidelines are made available to all employees.



## Quality and Consumer satisfaction

### SUSTAINABILITY REPORT 2015 - GOALS

### PROGRESS STATUS

1. All the manufacturing plants of Lavazza align production with the requirements of the certifications obtained (including the newly acquired plants). The work programme is drawn up in cooperation with Operations, Quality and the Coffee Buying Department.

2. The Company continues to standardise the process for handling Customer Service requests from all over the world. All the data related to such requests is logged in a central database.

1. In 2016, Lavazza obtains FSSC22000 Certification for its manufacturing plants in Turin, Gattinara and Lavérune (together with the Indian manufacturing plant of Sri City, already obtained in 2016). In 2016, Lavazza obtains HACCP certification according to Codex for the manufacturing plant in Pozzilli, dedicated to the decaffeination process with CO<sub>2</sub>.

2. Lavazza completes the homogenisation and centralisation of the process for managing requests received by Customer Service in Italy, extending the use of CRM to B2B. Customer Service becomes the primary contact between the consumer, customer and Lavazza during sales, after-sales, logistics, technical support and quality. The Company opens a Consumer Care service in Carte Noire (October 2016). The process of homogenisation and centralisation is extended to other Group companies (target completion: 2018).



## Relationships with Suppliers and Partners

### SUSTAINABILITY REPORT 2015 - GOALS

### PROGRESS STATUS

1. The Audit plan continues. Goal in 2018: continuing audits on all categories of suppliers and achieving a target 80% coverage for the category "direct materials" (purchasing turnover of suppliers audited compared to total purchasing turnover of the category).

1. In 2016, Lavazza continues with the implementation of the Audit plan. The audit coverage for the category "direct materials"<sup>27</sup> is 74% (+4% compared to 2015); for the category "machinery"<sup>28</sup> 89% (+9% compared to 2015); for the category "warehouses"<sup>29</sup> 95% (+1% compared to 2015). The data is calculated as a percentage of turnover of suppliers audited compared to the total turnover of purchase of the category.

2. The methodology used is updated and the policies are streamlined. In this way, any differences in performance between suppliers can be highlighted. The goal in the coming years will be to extend this methodology even to foreign subsidiaries.

2. Studies are conducted to update the methodology: the software to be implemented will be updated in 2017.

<sup>27</sup> Includes: Packaging, Non-coffee Food Products, Corporate Advertising materials and products manufactured by contractors.

<sup>28</sup> Includes: Machine suppliers, moulds, components and bar equipment.

<sup>29</sup> Includes: Customs warehouses and warehouses of finished product.

### SUSTAINABILITY REPORT 2015 - GOALS

### PROGRESS STATUS

3. The need for a set audit frequency arises: their frequency will be calibrated on the basis of the level of trustworthiness shown by the supplier during the audit.

4. The Company further integrates CSR aspects with monitoring of suppliers. Specific checklists are defined and on-site visits are scheduled involving the function Institutional Relations & Sustainability.

3. The new methodology involves a supplier assessment in which scores are assigned to determine the supplier's level of reliability: the results provide the basis for deciding the frequency of audits.

4. The Department of Institutional Relations & Sustainability began a coordination work with the Legal, Purchasing and the Coffee Buying Departments and Health, Safety and Environment to update the supplier assessment criteria in terms of environmental and social sustainability.

# New goals



## Human resources of the Lavazza Group

The data available on training of internal and external sales staff are updated. A new training course on product-related issues for area managers is organised.



## Quality and Consumer satisfaction

- Lavazza renews its Quality System according to the new criteria defined by standard ISO 9001 Revision 2015, which was already implemented at the site in Sri City with positive results and will be implemented at other sites in 2017.
- The Company introduces the Quality Data Warehouse, a single centralised and structured area to manage all product quality-related issues. The design and construction phases of the first part is scheduled to take place in 2017.

