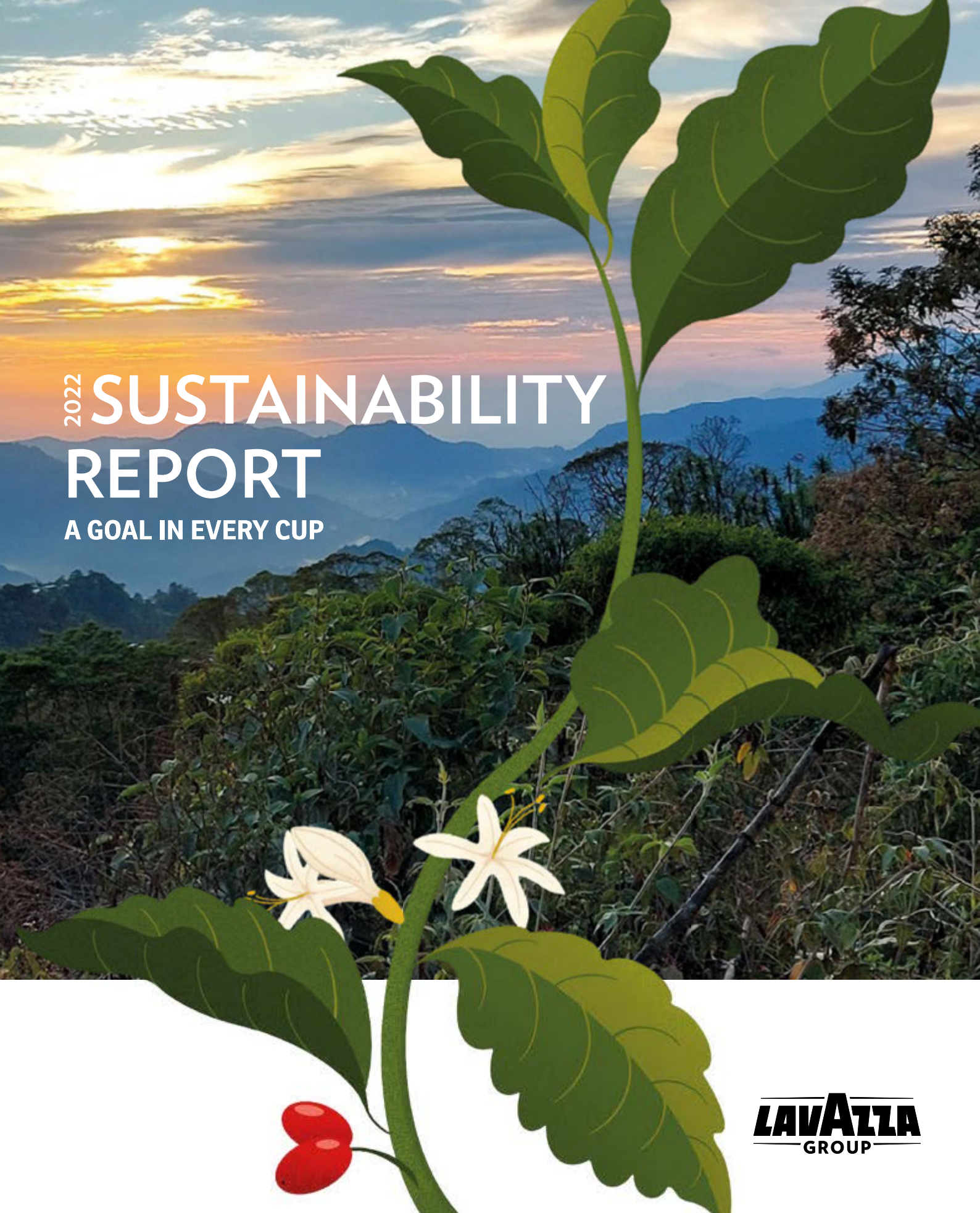

2022 SUSTAINABILITY REPORT

A GOAL IN EVERY CUP

LAVAZZA GROUP

2022 SUSTAINABILITY REPORT

A GOAL IN EVERY CUP

LAVAZZA GROUP

This Sustainability Report has been translated into English for the convenience of international readers.
In the event of discrepancy, the Italian version shall prevail.

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LETTERS TO THE STAKEHOLDERS

Alberto Lavazza
Honorary Chairman of Lavazza Group*

For the past 128 years, the story of our Group has been marked by passion for coffee and quality. A passion we continue to nurture with our entrepreneurial spirit, the desire to innovate, and a sense of responsibility to people, communities, and the environment.

Our tradition expresses the essence of real Italian coffee, which is more than just a drink: it is an experience we bring to the whole world, driven onwards by the professionalism and energy of the people working within our Group, whom I consider our true strength.

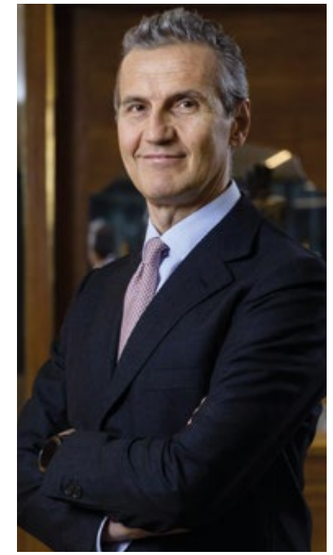
In 2022, we published the Group's new Code of Ethics, confirming the founding principles that underpin our way of doing business. It is an important tool for fostering a trusting environment, internally and externally, and for enhancing the cohesion and coherence of our Company, which in just a few years has taken on a global dimension.

It was an intense, complex year, during which we supported growth, sustainability projects and the ability to innovate, but also our drive to open up to the world.

Within our Group, people are the greatest wealth, with their uniqueness, genuineness and professionalism. We want to create an organisation without barriers, where everyone has the opportunity to contribute and grow, without exceptions: with this ambition in mind, in 2022 we launched a full-fledged Diversity & Inclusion Manifesto, co-designed and implemented thanks to ideas from our people.

We envision a future increasingly oriented towards the creation of widespread value, shaped by our values, our history and our identity.

*As of 27 April 2023, upon appointment of the new Board of Directors of Lavazza Group.



Antonio Baravalle
Chief Executive Officer of Lavazza Group

In 2022, our Group continued with its determined efforts to integrate ESG criteria into its business model, while also supporting its international growth. Each day, our approach to sustainability translates into planning, strategy and the ability to inform and engage people, both internally and externally to the Company.

From this perspective, we are pleased to introduce our ninth Sustainability Report, prepared on a voluntary basis. It shows the path that we have been taking towards a more sustainable world for many years. If, on the one hand, we have a well-structured plan of activity aimed at reinforcing the communities in which we operate and at creating shared value, on the other, we are committed to the fight against climate change through our Roadmap to Zero, a plan to cut our carbon footprint according to a systematic approach involving measurement, reduction and offsetting of non-reducible emissions.

Yet, it is thanks to the joint contribution of all of our Company's people that it is possible for us to face extremely complex times such as the present, marked by unprecedented difficulties, such as the war in Europe, supply chain disruptions and economic uncertainty.

When I look to the future, I see it standing solidly on the foundations of our renewed Code of Ethics, published in 2022. Its aim is to encourage us not only to think of an ethically responsible future, but also to shape it to match our values, legacy and identity.

At Lavazza Group, we firmly believe that "growth is as important as maintaining and strengthening our identity." Everything we do must be done fairly, properly, honestly, with integrity and transparency, in accordance with the highest ethical standards. Equity, dignity and respect are key words in our relations with the people with whom we interact daily.

PURPOSE

AWAKENING A BETTER WORLD EVERY MORNING

Awakening a better world every morning is the highest expression of the commitment to helping make the world better, coffee after coffee, day after day. It is precisely in compliance with its purpose statement that Lavazza Group aims to **offer high-quality products through a sustainable model based on innovation, passion and competence**.

The **2021-2025 five-year strategic plan** was designed based on this model and in this value framework which, over 125 years of history, has evolved to a point that economic, social and environmental sustainability is considered to be the compass for guiding the Company's strategy and for multiplying the positive effects on the Company and on the communities in which it operates.

In 2022 as well, all company functions worked to consolidate this approach, which involves all brands, and to integrate an international group perspective into a family company with a global vision — an independent key player in all segments and distribution channels of the coffee market, with over **30 billion cups of coffee produced yearly.**

LAVAZZA GROUP'S VALUES

OUR WORLDWIDE COFFEE FAMILY GROWS THROUGH RESPECT FOR PEOPLE AND THE ENVIRONMENT

AUTHENTICITY

PASSION FOR EXCELLENCE

RESPONSIBILITY

INVENTIVENESS

Our strong and growing family is made up of a **blend of brands**. We share the same values and complement one another with our distinct strengths and experience.

Authenticity, Inclusion, Passion for Exellence, are the traits of this unique Group. We continue to build on our rich history which guides us all towards a bolder future.

Our roots are in **Italy, but we have a worldwide reach and global outlook.**

Our aim is to pursue perfection **in what we do**, providing an all-round first-class coffee experience.

We care about the communities where our quality beans are grown, about our employees and about the people who enjoy our coffee. We also feel responsible for helping to protect the environment in which we live and work.