## Relationships with Suppliers and Partners



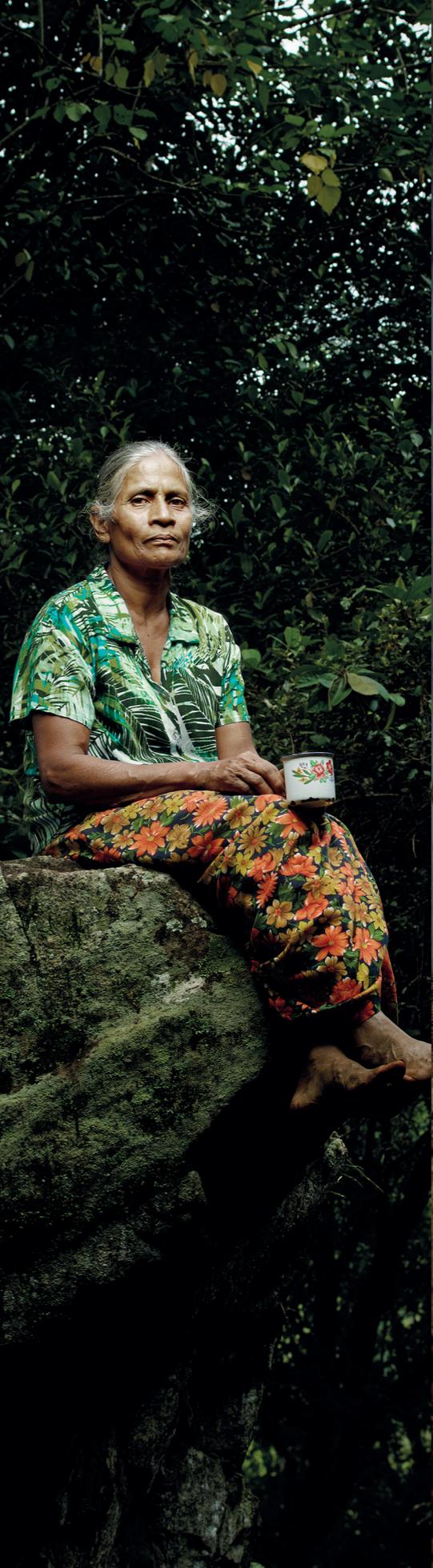
- Lavazza concludes the implementation of Vendor Rating, a tool to measure the performance of its suppliers. The system is extended to the Company's major suppliers for different categories.
- The Supplier Code of Conduct is revised, involving several Departments coordinated by Institutional Relations & Sustainability. The goal is to establish criteria and methods to measure the Company's Sustainability that are more detailed than those currently used for suppliers.

## Relations with other Institutions and with the Territory



Lavazza extends its Community Engagement activities to foreign subsidiaries.





# GRI Content Index

[G4-32]

The table below lists the indicators prescribed by standard GRI-G4, which are reported in this Sustainability Report. The reference page number of this docu-

ment appears next to each GRI indicator, or the quantification and/or the description of the indicator, if the data/information is not contained in the body of the text.

GENERAL STANDARD DISCLOSURES							
General standard disclosures	Page number or description						
<b>Strategy and Analysis</b>							
G4-1	pp. 6-7						
<b>Organizational Profile</b>							
G4-3	p. 9						
G4-4	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 Sustainability Report 2016.						
	<p><b>Single Serve</b></p> <table border="1"> <thead> <tr> <th>Scope</th> <th>Brand</th> </tr> </thead> <tbody> <tr> <td><b>Luigi Lavazza S.p.A.</b></td> <td>A MODO MIO; BLUE; ESPRESSO POINT; IN BLACK; FIRMA</td> </tr> <tr> <td><b>Foreign subsidiaries in scope</b></td> <td>A MODO MIO; BLUE**, CARTE NOIRE NCC****, ESPRESSO POINT***, LAVAZZA; LAVAZZA NCC*</td> </tr> </tbody> </table> <p>* LAVAZZA NCC is not a separate brand but a new range of capsules that are compatible with Nespresso® machines manufactured and sold by Luigi Lavazza S.p.A. starting from August 2016. Nespresso® is a trademark of the third party without any link to Luigi Lavazza S.p.A.</p> <p>** The BLUE system is available in these countries but the total volumes are less than 1M capsules/year</p> <p>*** Espresso Point is available in these countries but the total volumes are less than 100K capsules/year</p> <p>**** CARTE NOIRE NCC is not a separate brand but a new range of capsules that are compatible with Nespresso® machines manufactured and sold by Luigi Lavazza S.p.A. under the brand Carte Noire. Nespresso® is a trademark of the third party without any link to Luigi Lavazza S.p.A.</p>	Scope	Brand	<b>Luigi Lavazza S.p.A.</b>	A MODO MIO; BLUE; ESPRESSO POINT; IN BLACK; FIRMA	<b>Foreign subsidiaries in scope</b>	A MODO MIO; BLUE**, CARTE NOIRE NCC****, ESPRESSO POINT***, LAVAZZA; LAVAZZA NCC*
Scope	Brand						
<b>Luigi Lavazza S.p.A.</b>	A MODO MIO; BLUE; ESPRESSO POINT; IN BLACK; FIRMA						
<b>Foreign subsidiaries in scope</b>	A MODO MIO; BLUE**, CARTE NOIRE NCC****, ESPRESSO POINT***, LAVAZZA; LAVAZZA NCC*						

## Food Service

Scope	Brand
<b>Luigi Lavazza S.p.A.</b>	120 ANNIVERSARIO FS; BLUE ESPR. DECAFFEINATO; BLUE ESPRESSO DOLCE; BLUE ESPR. INTENSO; BLUE ESPR. RICCO; BLUE ESPR. ROTONDO; BLUE ESP. TIERRA INTENSO; BLUE ESPRESSO VIGOROSO; BLUE VERY B MAGNIFICO; BLUE VERY B SUPREMO; DEK BAR; ESPR.CREMA E AROMA FS; GOLD SELECTION; GRAN RISERVA; GRANDE RISTOR. ROSSO; GRAND'ESPRESSO; GR.ESPRESSO T.SCURA; KAFA; NERO SUBLIME RA; OROPURO; PIENAROMA RA; SUPER CREMA; SUPER GUSTO; TIERRA 100% ARABICA SELECTION; TIERRA BRASILE 100% ARABICA; TIERRA BRASILE BLEND; TIERRA TANZANIA; TOP CLASS.
<b>Foreign subsidiaries in scope</b>	BELLA CREMA; CREMA E AROMA; DEK; DEK BAR; FILTRO CLASSICO; GOLD SELECTION; GRAN ESPRESSO; GRAN ESPRESSO TS; GRAN FILTER ITALIAN ROAST; GRAN FILTRO; GRAN FILTRO CLASSICO; GRAN FILTRO DARK ROAST; GRAN FILTRO ESTERO; GRAN FILTRO ITALIAN ROAST; GRAN RISERVA; GRAND HOTEL; GRANDE RISTORAZIONE ROSSO; KAFA; NERO SUBLIME; ORO PURO; PIENAROMA; SUPER-GUSTO; SUPER GUSTO UTZ; SUPERCREMA; TIERRA; TIERRA BRASILE; TIERRA TANZANIA; TOP CLASS

## Roast & Ground

Scope	Brand
<b>Luigi Lavazza S.p.A.</b>	20 ANNIVERSARIO RETAIL; BOURBON CLASSICO; CARMENCITA; CLUB; CREMA & GUSTO CLASSICO; CREMA & GUSTO DOLCE; CREMA & GUSTO ESPRESSO; CREMA & GUSTO ESPRESSO FORTE; CREMA & GUSTO FORTE; CREMA & GUSTO RICCO; DEK; DEK INTENSO; ESPRESSO FAMIGLIA; GRAN AROMA BAR; GRAN CREMA ESPRESSO; PAULISTA; QUALITÀ ORO; QUALITÀ ORO ESPRESSO; QUALITÀ ROSSA; SUERTE; SUPERESPRESSO; TIERRA e XLONG
<b>Foreign subsidiaries in scope</b>	120 ANNIVERSARIO RETAIL; CAFFE CREMA; CAFFE CREMA CLASSICO; CAFFÈ CREMA DEK; CAFFÈ CREMA DOLCE; C.CREMA DOLCE PAD; CAFFÈ CREMA GUSTOSO; CLUB; CAFFÈ ESPRESSO; CLASSICO; CN R&G CLASSIQUE; CREMA CLASSICO PAD; C.CREMA DOLCE PAD; CREMA E AROMA; CREMA & GUSTO CLASSICO; C&G TRAD. ITALIANA; DEK; ESPRESSO CREMOSO; ESPRESSO PERFETTO; FILTRO ITALIANO; FILTRO YOUNG DELICATO; FILTRO YOUNG INTENSO; FILTRO YOUNG VIVACE; GRAN AROMA; GRAN AROMA BAR; GRAN CREMA ESPRESSO; GRAN SELEZIONE; IL MATTINO; IL PERFETTO ESPRESSO; INTENSO; MERRILD BEANS; MERRILD CLASSIC; MERRILD DARK ROAST; MERRILD ECOLOGIC; MERRILD FRENCH PRESS; MERRILD IN CUP; MERRILD INSTANT; MERRILD INSTANT BIO; MERRILD INSTANT FLAVORED; MERRILD LESS CAFFEINE; MERRILD PADS; MERRILD RED; MERRILD SPECIAL; PRODOTTI MISTI; PRONTISSIMO; QUALITÀ ORO; QUALITÀ ROSSA; SINFONIA ESPRESSO; SINFONIA ESPR.INTEN.; SINGLE ORIGIN R&G; TIERRA.

G4-5	p. 9
G4-6	p. 9
G4-7	p. 43

G4-8	p. 9
G4-9	p. 9; p. 49; pp. 128-129
G4-10	p. 9; pp. 128-129
G4-11	<b>Luigi Lavazza S.p.A.</b> All employees of Luigi Lavazza S.p.A. have contracts whose terms are regulated by the National Collective Labour Agreements. <b>Foreign subsidiaries in scope</b> All of the employees of Lavazza Kaffee GmbH (Austria) and 92% of employees of Lavazza Nordic AB have contracts whose terms are regulated by the National Collective Labour Agreements applicable in those countries.
G4-12	p. 74; p. 86
G4-13	p. 9; p. 27
G4-14	On the basis of its capacities, Lavazza adopts a precautionary approach for environmental protection
G4-15	pp. 19-24
G4-16	p. 44
<b>Identified Material Aspects and Boundaries</b>	
G4-17	p. 9
G4-18	p. 10
G4-19	p. 14
G4-20	p. 14
G4-21	p. 14
G4-22	p. 128
G4-23	pp. 8-9
<b>Stakeholder Engagement</b>	
G4-24	pp. 12-13
G4-25	p. 10
G4-26	pp. 12-13
G4-27	pp. 12-13; p. 14
<b>Report Profile</b>	
G4-28	p. 9
G4-29	p. 8
G4-30	p. 8
G4-31	p. 8
G4-32	p. 8; p. 15; p. 154
G4-33	p. 15
<b>Governance</b>	
G4-34	p. 43
<b>Ethics and Integrity</b>	
G4-56	p. 42