We are courageous and **forward looking.** Our endeavour is to empower our customers and our communities, through **inspiration, sustainable innovation, culture, and ultimately personal growth.**

We believe in humanity and in relations that connect humankind.

These are the principles to which every brand in our Group is committed.

And it's what our coffee is all about: the drive that helps the world awake a bit better every day.

HIGHLIGHTS

OUR COMMITMENT FOR AN INCLUSIVE COMPANY

4,186 employees, of whom **97%** **with permanent contracts** *(+5% vs. 2021)*

Publication of the Diversity & Inclusion Manifesto

15.6 hours of training per employee *(+7.4 hours vs. 2021)*

First level of **EDGE** certification for gender equality

TOP **EMPLOYER** for the 4th consecutive year

RESPONSIBLE GROWTH

NEW CODE OF ETHICS

€2.5 billion of distributed economic value

ISO 45001 Group-wide, for health and safety management according to the highest standards

Over **95%** **of coffee suppliers assessed** on the EcoVadis platform

EcoVadis gold Medal *(score 70/100)*

+18,000 **beneficiaries** reached with two projects for **children's rights** promotion in the supply chain in **Vietnam**

OUR PLEDGE FOR LOCAL COMMUNITIES

COMMUNITY ENGAGEMENT:

A Cup of Learning: **+380** **young people professionally trained** in 16 countries since 2017

Community Care: 12 Projects launched in Italy

FONDAZIONE GIUSEPPE E PERICLE LAVAZZA ONLUS

33 projects in **20** countries on **3** continents

+180,000 beneficiaries reached

PROTECTION OF THE ENVIRONMENT AND NATURAL RESOURCES

ISO 14001 **Group-wide**, towards an efficient and effective management of environmental impacts

90% of the electricity used generated by **renewable sources**

98% of coffee produced with **renewable electrical energy**

More than **89%** waste recovered and **recycled**

97% of **vegetable waste** from Italian coffee production **turned into fertiliser**

66% **recyclability of the packaging** of the product portfolio

€25 million of investments dedicated to the **Sustainable Packaging Roadmap**

-16% **of CO_{2eq} emissions** per coffee processed compared to 2021

Direct emissions and indirect emissions from electricity **neutralised** since 2020

6 **Carbon Neutral** product lines

THE LAVAZZA GROUP

LAVAZZA GROUP

1.1 THE GROUP

Lavazza Group, with Headquarters in Turin, Italy, was created by the entrepreneurial passion of a historic Italian family, **the Lavazza family**, and today it is one of the main players on the global coffee scene, present in all business segments. It operates in **140 markets**, with **9 production plants** in **6 countries** and over **4,000 employees** worldwide.

9 PRODUCTION plants

more than **140** COUNTRIES SERVED

over **50** TRAINING CENTER worldwide

over **4,000** EMPLOYEES

This global footprint stems from a growth path that has lasted for over 125 years. Immersed in a paradigm that integrates economic, social and environmental sustainability, the Group has always ensured optimal product **quality** through investments in research and innovation that guarantee the best coffee experience in all its forms, offering a moment of pleasure with the perfect product for all times of day and creating **sustainable value** for its stakeholders.

The Group's global growth journey has proceeded in step with its commitment to a business that is responsible towards the environment and the local communities in which it operates. An example of this is the non-profit Giuseppe and Pericle Lavazza Foundation, which since 2004 has supported sustainable development projects in favour of the coffee-growing communities and the most vulnerable segments of the communities in which it operates.

Historically, Lavazza Group has made **innovation** the hallmark of its entrepreneurial activity and the key to continuing to offer the best possible coffee in any form. From the intuition that marked the Company's first success — **the coffee blend** — to the development of innovative solutions for packaging, from the first espresso drunk in space to the dozens of industrial patents developed, the Company has always revolutionised the coffee culture, with courage, energy and reliability, modernising tradition to anticipate the needs of the market and consumers.

The Company's attitude is also reflected in the attention paid to economic, social and environmental **sustainability**, always considered a reference point for directing company's strategy and multiplying the positive effects on the Group and on the communities in which it operates.

This approach to sustainability covers all the Group's brands and creates a common culture based on responsible innovation, passion, integrity and competence that serves as a guide for continuing to offer superior quality coffee.

BRANDS

Lavazza Group brings together the global Lavazza brand with the brands Carte Noire, Kicking Horse and Merrild, market leaders in their respective countries, all united by a focus on quality, yet quite distinct in terms of characteristics and personality.

LAVAZZA

It is the Group's global brand, synonymous with authentic Italian coffee around the world and a symbol of conviviality, quality and the Italian way of life. A history that dates back to 1895, thanks to the entrepreneurial spirit of Luigi Lavazza, inventor of the art of blending. Lavazza is a consolidated, historic leader in Italy's retail chains, and it is present in all business segments — At Home, Away From Home and Office Coffee Service — with dedicated products and solutions. It can also count on excellent brand awareness and reputation in all the most strategically important markets, also thanks to its constant commitment to sustainability.

CARTE NOIRE

Part of the Group since 2016, Carte Noire is an icon of the French art of coffee and is the leading retail coffee brand in France, well known since its foundation for its extremely high-quality coffee.

Thanks to the vision of its founder, René Monnier, since 1978 Carte Noire has stood out for its refined blends and for being the first player in the French market to offer 100% Arabica products.

MERRILD

Part of the Group since 2015, this brand was founded in Denmark as a result of the passion of Møller Merrild, an entrepreneur who in 1964 opened a small coffee roasting company in Fredericia, a small Danish municipality on the shore of the North Sea, driven by a desire to improve the coffee blends available on the market. His research resulted in the development of high-quality recipes with unmistakable flavour — some of which remain unchanged to these days — propelling the brand's growth and transforming it into a leader of the coffee market in Denmark and the Baltics.

KICKING HORSE COFFEE

Part of the Group since 2017, this brand was founded in 1996 in the Canadian Rocky Mountains, where founders Elana Rosenfeld and Leo Johnson dreamed of creating an innovative coffee roasting company with an artisanal approach, experimenting with the art of roasting and blending coffee grown according to strictly natural methods. Over time, the brand has specialised in the marketing of 100% organic and fair-trade certified coffee, becoming the leading player in this segment on the North American market.

SALES CHANNELS

Lavazza Group's wide range of products, dedicated to both **At Home** and **Away From Home** consumption, is distributed across all sales channels: **Retail, Food Service, Retailing, Office Coffee Service (OCS) and Vending**. This presence makes available to all consumers and customers the most suitable solutions on every occasion, in every moment of the day.

Retail

Within the **At Home consumption** channel, the Group has a very strong position in a number of key markets such as Italy, France, Denmark, the Baltics and Canada. The range, differentiated by country, includes **whole-bean and ground coffee products** — for espresso, moka coffee pot and filter systems — **pods, instant coffee, ready-to-drink beverages and capsules** for the world's most common home systems.

In addition to a broad presence in mass retail and specialist stores, the Group also markets its At Home products through its subsidiary **Nims S.p.A.**, which joined the Group in 2017 and offers its customers direct door-to-door sale of coffee products and prompt, timely warranty and support service, thanks to a network of personal coffee shoppers who create a direct relationship of trust with their customers.

The products of the Group's brands can also be purchased online through an advanced e-commerce platform that includes the direct shops of proprietary sites, and thanks to a presence on large general-interest platforms (marketplaces) and the major retailers' online channels.

Food Service

Among the channels reserved to the **Away From Home consumption**, Lavazza provides sector professionals dedicated, tailor-made products and solutions for all service modes and types of coffee preparation. Quality in every cup is ensured making available a vast selection of professional machines and specific service materials, in addition to all communication materials that allow to leverage all aspects of the coffee ritual. The Lavazza Training Center provides day-to-day support to clients in their activities through training programmes focusing on theory and operational consulting, directly on site, provided by a team of specialists who operate according to the international standards of excellence set by the SCA (Specialty Coffee Association). In addition to coffee, the range is rounded out by complementary products such as hot chocolate, ginseng and barley beverages, tea, infusions and granitas.

Retailing

With regard to the **Away From Home consumption**, through its two Milan and London **flagship stores**, the Lavazza brand also offers an immersive, comprehensive coffee experience, where the product is enhanced in all its forms, from the most traditional, such as espresso, to the most surprising Coffee Design preparations. Moreover, the Group has set up with **Yum China Holdings Inc.**— the largest restaurant company in China in terms of total sales — a joint venture[1] to explore and develop the concept of the Italian coffee shop in China, reaching over 80 points of sale opened in 2022. The joint venture aims to open Lavazza coffee shops in China, as well as to distribute and market Lavazza's retail products, thus becoming the Group's exclusive distributor in mainland China.

Office Coffee Service (OCS) and Vending

To ensure that consumers can enjoy an excellent cup of coffee anywhere, Lavazza Group has developed a specific range of products for the various consumption occasions.

Office Coffee Service (OCS) – **Offices** is the channel devoted to the **Away From Home consumption,** specifically for workplaces, to which the Group pays very special attention and care and that includes a wide range of coffee capsules and other beverages, as well as a range of designer manual coffee machines suitable for any environment, along with a **supply and support service**. Cutting-edge systems such as Lavazza **Firma**, Lavazza Professional **Flavia** and **Lavazza Expert** are dedicated to this channel.