## SPECIFIC STANDARD DISCLOSURES

Specific Standard Disclosure	Page number or description
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## CATEGORY: ECONOMIC

DMA	p. 47; p. 90
<b>Material Aspect: Economic Performance</b>	
G4-EC1	p. 50
<b>Material Aspect: Market Presence</b>	
G4-EC5	<b>Luigi Lavazza S.p.A.*</b> The average annual salary is roughly 29% higher than the minimum wages established by the National Collective Labour Agreement (CCNL). The average annual wages for female employees are 24% higher than the minimum wages established by the CCNL (32% for male employees).  <i>* Since employees of subsidiaries are not subject to National Collective Labour agreements and/or are minimum wages have not been established in their countries for occupational levels comparable to those defined by the Italian CCNL, the Lavazza Group decided to measure the indicator only in reference to Luigi Lavazza S.p.A.</i>
<b>Material Aspect: Indirect Economic Impacts</b>	
G4-EC7	The total amount invested in the new headquarters in 2016 is approximately Euro 84 million.
<b>Material Aspect: Procurement Practices</b>	
G4-EC9	pp. 90-91

## CATEGORY: ENVIRONMENTAL

DMA	pp. 103-104
<b>Material Aspect: Materials</b>	
G4-EN1	p. 123
<b>Material Aspect: Energy</b>	
G4-EN3	pp. 112-113
G4-EN4	p. 107
G4-EN5	p. 113
G4-EN6	pp. 112-113
<b>Material Aspect: Water</b>	
G4-EN8	p. 116
G4-EN10	p. 117
<b>Material Aspect: Emissions</b>	
G4-EN15	p. 107
G4-EN16	p. 107
G4-EN17	p. 107
G4-EN18	p. 106
G4-EN19	p. 106
G4-EN20	p. 120

<b>Material Aspect: Effluents and Waste</b>	
G4-EN22	p. 117
G4-EN23	pp. 118-119
G4-EN24	p. 120
<b>Material Aspect: Products and Services</b>	
G4-EN27	pp. 112-113; p. 116; p. 118; p. 120
<b>Material Aspect: Compliance</b>	
G4-EN29	p. 120
<b>Material Aspect: Transport</b>	
G4-EN30	p. 86
<b>Material Aspect: Overall</b>	
G4-EN31	In the three-year period, the Lavazza Group incurred the following environmental costs: Euro 2.7 million in 2014 million, 3.19 million in 2015 and 1.29 million in 2016.
<b>Material Aspect: Supplier Environmental Assessment</b>	
G4-EN32	p. 42
<b>Material Aspect: Environmental Grievance Mechanisms</b>	
G4-EN34	p. 120
<b>CATEGORY: SOCIAL</b>	
DMA	p. 38; p. 55; p. 127; p. 142
<b>SUB CATEGORY: LABOR PRACTICES AND DECENT WORK</b>	
<b>Material Aspect: Employment</b>	
G4-LA1	p. 130
G4-LA3	<b>Luigi Lavazza S.p.A.</b> In the three-year period 2014-2016, 186 employees (125 female and 61 male) benefited of parental leave. The rate of return to work and reinstatement historically is 100%. <b>Foreign subsidiaries in scope</b> In 2016, 6 employees of foreign subsidiaries included in the reporting scope (4 female and 2 male) benefited of parental leave. 5 of the 6 employees returned to work in 2016 at the end of the parental leave.
<b>Material Aspect: Labor/Management relations</b>	
G4-LA4	<b>Luigi Lavazza S.p.A.</b> Luigi Lavazza S.p.A. does not resort to forms of collective bargaining to define the periods of notice. However, the Company does comply with the statutory provisions and collective bargaining terms relating to periods of notice. <b>Foreign subsidiaries in scope</b> Periods of notice in the event of significant operational changes in the organisation of Lavazza's foreign subsidiaries included in the reporting scope vary from 1 to 3 months, consistently, where applicable (see G4-11), with the national collective labour agreements in force.
<b>Material Aspect: Occupational Health and Safety</b>	
G4-LA6	pp. 142-143
<b>Material Aspect: Training and Education</b>	
G4-LA9	pp. 134-135
G4-LA11	p. 133

<b>Material Aspect: Equal Remuneration for Women and Men</b>	
G4-LA13	<b>Luigi Lavazza S.p.A.</b> The ratio between the gross annual salaries paid-out on average to female workers and those paid-out to men is about 94% for the Middle Managers category and 95% for the White Collars category. In the case of Blue Collars, the ratio sees women earning 1.2% more than men. <b>Foreign subsidiaries in scope</b> The ratio between the gross annual salaries paid-out on average to female workers and those paid-out to men is about 85% for the Middle Managers category and 80% for the White Collars category. This figure represents the weighted average of the ratios between women's and men's average salaries per category of foreign subsidiaries included in the reporting scope.
<b>Material Aspect: Supplier Assessment For Labour Practices</b>	
G4-LA14	p. 42
<b>Material Aspect: Labor practices Grievance Mechanisms</b>	
G4-LA16	<b>Luigi Lavazza S.p.A.</b> In the three-year period, Luigi Lavazza S.p.A. did not receive any reports of violations of workers' rights, regarding proper regulation of the working hours, trade union rights and the procedures for managing the employment relationship, except for one case in 2016 that was dealt with a labour-related lawsuit that ended with the Court acquitting Lavazza. <b>Foreign subsidiaries in scope</b> Workers of Lavazza's subsidiaries did not file any formal claims in 2016.
<b>SUB-CATEGORY: HUMAN RIGHTS</b>	
<b>Material Aspect: Investment</b>	
G4-HR1	p. 42
<b>Material Aspect: Supplier Human Rights Assessment</b>	
G4-HR10	p. 42
G4-HR12	<b>Luigi Lavazza S.p.A.</b> In the three-year period (2014-2016), no claims involving the violation of human rights were filed against Luigi Lavazza S.p.A. <b>Foreign subsidiaries in scope</b> Workers of Lavazza's subsidiaries did not file any formal claims involving the violation of human rights in 2016.
<b>Material Aspect: Local Communities</b>	
G4-S01	pp. 38-39; pp. 62-63
<b>Material Aspect: Anti-corruption</b>	
G4-S04	In 2016, the Lavazza Group launched an integrated compliance programme with focus on issues of anti-corruption, privacy, prevention of the crimes referred to in Legislative Decree No. 231/01 and antitrust.
<b>Material Aspect: Compliance</b>	
G4-S08	<b>Luigi Lavazza S.p.A.</b> In the three-year period (2014-2016), there have been cases of tax penalties resulting from audits conducted by the tax authorities (i.e. voluntary correction of tax returns). The Grand total of tax penalties in the three-year period amounts to about Euro 273,274. <b>Foreign subsidiaries in scope</b> None of the Subsidiaries included in the scope were charged with significant tax penalties in 2016.

**SUB-CATEGORY: PRODUCT RESPONSIBILITY**

Material Aspect: Customer Health and Safety

G4-PR2 In the three-year period (2014-2016) there have been no reported breaches to the laws/regulations and voluntary codes concerning the health and safety of products.

Material Aspect: Product and service labeling

G4-PR5 p. 89

Material Aspect: Customer Privacy

G4-PR8 p. 87





## INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2016

To the Board of Directors of  
Luigi Lavazza SpA

We have carried out a limited assurance engagement of the Sustainability Report as of 31 December 2016 (hereinafter the “Report”) of Lavazza (hereafter the “Company”). Lavazza identifies, only for Sustainability Report purposes, the aggregation of the following companies: Luigi Lavazza SpA, Luigi Lavazza Deutschland GmbH, Lavazza Kaffee GmbH, Lavazza Coffee UK Ltd, Lavazza Nordics AB and Merrild Kaffe ApS.

### Responsibility of the Directors for the Report

The Directors are responsible for preparing the Report in compliance with the *G4 Sustainability Reporting Guidelines* defined in 2013 by the *GRI - Global Reporting Initiative* (the “*G4 Sustainability Reporting Guidelines*”), as indicated in the paragraph “Methodological Note” of the Report, and for that part of internal control that they consider necessary to prepare a sustainability report that is free from material misstatement, whether due to fraud or unintentional behaviours or events. The Directors are also responsible for defining the sustainability performance targets of Lavazza, for reporting the sustainability results, as well as for identifying the stakeholders and the significant aspects to be reported.

### Auditor’s responsibility

We are responsible for the preparation of this report on the basis of the work performed. We conducted our engagement in accordance with “*International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Financial Information*” (“*ISAE 3000*”), issued by the International Auditing and Assurance Standards Board for limited assurance engagements. The standard requires that we comply with applicable ethical requirements, including professional independence, and that we plan and perform our work to obtain limited assurance that the Report is free from material misstatement. The procedures consisted in interviews, primarily of Luigi Lavazza SpA personnel responsible for the preparation of the information presented in the Report, analysis of documents, recalculations and other verification procedures. We also performed inquiries with personnel from international companies of Lavazza Group included in reporting perimeter, aimed at updating the materiality analysis and requesting information to be used for verification of quantitative data reported.

### PricewaterhouseCoopers Advisory SpA

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The procedures we performed on the Report consisted in verifying its compliance with the principles for defining the content and the quality of a sustainability report set out in the “*G4 Sustainability Reporting Guidelines*”, and are summarised as follows:

- comparing the economic and financial information and data reported in paragraph “Lavazza Group - financial-economic trend” of the Report with those included in the Group’s consolidated financial statements as of 31 December 2016 on which other auditors issued an audit opinion, in accordance with article 14 of legislative decree n° 39 of 27 January 2010, on 11 April 2017;
- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to Lavazza’s strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
  - meetings and inquiries with Top Management of Luigi Lavazza SpA, Luigi Lavazza Deutschland GmbH, Lavazza Kaffee GmbH, Lavazza Coffee UK Ltd, Lavazza Nordics AB and Merrild Kaffe ApS, in order to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
  - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph “Responsibility of the Directors for the Report”;
- analysing the stakeholders engagement process with regard to the methods used and the analysis of the existing documentation concerning the significant matters arisen during the dialogue initiatives;
- obtaining a representation letter, signed by the Chief Executive Officer of Luigi Lavazza S.p.A., on the compliance of the Report with the guidelines identified in the paragraph “Responsibility of the Directors for the Report”, as well as the reliability and completeness of the disclosed information.