Vending – Public places is the channel devoted to the Away From Home consumption through vending machines located in airports, stations, Universities, factories, large corporations and hospitals, where the Group offers a wide range of products and services under the **Lavazza BLUE** brand and, for Lavazza Professional, under the **Klix** brand, which has become a sustainability benchmark thanks to its Eco Cups, i.e., fully recyclable and compostable paper cups.

[1] The joint venture with Yum China Holdings Inc. is not included in the reporting scope of this Sustainability Report.

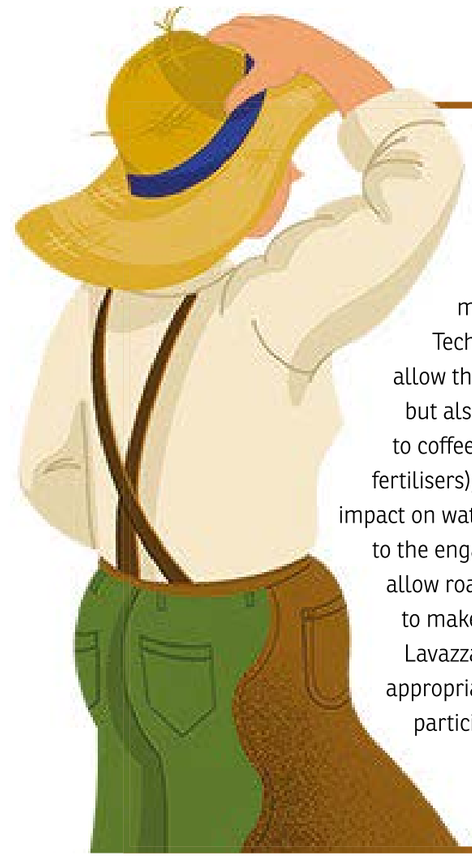
THE FOCUS ON QUALITY

The commitment to offering a product of the highest quality is one of the main development drivers for all the Group's brands. The ambition of each of them, with its own distinctive features, is to position itself on the target market with products which stand out for their focus on quality and attention to detail. As stated in the Quality & Food Safety Policy, at Lavazza Group quality is a fundamental principle in creating its products and has been an essential feature of the Group's tradition and philosophy for over 125 years. Right from the choice of the coffee origins needed to prepare the blends, the Group has decided to set its own **standards** for specific qualitative characteristics defined by Lavazza's experts, to ensure the uniformity of the coffee quality it purchases and with the aim of providing its consumers with the same consistent taste, known as the "**in-cup profile**". These standards embrace international classifications in the respective countries of origin, but also add more restrictive characteristics, specifically related to coffee quality, bean size and sensory profile. In addition, for each standard Lavazza has defined the maximum number and type of deviations allowed. The Lavazza standards have been revised and extended over time. Specific standards have been defined for those countries of origin where small quantities of coffee are bought. Currently, Lavazza has its own standards in relation to various countries both for Arabica coffee, such as Brazil, Colombia and the Central American area, and for Robusta coffee, such as Vietnam and Indonesia. In recent years, specific standards have also been defined for Carte Noire products and for coffee originating from African countries, such as Ethiopia and Uganda. The coffee not purchased based on Lavazza standards (a marginal portion of the Company's purchases) is bought using international standards as a reference. Lavazza purchases its coffee through collaboration between coffee-buyers, coffee-tasters and coffee exporters, which are required to provide the commodity according to the above-mentioned standards in order to ensure that the "in-cup profile" is kept constant over time.

The quality standards defined by the Group provide for compliance with several requirements monitored by the **Coffee Buying Department** (CBD), the Group's function dedicated to purchasing and procuring green coffee, whatever its origin and destination. It also deals with transport management and customs. Once the purchased coffee has entered the destination ports, the container is transferred to the customs warehouse and all the procedures are then completed so that the product is available to be used for production. A sample is taken from each container and then sent to Lavazza's laboratories, where the coffee tasters carry out the necessary tastings and analyses to verify that the product received corresponds to the coffee purchased in the coffee-growing countries. A specific identification code is given to each lot of coffee to identify characteristics such as the embarkation month or the price fixed. This process also ensures that the coffee is traced until the region of origin. The lot is held in the customs warehouse until the analyses are completed and it is judged fit for processing at the plants. When it reaches the plant, the green coffee undergoes once again a series of visual and humidity checks, according to specific reference and control standards, to be then placed in storage silos. Various controls are carried out on packaging integrity during the packing phase. Each plant has a small tasting laboratory, where all the finished product lots are tested by personnel with special training to check that the right blend is contained in the pack and has no defects.

With a view to meeting food quality and safety requirements, Lavazza Group has obtained the certifications applicable to processes and products for its production plants, as summarised in the table below.

	TORINO	GATTINARA	1895	POZZILLI	LAVÉRUNE	BASINGSTOKE		WESTCHESTER	KICKING HORSE COFFEE	SIRI CITY
						DRINKS FACTORY	MACHINE FACTORY			
Process Certifications										
ISO 9001:2015 Quality Management System	●	●	●	●	●		●			●
HACCP (Ref. CodeXAlimentarius) HACCP System – International Food Standards	●	●	●	●	●				●	●
FSSC 22000 Food Safety Management System	●	●	●		●	●		●		●
Product Certifications										
UTZ/Rainforest Alliance[2] Product Sustainability Standard	●	●	●	●	●	●		●		●
Fairtrade[3] Product Sustainability Standard										●
Confida[4] Italian Vending Products Standard	●	●	●							
Bio-Organic[5] European Regulatory Framework Governing Organic Foods	●	●	●	●	●					
National Organic Program (NOP)[6] US Federal Regulatory Framework Governing Organic Foods								●		
Certifications of a Religious Nature										
Kosher Jewish Religious Certification	●	●	●	●	●	●		●		●
Halal (Specific Standard for Malaysian requirements) Muslim Religious Certification	●	●	●	●	●					



COFFEE TRACEABILITY

In recent years, many of the largest international coffee traders from which Lavazza Group buys the raw material have developed systems for tracking and monitoring the supply chain's sustainability performance. Technological platforms have been developed that not only allow the coffee's journey to be tracked through georeferencing, but also control to be kept of indicators, such as those linked to coffee productivity; correct use of production inputs (such as fertilisers); environmental impact (carbon footprint, land use and impact on water); employee health and safety; and social issues linked to the engagement of women and young people. These platforms allow roasting companies to collaborate with their own suppliers to make the coffee supply chain increasingly more transparent. Lavazza Group is working on common solutions, which may be appropriate for its supply chain and development model, through participation in multistakeholder and pre-competitive working groups.

[2] Rainforest Alliance is a certification attesting the origin of products deriving from sustainable agriculture that helps farmers and their families to adopt good agricultural practices and run their farms profitably, while respecting people and the planet's resources.

[3] Fairtrade certification ensures growers a stable minimum price (regardless of market variations and in support of sustainable production) and a Fairtrade prize that growers' cooperatives can allocate to social projects, schools and clinics or improved production.

[4] Confida (the Italian Automatic Distribution Association) ensures that companies that own automatic vending machines comply with a series of parameters and meet a high standard of quality in the provision of vending services.

[5] Bio-Organic certification guarantees that the production processes comply with the specific requirements for the processing of raw ingredients of organic origin. It covers all the levels of the production chain.

[6] NOP is a US standard for organic products.

1.2 THE WORLD OF COFFEE

- The **coffee belt**, an area stretching between the Tropic of Cancer and the Tropic of Capricorn, includes about **40 main coffee-growing countries**.
- 95% of the production is the work of **25 million small growers**, organised in family-run farms
- **The plant and its habitat**:
  - present in the tropical and equatorial regions
  - needs warm climate and humidity
  - needs high quantity of nitrogen in the soil
  - biodiversity: 2 main species (Arabica and Robusta) and 124 different species and varieties
  - Arabica coffee grows at an altitude between 700 and 2,200 metres; Robusta coffee between 0 and 1,600 metres
- Daily consumption at global level: 3.1 billion cups of coffee[7]

[7] Source: *"Il settore del caffè in Italia e nel mondo* (ed. 2023)".