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

## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that Lavazza Sustainability Report as of 31 December 2016 has not been prepared, in all material respects, in compliance with the “G4 Sustainability Reporting Guidelines” defined in 2013 by the GRI - Global Reporting Initiative as disclosed in the paragraph “Methodological note” of the Report.

## Other aspects

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

Turin, 13 June 2017

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.*

# Glossary

## Accountability

An organisation is accountable if it is organised in such a way as to provide its stakeholders (see stakeholder) with periodic reports and communications on its approach, objectives and results. The level of accountability of an organisation and the content of its reports have a significant impact on stakeholders’ perception of the organisation, which in turn affects its reputation. As such, accountability provides a foundation for building and strengthening trust between a company and its stakeholders.

## Audit (taken from UNI EN ISO 19011:2012)

Systematic, independent and documented process for obtaining audit evidence and to objectively assess the data, in order to determine the extent to which the audit criteria have been met.

Internal audits, sometimes called “first-party audits”, are conducted by the organisation directly or on its behalf, for review by the top management and for other internal purposes, and can form the basis for a self-declaration of conformity. In many cases, particularly in smaller organisations, independence can be demonstrated by the absence of liability for the activities audited. External audits include those that are generically called “second-party” and “third-party audits”.

Second-party audits are conducted by stakeholders, such as clients, or by other persons on their behalf.

Third-party audits are conducted by independent external auditing committees such as those that issue certificates of conformity to ISO 9001 and/or ISO 14001 standards, for instance.

## Biodiversity

The variability between living organisms within a single species (genetic diversity), between different species and between ecosystems. The Convention on biological diversity, approved by the European Community, affirms the need to anticipate, prevent and combat at the source the causes of any significant reduction or loss of biological diversity, in consideration of its intrinsic value as well as its ecological, genetic, social, economic, scientific, educational, cultural, recreational and aesthetic values.

## Carbon footprint (source: Ministry for the Environment and Protection of Land and Sea)

The carbon footprint is a measure that expresses the total emissions in equivalent CO<sub>2</sub> of greenhouse gases directly or indirectly linked to a product, an organisation or a service.

In accordance with the Kyoto Protocol,

greenhouse gases include: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), sulphur hexafluoride (SF<sub>6</sub>) and perfluorocarbons (PFCs). The tCO<sub>2</sub>e (metric tonnes of equivalent CO<sub>2</sub>) makes it possible to quantify the greenhouse effect of these gases with reference to the greenhouse effect produced by CO<sub>2</sub>, considered equal to 1 (e.g. methane has a greenhouse potential 25 times higher than CO<sub>2</sub>, and therefore one tonne of methane is accounted for as 25 tonnes of equivalent CO<sub>2</sub>).

The measurement of the carbon footprint of a product or process requires in particular the detection and quantification of the consumption of raw materials and energy during select stages of the life cycle.

## Circular economy

An economy in which the waste produced by a manufacturing process circulates within the economy by re-entering it directly or in another process. The following is the definition of a circular economy provided by the Foundation Ellen MacArthur: a circular economy is “an industrial economy that is conceptually regenerative and that reproduces nature by actively improving and streamlining the systems it uses to operate”.

### **Climate change – Global Warming**

Expression used to indicate the increase in the average temperature of the Earth's atmosphere and oceans due to natural causes. It is also used as a synonym for global warming and is caused by anthropic contribution occurring over a time-span of 100 years.

### **Compostability**

Property of biodegradable organic materials (food and grass shoots, manure, organic plastics, etc.) of being convertible into humus compost when processed in composting plants.

### **Corporate welfare**

System of voluntary services provided by a company in favour of its employees, in response to their specific needs and economic/social interests. The term by extension includes a very broad range of services, such as benefits on social security and insurance needs (e.g. a contribution to a healthcare plan) and goods or services made available to employees as a way to reconcile their job and private life.

### **CSR Corporate Social Responsibility**

Set of policies adopted voluntarily by a company to integrate social and ecological issues with its commercial operations and

relations with stakeholders. A company is socially responsible if it goes beyond its statutory obligations by investing in human capital, the environment and relations with its stakeholders.

This is mirrored by the definition of CSR in the European Commission Communication of October 2011 "A renewed EU strategy 2011–2014 for Corporate Social Responsibility", according to which CSR is "a process to integrate social, environmental, ethical, human rights and consumer concerns in to their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

- Maximising the creation of shared value for partners/ shareholders and for their other stakeholders and society at large, through a long-term strategic approach to CSR and the development of innovative products, services and business models;
- Identifying, preventing and mitigating their possible adverse impacts".