MAIN PRODUCING COUNTRIES

Source: Coffee Guide 2020

Asia / Pacific
India
Thailandia
Laos
Malaysia
Vietnam
Indonesia
Papua New Guinea

Central America
Mexico
Guatemala
Honduras
El Salvador
Nicaragua
Cuba
Haiti
Costa Rica
Panama

Africa

Guinea	CAR
Liberia	Congo
Ivory Coast	Angola
Ghana	Malawi
Togo	Madagascar
Nigeria	Tanzania
Benin	Uganda
Camerun	Ethiopia

South America
Brazil
Colombia
Peru
Ecuador
Venezuela

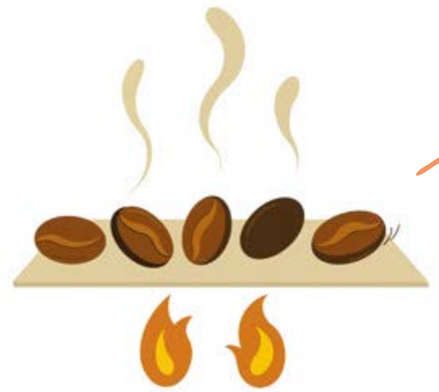
In million of 60 kg bags

THE COFFEE TRAVEL

COFFEE GROWING AND PRE-PROCESSING
Farmers, Cooperatives, public and private entities

TRADE
Exporters, Importers

ROASTING AND PROCESSING
Roaster



DISTRIBUTION
Distributors

CONSUMPTION
Consumers

Lavazza Group operates in the coffee supply chain as a **roaster**. The coffee chain is among the most complex and fragmentary in agriculture: three-fourths of the world's production is the work of **25 million** small growers, around **12.5 million family-run farms** spread in over **40** main growing countries in the **coffee belt**, between the Tropic of Cancer and the Tropic of Capricorn, where the first five countries (Brazil, Vietnam, Colombia, Indonesia and Ethiopia) account for 80% of production.
The process begins with growing plants on plantations, which are managed by producers of various sizes, from the smallest (managing around a hectare) to larger, more organised operations. Smaller growers often form cooperatives or associations and work with local intermediaries, which for some countries not only handle the logistics chain, made complex by insufficient infrastructure, but finance the production and/or even purchase the raw material. Once coffee reaches the port, local exporters or exporters within international Trading House groups load the raw material onto container ships for buyers, including roasters, importers, agents and international traders themselves. The coffee is then unloaded in the ports of importing countries, stored in large customs warehouses and then brought to roasting facilities, where it is roasted, ground and packaged. Once this process is completed, the product is ready to be distributed through the different sales channels.

THE CHALLENGES

The Lavazza Group's business is carried out in this fragmentary context with several players. There are multiple interrelated challenges: increasing coffee yields and profitability, encouraging the young entrepreneurs, promoting women's empowerment and protecting human rights within the communities, safeguarding biodiversity, combating deforestation, integrating new technologies for a resilient agriculture, mitigating the effects of climate change, and developing strategies to adapt to said effects.
Particular attention should be paid to the impact of **climate change** on coffee plantations, which are extremely vulnerable to it. As a result of higher temperatures, irregular rainfall and more frequent and intense extreme meteorological events some growing areas are expected to become less suitable to coffee growing activities. The conversion of coffee-growing land in new areas is a possible scenario that could have broader sustainability implications, such as biodiversity loss and deforestation.

The current scenario thus raises various major challenges to be faced through a deep commitment by all stakeholders and the integration of appropriate policies, standards and regulations, with a big goal: promoting a value chain with a central focus on all three aspects of sustainability, creating economic, social and environmental value for all the people who operate in coffee-growing communities.

"Coffee is — and for a long time will continue to be — a product made by small growers at the centre of a constantly expanding business: the key role of local growing communities must be clear to all players in the chain, who must join together in creating shared value based on the search for economic profitability for growers and the ability to produce efficiently, while ensuring long-term environmental protection. Strengthening small growers means strengthening our industry."

Mario Cerutti, Chief Institutional Relations & Sustainability Officer of Lavazza Group

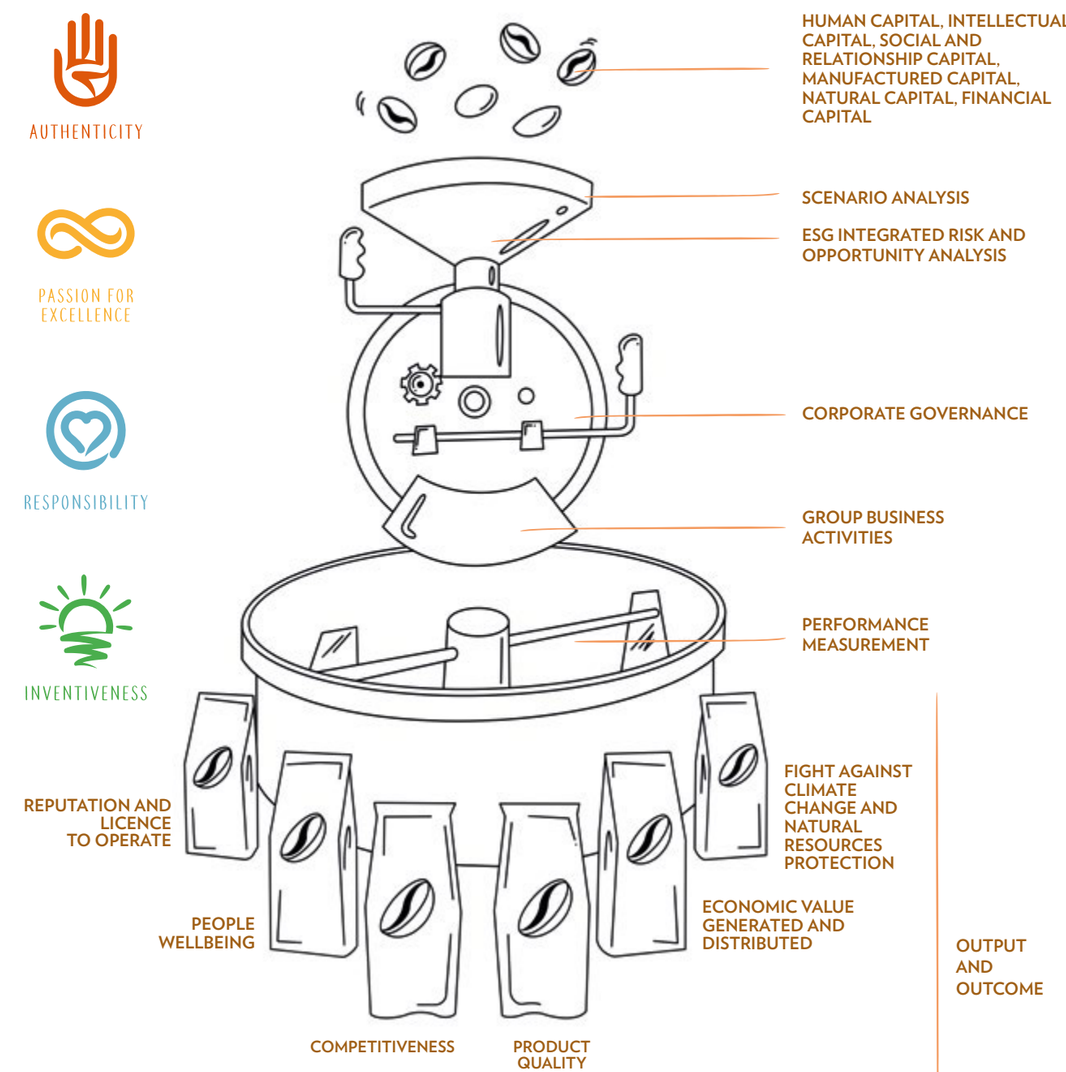
1.3
THE BUSINESS MODEL

Within the foregoing scenario, the Group is committed to developing its business according to a model that aims to create value through ethical, responsible practices and that adapts to the characteristics and challenges of the industry context. To better represent the business model[8] adopted by the Group, a joint round table was launched with the Finance function, so as to anticipate European legislative drivers in terms of reporting (Corporate Sustainability Reporting Directive), and work together to plan shared actions for complete, substantial integration of sustainability goals into the business with a view to continuous improvement.

The chart below shows how the main resources, the different capitals referred to as "**inputs**", are used to create shared value throughout the chain to pursue the Group's targets and contribute to its sustainable development. Solid, transparent governance in which sustainability is integrated into business decisions makes it possible to use inputs in light of a thorough, up-to-date scenario analysis of the coffee industry and the sustainability macro-trends, in line with the Group's strategy. The risk analysis, integrated with ESG (Environmental, Social, Governance) factors, allows to prevent and mitigate the main threats, while protecting the Group's business activities. Through cyclical monitoring of financial and non-financial performance, the Company creates **short- and medium-term outputs that generate an ensuing long-term outcome.** Outputs and outcomes are monitored through dedicated action plans and specific indicators managed by the various company departments.

The compass that guides the entire process is represented by the Group's values and purpose, from which stems an approach common to all brands, creating a culture based on responsible innovation, passion, integrity and competence.

[8] Lavazza Group's business model has been construed on the basis of the International <IR> Framework, published by the International Integrated Reporting Council (IIRC) to show the system for organising inputs with company activities, outputs and outcomes, with the goal of creating value in the short, medium and long term.