### **Eco-design**

Product design that has the lowest possible impact on the environment during manufacturing, use and disposal.

### **Energy saving**

A set of actions to programme, plan and adopt energy-reducing mechanisms, technologies and practices, without reducing output or services offered.

### **Environment (taken from UNI EN ISO 14001:2004)**

The context in which an organization conducts business, including air, water, soil, natural resources, plant and wildlife, human beings and their interactions.

### **Environmental aspect (taken from UNI EN ISO 14001:2004)**

Any element of an organisation's business or products/services that can interact with the environment.

### **Environmental impact (taken from UNI EN ISO 14001:2004)**

Any disruption of the environment, whether negative or beneficial, caused entirely or partly by an organisation's environmental aspects.

### **Environmental policy (taken from UNI EN ISO 14001:2004)**

The set of intentions and guidelines of an organisation insofar as concerns its environmental performance and as expressed formally by its top management. Environmental policies provide a framework in which to conduct business and help define the company's environmental objectives and goals.

### **Global Reporting Initiative (GRI)**

A non-profit, multi-stakeholder organisation recognised at international level, whose mission is to establish guidelines for preparing sustainability reports and to encourage their use as a way of contributing to sustainable development. Since its foundation in 1997, the GRI has issued a series of editions of its reporting standards, each representing an evolution of the previous one to adapt to changing scenarios and to meet stakeholders' expectations more effectively in terms of the information provided (see stakeholder). The new edition of the standard, the "G4", which focuses on the concept of "materiality", was released in mid -2013 (see Materiality).

### **Greenhouse effect**

A natural effect, amplified by the results of human activities, which regulates the ability of the Earth's atmosphere to withhold energy from the sun through a semi-transparent layer consisting of greenhouse gases that "trap" the sun's rays.

### **Health & Safety policy (taken from OHSAS 18001:2007)**

The set of intentions and guidelines of an organisation insofar as concerns health and safety, and as expressed formally by its top management. H&S policies provide

a reference framework in which to conduct business and help define the company's objectives in terms of health and safety.

### **Industrial composting**

Controlled biological decomposition using oxygen, of organic waste. This process generates a material similar to humus, named compost. The composting process can be realised at the industrial level through specific plants, and at a limited scale, through house composters.

### **Intermodal transport**

The use of two or more transportation methods on a given route. An example is intermodal transport on land, i.e. road-railway, in which a cargo unit (container, mobile crate, and semi-trailer truck) travels a part of the route by railway and another part (or more) on road.

### **ISO 9001**

An international standard setting out the requirements of an organisation's quality management system. The standard provides guidelines for improving efficacy and efficiency in making a product and providing services, and for enhancing customer satisfaction and loyalty.

### **ISO 14001**

International standard that identifies the requirements of an "environmental

management system" capable of identifying and assessing the environmental aspects of an organisation's business, products and services, with the aim of continually improving its environmental performance and the system's requirements. The standard can be used to apply for certification from agencies and/or to issue a self-certification, or simply as a guideline to establish, enforce and improve an environmental management system.

### **ISO 22000**

A voluntary standard certifying safety management system in the food sector. It is applicable to all companies operating directly or indirectly in the food and agricultural sector, including packaging manufacturers, and aims to assess and demonstrate product compliance and food safety, while also guaranteeing effective control of risk factors.

### **ISO 50001**

International Standard specifying the criteria necessary to create, maintain and improve an energy management system. This system should enhance an organisation to improve continuously its performance in terms of energy efficiency and energy use and consumption, through a systematic approach.

## LEED®

LEED (Leadership in Energy and Environmental Design) is a system for classifying the energy efficiency and ecological footprint of buildings in the United States, developed by the U.S. Green Building Council (USGBC). It provides voluntary certification for buildings that demonstrate their environmental sustainability in terms of energy and the consumption of all resources involved in the production process.

## Life Cycle Assessment (LCA)

Methodology defined by the ISO 14040:2006 standard. The LCA is an objective process for assessing the environmental effects of a product, process or activity, carried out by identifying and quantifying energy, materials used and waste released into the environment in order to assess their impact and to identify and grasp opportunities for environmental improvement. The assessment includes the entire life cycle of the product, process or activity, including the extraction and processing of raw materials, production, transportation, distribution, use and final disposal.

## Materiality

Materiality means the relevance that a given topic (economic, management, social or environmental) has for the company

and its stakeholders (see stakeholder).

Material issues are those that reflect the organisation's significant economic, social and environmental impacts or substantially influence stakeholder assessments and decisions.

## Non-renewable energy sources

Natural resources that tend to be depleted over a humanly quantifiable time and from which heat or electricity can be obtained. Examples of non-renewable energy sources include fossil fuels (carbon and oil) and the minerals used to produce nuclear energy (uranium).

## OHSAS 18001 (Occupational Health and Safety Assessment Series)

International Standard identifying the criteria for a "Management System for Occupational Health and Safety". This system should identify the dangers and risks of activities, products and services of an organisation in order to ensure the continuous improvement of the safety performance as well as the compliance with the above-mentioned criteria. This standard can be used to obtain the certification from a third party, and/or to define a self-declaration, or as a guideline in order to establish, implement and improve a management system for occupational health and safety.

## Organic

Organic farming is a method of growing raw materials in compliance with a set of coded principles, like the one forbidding the use of chemicals in all stages of agricultural production. The term "organic" is also used to indicate a certification standard for agricultural raw materials, which guarantees that they come from supply chains that comply with the principles of organic farming.

For companies operating in Europe, the technical rules establishing the characteristics of organic farming are laid down in EU legislation. Moreover, supervisory bodies authorised by the Italian Ministry of Agricultural and Forestry Policy also exist to carry out inspections on the farms and certify organic production processes.

## Organisation and Management Model (as per D. Lgs. 231/2001)

An organisational system, established through an official company document, designed to prevent cases of criminal liability established in Italian Legislative Decree 231 of 8 June 2001. Under the decree, organisations are subject to "corporate liability" for specific kinds of offences committed by administrators and employees in the interest or for the benefit of the organisations.

## Pollution prevention (taken from UNI EN ISO 14001:2004)

Use of processes, practices, techniques, materials, products, services or energy sources to avoid, reduce or control (separately or in combination) the generation, emission or discharge of any pollutant or waste, in order to reduce negative environmental impacts. Pollution prevention may include reducing or eliminating at the source, modifications to a process, product or service, the efficient use of resources, replacement of materials or energy sources, reuse, recovery, recycling, reclamation and treatment.

## Rainforest Alliance

Rainforest Alliance is a non-governmental organisation founded in 1986 to preserve biodiversity, improve the living conditions of farmers and promote sustainable farming practices ([www.rainforestalliance.org](http://www.rainforestalliance.org)). The certification standard is based on compliance with the following nine principles: protection of local flora and fauna, protection of ecosystems, protection of the soil, protection of water resources, fair treatment of workers and good working conditions, good relations within communities, integrated waste management, integrated pesticide management, monitoring, and the promotion of peace.

## Renewable energy sources

Natural sources capable of generating thermic and electric energy. These sources include solar energy, wind energy, biomass, tides and ocean currents.

## Scope

With reference to sustainability reporting, "scope" indicates the various entities (e.g. subsidiaries, joint ventures, suppliers) whose performance is included in an organisation's sustainability report. As reporting is voluntary, the company can define its own reporting scope; the broader the scope and if all or a large proportion of the company's activities are included in it, the more the company is accountable (see Accountability).

## Staff turnover

Staff turnover is the ratio between staff joining the organisation and those leaving it.

## Stakeholder and multi-stakeholder

Stakeholders are groups or individuals that are expected to be significantly affected by the activities, products and/or services of the organisation or whose actions can influence the organisation's ability to successfully implement its strategies and reach its objectives. In accordance with the AA1000SES stand-

ard (developed by the UK-based organisation Accountability and recognised as an international benchmark), an organisation may give priority to its stakeholders or groups of stakeholders based on the relevance of each of them. Relevance is an attribute determined by a joint assessment of the degree of dependency, influence, and priority that each stakeholder has with the organisation, or other aspects that characterise the relationship between the stakeholder and the organisation. Through the multi-stakeholder approach, a given topic is addressed with the involvement and collaboration of entities that have different interests in the topic and therefore different requirements. Examples of these stakeholders could be the various entities in a production chain, representatives of institutions, companies and non-profit organisations, etc.

## Sustainability and Sustainable Development

The most common definition of the concept of sustainable development is contained in the "Brundtland Report" of the World Commission on Environment and Development (named after its chairman Gro Harlem Brundtland), produced in 1987. Sustainable development indicates a development model "that meets the needs of the present without compromising the ability of future generations

to meet their own needs". Sustainability is therefore an approach (to society as well as to business) orientated towards guaranteeing a balance between current and future needs, and balancing economic and financial requirements with social and environmental needs.

### **Sustainability Report**

A document drawn up periodically in which an organisation analyses its social, environmental and economic performance, describing its ability to:

- Maintain the quality and reproducibility of natural resources;
- Guarantee well-being and opportunities for growth in accordance with human and workers' rights;
- Generate income, profit, and stable and lasting jobs.

The Sustainability Report is a voluntary document, so it is not subject to any legal obligation. There is, however, a standard that sets out its structure and contents, to ensure it provides the information in which stakeholders (see stakeholder) are interested. The GRI standard (see Global Reporting Initiative - GRI) is recognised on an international level and used by leading organisations around the world for sustainability reporting.

### **UTZ**

UTZ is a non-profit association based in Amsterdam, founded in 2002 to promote sustainable farming. The certification standard is based on principles such as the transparency of commercial practices, the traceability of raw materials and compliance with ILO conventions ([www.ilo.org](http://www.ilo.org)).

The name of the association derives from Utz kapeh, which means "good coffee" in the Mayan language Quiché.



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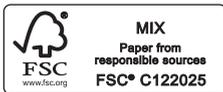
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