CAPITAL	INPUT	OUTPUT	OUTCOME
Social and Relationship Capital	The Group's Social and Relationship capital is based on its extensive presence on working tables and in **key coffee associations**, such as the International Coffee Organization, World Coffee Research and the European Coffee Federation. Active participation in **pre-competitive networks** and international research enriches the Group's vision, contributing to identifying transversal solutions to common coffee industry problems, while also promptly seizing emerging opportunities. Relationship capital also extends to the local communities in which the Group operates through a **dense network of NGOs, civil society associations and public entities** that makes it possible to meet the needs of these communities.	Constant openness to dialogue and stakeholder collaboration allows the Group to build **solid, lasting relationships**, while maintaining its **operating legitimacy**. The pre-competitive approach to strategic partnerships enables Lavazza to engage in **dialogue with institutions**, thus giving the sector a common voice. A close focus on green coffee producers allows to establish relationships that help increase the **control of the supply chain** and of its impacts. Moreover, constant support for local communities implemented within the Group's Community Care programme translates into the planning of **sustainable development projects**, which reach an ever-larger number of beneficiaries.	The sustainable development projects promoted by the Group through the Lavazza Foundation invest in **capacity building for the local communities** where the Group operates and its suppliers are located, strengthening **entrepreneurship among small coffee growers** and the role of women throughout its supply chain. A constant presence on the main international working tables in the coffee sector also ensures that the Group **monitors any regulatory changes**.
Human Capital	Lavazza Group community is made of direct **employees** and independent **contractors**, that together contribute to the Group's success. The combination of the various types of **knowledge and competencies** offered by personnel with a constant investment in their **wellbeing** and **training** makes it possible to generate added value for business activity. The **company values** are the compass that guides its strategic decisions and people management.	Underlying the Group's approach is the conviction that a constant focus on people **wellbeing** is directly proportional to **improving company performance**. The commitment to ensuring an inclusive, healthy working environment for the people, the development of professional growth paths and the integration of ethics into performance measurement processes foster **retention** and **talent attraction**.	The indirect value generated by the Group in the countries where it operates through its commercial and production sites, combined with a constant focus on the quality of the jobs offered, the safety of its employees, their training and broad wellbeing contribute to the **sustainable economic development of the Country**.

CAPITALE	INPUT	OUTPUT	OUTCOME
Natural Capital	**Green coffee** is the main natural resource required by the Group to perform its activities. It is a resource particularly sensitive to climate change. The variety of the coffee origins helps the Group protect **biodiversity and preserve the ecosystems of coffee-growing countries**. In addition, the use of **renewable energy sources** is currently essential to develop a production process that is increasingly sustainable over the long term, as is the constant search for circular solutions for finished product packaging.	Thanks to careful selection of origins and blends, the Group is able to offer a high-**quality** finished product with specific **sensory properties**. The threat posed by climate change to coffee drives business decisions that integrate **respect for the environment** and **natural resources**. The implementation of strategies that call for emission reduction, and an increasingly efficient use of materials and resources translates into strategic market decisions such as the marketing of products with specific sustainability characteristics like the La Reserva de Tierra range, the Carbon Neutral capsule ranges and product ranges with compostable capsules.	Agroforestry projects or projects aimed at increasing agricultural production and reforestation, financed by the Group and the Lavazza Foundation, have positive impacts on the **quality of life of coffee growers**, while also representing effective **climate change mitigation policies**.
Intellectual Capital	The Group's intellectual capital is a unique heritage of **expertise** relating to the selection, processing and sale of coffee blends. In recent years, it has been enriched by the filing of numerous **patents**, also intended to improve the efficiency and sustainability of coffee machines. In addition, the existence of a **set of company policies**, supported by IT systems and consolidated practices, processes and internal procedures, enables constantly efficient management of business activities.	The internal policies and procedures and the IT systems implemented support and ensure over time compliance with the highest standards of management system certification. This translates into increasing **efficiency** of company processes and a drive towards **constant innovation**.	The processes of ongoing innovation pursued by the Group, supported by the expertise it has gained over more than a century of activity in the coffee sector, ensure the **creation and preservation of value** over time and the **competitiveness** of the Group as a whole.

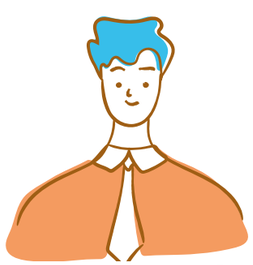
CAPITALE	INPUT	OUTPUT	OUTCOME
Financial Capital	The Group is characterised by a **solid** financial **structure** and a thorough **net financial position** management based on liquidity and credit lines that enables the continuity of its business and activities. Through the use of **own funds** and the **reinvestment of profits**, **financing** from major financial institutions (e.g., sustainability-linked loans) and a medium- and long-term debt exposure, the Group also optimises its financial profile through the mitigation of interest rate, exchange rate and commodity risks by means of derivative financial instruments with exclusive hedging purposes.	Thanks to its solid financial structure, Lavazza Group has completed a number of acquisitions and continues to invest in its business, creating **added value**. In pursuit of constant growth, it has formulated a **strategic plan** that calls for **investments** consolidating this process, increasing resilience and profitability and strengthening the Company's positioning with a view to sustainable development. In addition, the **internationalisation** drive towards new markets is an investment that translates into successful joint ventures and acquisitions.	Lavazza Group produces and **distributes value for its stakeholders**, contributing to the **growth of the local communities** in which it operates. The commitment to sustainable economic development, which minimises the use of resources through a solid strategy based on the circular economy and the use of renewable resources, ensures greater autonomy, as well as the ability to generate long-lasting income and jobs without compromising the Company's future.
Manufactured Capital	To provide a quality product, the Group has **nine plants** in six countries, where specific roasting and packaging **machinery** is used to keep the production process constant and efficient. In addition to these are the Turin **Headquarters** and an **Innovation Center** devoted to R&D investments and to training coffee quality professionals. Furthermore, thanks to its extensive distribution network, made up of **warehouses and storage centres**, the Group distributes its products in over 140 countries, in many of which it operates through direct commercial subsidiaries.	Lavazza Group ensures the high **quality of its finished product** by complying with strict standards regarding coffee processing procedures, **innovation** and constant maintenance of production machinery. A further drive towards the use of **assets compatible with the energy transition** that meet the strictest regulatory requirements and the highest certification standards is in line with the Group's sustainable development plans.	Highly efficient business activities and compliance with the highest quality standards ensure **productivity**, **technological progress** and **innovation**.

1.4 GROUP GOVERNANCE

The Group's business model is ensured by a robust family-based, responsible growth-oriented governance, which aims to generate value in the short and long term. In pursuit of this goal, the owners have entrusted the company management to a management team headed by a CEO, who is responsible for defining strategies, planning development actions and ensuring continuous growth as a global player in the industry.

The corporate governance model adopted by the parent company is a traditional one and features a governing body, the **Board of Directors (BoD),** and a control body, the **Board of Statutory Auditors**, which monitors compliance with the law and the Articles of Association, compliance with the principles of proper administration and, to the extent of its remit, the adequacy of the internal control system. The **Board of Directors** is vested with full powers to set strategic and decision-making policies to ensure that the Group is managed properly and efficiently, including in relation to the approval of Consolidated financial statements. The BoD that oversaw the management of the 2022 fiscal year was made up of 15 members, of which 20% women, with 7 directors meeting independence requirements. It remained in office until April 2023.

BOARD OF DIRECTORS AT 31 DECEMBER 2022:



CHAIRMAN
Alberto Lavazza

VICE CHAIRMEN
Giuseppe Lavazza, Marco Lavazza

CHIEF EXECUTIVE OFFICER
Antonio Baravalle

BOARD MEMBERS
Pietro Boroli, Enrico Cavatorta, Leonardo Ferragamo, Gabriele Galateri di Genola e Suniglia, Robert Kunze-Concewitz, Antonella Lavazza, Francesca Lavazza, Manuela Lavazza, Antonio Marcegaglia, Nunzio Pulvirenti, Roberto Spada

This Sustainability Report was approved after the above-mentioned Board of Directors ended its term of office in April 2023. The current Board of Directors will remain in office until the approval of the Financial Statements for the year ending at 31 December 2025. It is made up as follows: Honorary Chairman Alberto Lavazza, Chairman Giuseppe Lavazza, Vice Chairman Marco Lavazza, Chief Executive Officer Antonio Baravalle, Board Members Silvia Candiani, Enrico Cavatorta, Robert Kunze-Concewitz, Antonella Lavazza, Francesca Lavazza, Manuela Lavazza, Nunzio Pulvirenti, Roberto Spada, and Daniel John Winteler.

The Group's subsidiaries operate under the management and coordination of the **parent company Luigi Lavazza S.p.A.** The main corporate bodies and functions involved in the internal control system are:

- the **Supervisory Board**, vested with autonomous powers of initiative and control, tasked with overseeing the implementation of and compliance with Lavazza's Organisation, Management and Control Model as per Legislative Decree No. 231/2001 (hereinafter also "Model 231"), as well as to keep it up to date;
- the **Internal Audit function**, reporting directly to the Board of Directors, tasked to implementing an effective Internal Control System;
- the **Risk Management function**, under the control of the Finance Department. It is responsible for managing and assessing the risks associated with company activities, in order to ensure that the organisation is capable of minimising losses and maximising opportunities;
- the **Compliance function**, created at the end of 2018 within the Legal and Corporate Affairs Department, in order to ensure the regulatory compliance of business activities and the compliance of internal procedures with specific statutes enacted by lawmakers and internal rules. In 2022, the Corporate Affairs function and the Compliance function were merged to reflect a corporate approach that aims to go beyond mere compliance with current regulations.

In 2022, the Group's corporate governance analysis efforts continued, comparing the Company's current model with that proposed for Italian listed companies. Although the Group is not subject to legal obligations regarding corporate governance compliance with the new model, it decided to follow the best practices for setting up a structure that abides by the requirements considered to be a priority.

1.4.1 THE SUSTAINABILITY GOVERNANCE

The Group's sustainability governance is overseen by the Board of Directors of the parent company Luigi Lavazza S.p.A. that delegates to the **Institutional Relations & Sustainability (IR&S) Department** the task of managing, planning and programming sustainability initiatives, promoting the adoption and integration of sustainability principles within the corporate business strategies and processes among the various Group functions. The sustainability performance reporting process is coordinated by said Department and entails the involvement of the entire organisational structure of the Group's subsidiaries. During the meetings of the Executive Sounding Board (ESB) involving the participation of the Chief Executive Officer and his Leadership Team, the Chief Institutional Relations & Sustainability Officer, as Head of the IR&S Department, periodically presents the activities undertaken and their progress.

The IR&S Department reports to the **Chief Financial Officer** and is organised in two areas: the **Sustainability Department** and the **Institutional Relations Department**. The former, which includes the core areas of project management, compliance and supply chain, the Environment and the activities of the Giuseppe and Pericle Lavazza Foundation, is tasked with contributing to defining and implementing the Group's environmental and social sustainability strategy, as approved by the ESB, as well as with ensuring its ongoing monitoring and updating through the coordination of cross-functional programmes and initiatives throughout the Group. The Institutional Relations Department is tasked with managing the institutional relationships at national and international level, representing the Group within the different trade associations.

IR&S GLOBAL NETWORK

In order to increasingly achieve greater integration of sustainability matters at Group level, in 2019 the IR&S Department established the Institutional Relations & Sustainability Global Network. This is a working group composed of the members of the said Department at Headquarters and eleven representatives of the Group's subsidiaries included in the reporting scope of this Report. Each of them is a point of reference for sustainability matters for the areas in which they operate. In its three years of operation, the Global Network has developed an increasingly fruitful and effective way of working according to an awareness, alignment and implementation-based approach, which was consolidated in 2022 through an ad-hoc policy.

1.4.2 BUSINESS ETHICS AND COMPLIANCE

The Compliance Function promotes the spread of a **culture of legality and proper conduct** as factors indispensable to the proper functioning of the Company and respect for the principles of business ethics, including **anti-corruption**.
Lavazza Group rejects and combats all forms of corruption, taking a zero-tolerance approach and acting in accordance with the highest professional and ethical standards in the international environment within which it operates. Lavazza has adopted documents such as the **Employee Code of Conduct,** the **Code of Ethics** and the **Supplier Code of Conduct** to better formulate the principles embraced in the fight against active and passive corruption.

In fact, in Italy **Luigi Lavazza S.p.A.** has adopted, on a voluntary basis, an **Organisation, Management and Control Model** as per Legislative Decree No. 231/2001 that defines the crimes for which the Company could be held liable, including those relating to active and passive corruption, both in the public and private sectors.

Training sessions are annually organised on this subject, both by the Headquarters and the various subsidiaries. Moreover, for some years now Executives, Managers and Middle Managers have been provided a course focusing on the requirements of Legislative Decree No. 231/2001, especially on the main predicate offences and sanctions provided for therein, the Luigi Lavazza S.p.A.'s Model 231 and the duties of Lavazza's Supervisory Board.

The Group has established several channels through which it is possible to report, on a confidential basis, potential inappropriate conduct, misconduct or alleged breach of the principles set forth in its Code of Ethics, in its Model 231 (where applicable), in Group policies and procedures and, in general, potential breaches of laws and regulations. In addition to ordinary post, e-mail and dedicated telephone line, as of 2022 the Group introduced a **whistleblowing system**, accessible through a digital platform, and prepared a dedicated policy.

For further details, please refer to the following QR Code to the Compliance section of the Group's website. In 2022, there were no cases of non-compliance by the Group with laws or regulations.

THE NEW CODE OF ETHICS

Lavazza Group sets out its own values through a constant dialogue with stakeholders, and also through a series of formal policies and documents. The **Code of Ethics** aims to define those fundamental ethical principles, rules of conduct and responsibilities the Group recognises, respects, and takes on as the core values of the Lavazza business. It refers to the conduct of employees, third parties and all the Group's stakeholders in general, providing an effective guideline on what Lavazza Group expects, at a global level, in the conduct of its working, collaboration and business relations.

In 2022, the Code of Ethics was subject to a review process, which led to the publication of the new version by a working group made up of the Legal, Human Resources and Institutional Relations & Sustainability Departments and approved by the Board of Directors. The new Code of Ethics defines the document's objectives and intended recipients, and structures the **Group's four values** — **Authenticity**, **Passion for Excellence**, **Responsibility**, **Inventiveness** — in to several principles and general rules of conduct. It also describes how violations and reporting mechanisms are managed, through the application of a sanction system. It is intended to encourage the Company's People not only to think about an ethically responsible future, but to shape it in line with the Group's values, legacy, and identity, helping to take on daily challenges with unity of purpose. Particular attention is placed on acknowledging and fostering the fundamental human rights, such as freedom of individuals, equality, dignity, labour protection, health and safety, as well as the set of values and principles relating to environmental and sustainable development. In that respect, the Group works in compliance with the provisions promulgated by the institutions and contained in the international declarations, and expects its employees, customers, suppliers, partners and all other stakeholders to act in accordance with these principles: compliance with the Code of Ethics depends on people's behaviour.

AUTHENTICITY

PASSION FOR EXCELLENCE

RESPONSIBILITY

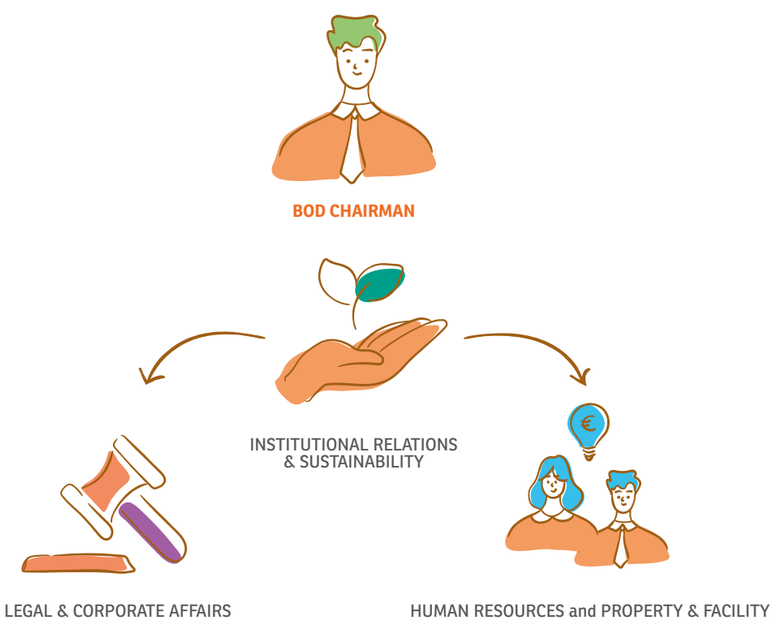
INVENTIVENESS

THE ETHICS COMMITTEE

To ensure compliance with the Code, the Group has set up an **Ethics Committee** alongside the Supervisory Board and the Group Crisis Team, which is responsible for assessing the relevance of reported breaches.

In addition to monitoring the application of and compliance with the Code of Ethics, the Committee is responsible for its dissemination, knowledge and understanding within the organisation, and for promoting positive behaviour and receiving reports on breaches of the Code, assessing appropriate measures in such regard.

COMPOSITION



DATA PROTECTION MANAGEMENT

The Group Data Protection function is tasked with ensuring compliance with Regulation (EU) No. 2016/679 (hereinafter "GDPR": General Data Protection Regulation) on privacy. In line with the Regulation, the Company has appointed a **Group Data Protection Officer (DPO)**, who is responsible for assessing the compliance of business processes with the GDPR, for defining guidelines on data protection obligations and for acting as a point of contact between data subjects and the relevant supervisory authority. In his/her oversight activities, the Group DPO relies on the work of local DPOs or other persons in charge of data protection matters.

In 2022, personal data processes were reviewed in conjunction with the Legitimate Interest Assessment (LIA), an evaluation of the balance of powers between the Data Protection Authority and individuals. In addition, the Privacy Policy for employees was revised. Training activities continued through the provision of online courses, brief ad-hoc communication content, as well as specific training for the Marketing Division and, given the peculiarity of its business, the drafting of a Manual for agents of the subsidiary Nims S.p.A.

ANTITRUST MANAGEMENT

As part of a broader integrated compliance project, aimed at overseeing policies and processes to control the greater legal and reputational risks to which the business is exposed, the Company has developed a **Group Antitrust Compliance Programme**. This programme complies with the Guidelines laid down by the Italian Competition and Market Authority with particular reference to the identification and assessment of a specific antitrust risk, in other words, non-compliance with competition law.

The Group appointed on a voluntary basis an **Antitrust Compliance Officer (ACO)**, who is responsible for regulatory monitoring activities, preparing training plans, pre-checking conduct and contracts and supporting the requesting business functions. The ACO is the point of reference for any doubts and questions about the compliance with antitrust law of initiatives or business activities and for the reporting of conduct deemed contrary to the Antitrust Manual.

In 2022, after the first general training course provided in the previous year to all Headquarters' employees, training on antitrust issues continued through an e-learning course made available to subsidiaries in Europe, the United States and Australia. In addition, with the support of the ACO, the Compliance function and an external law firm, face-to-face training sessions were organised in Italy, France, the UK and Germany, aimed at increasing awareness of the potential antitrust risk associated with some activities. The training mainly targeted executive personnel and persons most exposed to such risk, e.g., those involved in the sales area.

In general, in 2022 **45.2%** of Group's employees, for a total of 1,893 participants, was provided training focused on anti-corruption and falling within a broader training path on concepts relating to Data Protection, Antitrust, the Model 231, whistleblowing and the Code of Ethics. In addition, with specific reference to governance bodies, two members of the Board of Directors and all the nine members of the Executive Sounding Board were provided training on topics relating to Legislative Decree No. 231/2001 and antitrust.

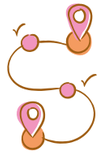
NUMBER AND PERCENTAGE OF PEOPLE WHO RECEIVED TRAINING ON ANTI-CORRUPTION LEGISLATION AND PROCEDURES

	2021		2022	
	No.	%	No.	%
Managers	65	33.5%	107	53.8%
Middle managers	327	42.5%	443	55.0%
Specialised workers	725	34.0%	1,226	57.0%
Other workers	21	2.3%	117	11.3%
Total	**1,138**	**28.5%**	**1,893**	**45.2%**

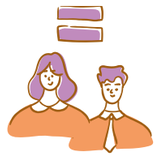
1.4.3 RISK MANAGEMENT

In order to preserve value creation and ensure the achievement of its objectives, Lavazza Group identifies, manages and defines actions to mitigate the key risks associated with its business through the adoption of the **Enterprise Risk Management (ERM)** framework. In 2022, **ESG risks** were incorporated into the ERM framework, through close cooperation between the Risk Management function and the Institutional Relations & Sustainability Department in view of European regulatory developments on non-financial reporting. The analysis took account of the guidelines of the World Business Council for Sustainable Development (WBCSD) and the Committee of Sponsoring Organizations (CoSO) framework, and was carried out in the footsteps of the most rigorous, established international principles, adopted in accordance with the industry and business model of reference.

Said analysis allowed to study and classify risks within the following **five macro-areas**, each of which involves specific risks:



Sustainable supply chain: risks associated with the supply chain have different impacts and are linked to numerous vulnerabilities that are typical of coffee-growing communities. Among these, the increase in the average age of coffee growers and the lack of training on good agricultural practices pose a risk both to the Group in terms of increased indirect emissions along the value chain, and to the producing communities in terms of market access and business continuity. In addition, there are non-compliance risks associated with **emerging Directives and Regulations** issued by the European Commission, such as the Corporate Sustainability Due Diligence Directive, which will further promote the development by companies of increasingly stringent control mechanisms on supply chain in the **human rights** domain.



Development, wellbeing and people retention: this risk involves two interconnected dimensions. The first pertains to the **ability to attract** new candidates and **personnel** turnover, especially among the younger generations and key staff, whose work-life balance requirements are increasingly demanding. The second concerns the reputational risk associated with a still limited **number of women in managerial positions**, which could give the perception of a company not sufficiently open to diversity and inclusion.

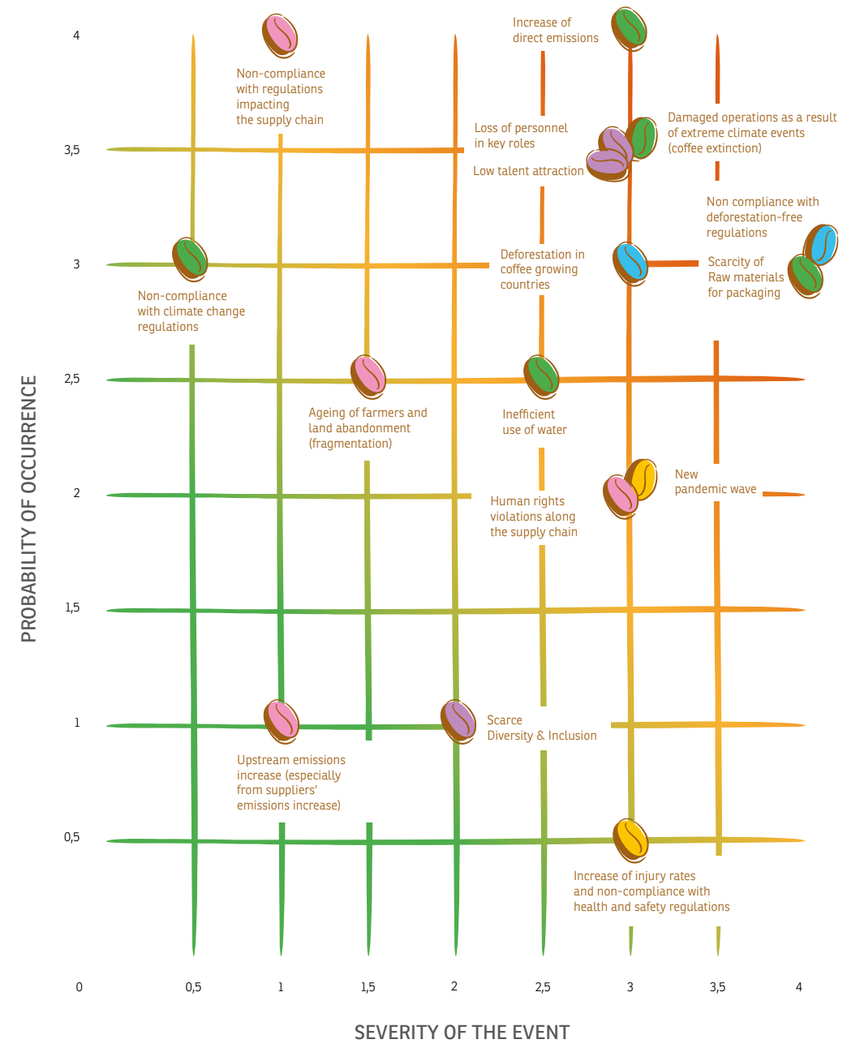
Health and safety: this area covers the risks with the greatest potential impact on the Group from an operational, economic and reputational standpoint. These risks originate from issues related to a healthy workplace and to the health and safety of employees, such as the outbreak of a **new pandemic wave** or the **occurrence of high-consequence incidents**.

Climate change: climate change is a source of risk related to various types of impact, both generated by the Group on the environment and suffered by the Group; examples of this risk include **extreme climatic events** that cause **serious and chronic physical damage also along the supply chain**, such as rising temperatures with associated decrease in available arable land, or increasingly recurring extreme phenomena (such as **droughts** and frosts) and **difficulties in finding certain raw materials for packaging**. Here, too, the demand for concrete action by companies is reflected in the **increased number of** reporting and emission-reduction regulations.

Land use, deforestation and biodiversity: deforestation includes **both regulatory and physical-chronic risks**. The former refers to the recently approved EU regulation banning the entry into the European market of commodity from deforestation. The latter depends on overexploitation of soil and poor training of suppliers upstream the supply chain, leading to a risk of deforestation and threat to biodiversity — phenomena that are closely related to groundwater pollution and soil depletion.

The risk specificities were assessed and detailed through dedicated interviews with the relevant functions. For each of them, the likelihood and severity of each event was assessed based on the intensity and extent of their impact on the environment, people, local communities, human rights and the Group, as well as by taking into account the mitigation actions in place. The results of the analyses are illustrated through the following **heatmap, which associates the probability of occurrence with the severity of the event**.

MACRO ESG HEATMAP



The analysis of the risks and the related opportunities allows the Group's governance to manage its activities and assess its own business decisions towards a path of sustainable and resilient development.

1.4.4 STAKEHOLDER ENGAGEMENT

For the Group, stakeholder engagement is an essential process for business strategic planning and development, as well as for sustainability activities and programmes, in line with the pursuit of the Sustainable Development Goals of the UN 2030 Agenda. This process allows for the identification of requests and needs of the Company's stakeholders in order to plan, implement and improve the approach adopted by the Group and its offer, including by entering into cooperation activities with the main stakeholders.

Lavazza Group's relevant stakeholders, i.e., those who influence or are influenced by the Company's activities, have been classified into **eight clusters** identified as internal or external according to their relationship with the Group. Over the years, Lavazza has built communication channels and engagement methods dedicated to each of them.

For the 2022 engagement process, dedicated questionnaires were developed for **ten specific stakeholder categories** related to the six selected clusters. These were used to carry out an in-depth analysis of the corporate value chain and to supplement the risk and impact analysis. The results, preparatory to the analysis of impacts, and the development opportunities were shared with the reference functions of each specific stakeholder category.

INTERNAL STAKEHOLDERS

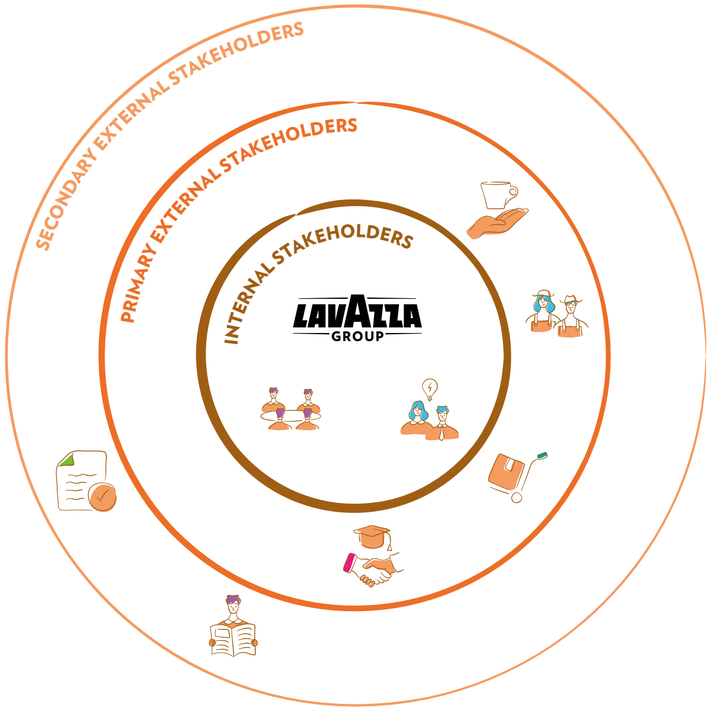
GOVERNANCE BODIES
- Owners
- Board of Directors
- Executive Sounding Board

GROUP'S HUMAN RESOURCES
- Employees
- Key people for sustainability topics at the HQ
- IR&S Global Network

SECONDARY EXTERNAL STAKEHOLDERS

PUBLIC, INSTITUTIONAL AND CONTROL BODIES
- Public administration
- Union Trade
- Control, government and institutional bodies

PRESS & DIGITAL MEDIA
- Local and international press
- Information and social channels



PRIMARY EXTERNAL STAKEHOLDERS

CUSTOMERS AND CONSUMERS
- Customers (distribution and B2B retail)
- Consumers (B2C)

LOCAL COMMUNITIES
- Agricultural cooperatives
- Local communities where the Group is based

SUPPLIERS
- International traders
- Exporters
- Local producers
- Direct suppliers
- Indirect suppliers

PROJECT PARTNERS
- Universities and research institutions
- Lavazza Foundation's partners
- NGOs and third sector organisations

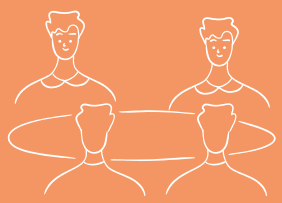
LISTENING AND ANSWERING
Specific surveys, needs assessment, listening of feedbacks and suggestions, sustainability performance assessment

CO-PLANNING
Co-creation and co-planning of projects with shared objectives

INFORMATION
Group's commitments and objectives sharing. Communication on sustainability news and follow ups

MONITORING
Data requests, on-site meetings, sharing of results and roadmaps, management performance

STAKEHOLDERS



GOVERNANCE BODIES

GROUP'S HUMAN RESOURCES

CUSTOMERS AND CONSUMERS

SUPPLIERS

LOCAL COMMUNITIES

PROJECT PARTNERS

PUBLIC, INSTITUTIONAL AND CONTROL BODIES

PRESS & DIGITAL MEDIA

Artist: Saype

1.4.5 MATERIALITY ANALYSIS

In 2022, the Group updated its materiality analysis in line with the GRI Standards published in 2021, which provide for the definition of the material topics for the organisation starting from the identification and assessment of the actual and potential, positive and negative impacts generated by the organisation and its business relations on the economy, environment and people, including the impacts on human rights.

The impact identification process started from an analysis of the context, both internal and external, carried out through the study of authoritative sources (desk analysis). With specific reference to the external context, documents related to global trends and sector studies and researches issued by recognised institutional bodies were analysed and a benchmark analysis was carried out. With regards to the internal context, the Group documentation was analysed, including the set of company procedures, the results of the analyses (current and historic) carried out by the Group (such as the ESG risk analysis) and the growth and development strategies (such as the Group's 2021-2025 Strategic Plan).
The results of the context analyses allowed to identify the impacts relevant to the Group. They were then assessed by several stakeholders, including the ESB, which approved their prioritisation, assessing positive and negative impacts separately, based on their severity and extent. Impacts were associated with the relevant material topics which were also submitted to the interviewed stakeholders for their assessment.

SDG	MATERIAL TOPIC	IMPACT	TYPE OF IMPACT	SIGNIFICANCE OF THE IMPACT	ACTIONS UNDERTAKEN BY THE GROUP
	Environmental sustainability and fight against climate change	Greenhouse gas emissions and resource consumption	ACTUAL, NEGATIVE		• Roadmap to Zero • Increased efficiency of processes and energy vectors • Reduction plans • Generation of carbon credits • ISO 14001, ISO 14064-1, ISO 14067 • Pilot projects in collaboration with the Lavazza Foundation
		Biodiversity reduction	POTENTIAL, NEGATIVE		• Investments in R&D to enhance coffee biodiversity to protect endangered species • Inter-functional working groups • Agroforestry and reforestation projects supported by the Lavazza Foundation
	Sustainable innovation	Launch of products with non-recyclable materials	ACTUAL, NEGATIVE		• Sustainable Packaging Roadmap • Integration of circularity principles into the business • Increased recyclability • Reduction of the materials used • Enhancement of the packaging end-of-life
	Valorisation and Health & Safety of the Group's People	Increased wellbeing and quality of employees' work	ACTUAL, POSITIVE		• Gap-Free Program • EDGE certification process • Code of Ethics and dissemination of the company culture • Investments in training and corporate welfare • ISO 45001 certification
	Sustainable and ethical supply chain	Human rights violation	POTENTIAL, NEGATIVE		• Group's projects for monitoring the supply chain (Save the Children, Oxfam, etc.) • Assessment of suppliers' ESG performance (EcoVadis) and vendor rating • Supplier Code of Conduct and Group's statement • Financing of sustainable development projects through the Lavazza Foundation
		Sustainable development of coffee-growing communities	ACTUAL, POSITIVE		
	Empowerment of local communities where the Group is based **Sustainable economic growth**	Creation of shared value among stakeholders	ACTUAL, POSITIVE		• Economic value generated and distributed - Indirect value generated in the communities where the Group is based • Community Care projects • Partnerships with institutions, museums, universities and Research Centres

The impacts represented provide an objective vision of the Group, considering its business model and the context in which it operates. Each negative impact corresponds to various mitigation actions, policies, procedures and medium-to-long-term roadmaps. At the same time, to each positive impact corresponds a series of activities undertaken by the Group to develop this impact and ensure that it can be further extended to more beneficiaries.

In accordance with the version of the GRI Standard updated as of 2021, impacts have been grouped into **six sustainability-related material topics relevant for the Group**:

- **Environmental Sustainability and fight against climate change**
  since the organisation's activity contributes to greenhouse gas emissions, waste generation and resource consumption, **efficient management** of natural capital, an adequate **measurement** strategy and the **reduction and offsetting of greenhouse gas emissions** can contribute to the fight against climate change. In addition, **preserving biodiversity** through innovative investments in R&D programmes can also protect the natural resources that the Group needs to operate.

- **Valorisation and Health & Safety of the Group's People**
  the growing attention to the **professional development** of employees and an **inclusive working environment** increase the prospects of steady work, promote attraction and retention of talent and the recruitment of qualified personnel. Proper management of, and attention to, **worker health** and **safety** can yield greater efficiency and ensure operational continuity. The result is greater overall employee satisfaction.

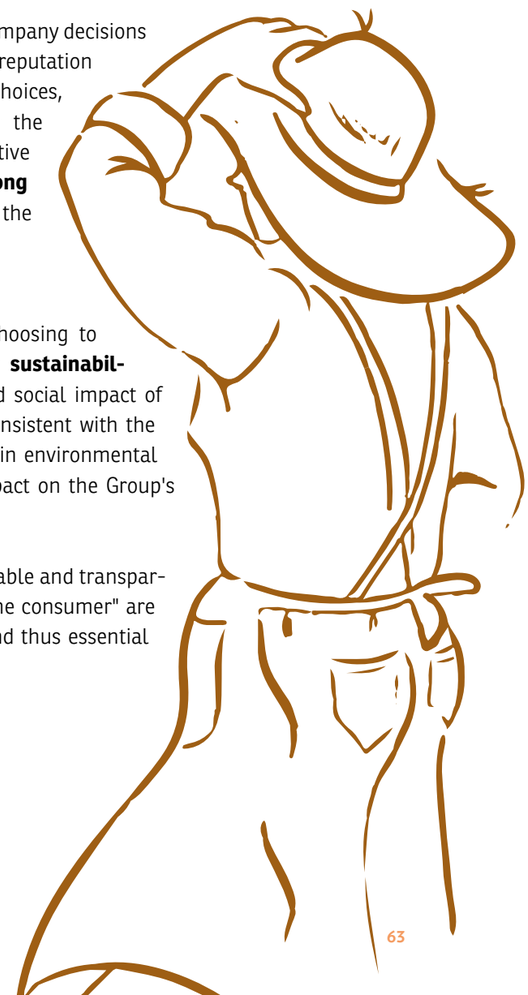
- **Sustainable Innovation**
  the implementation of a **circular approach to product design**, including the analysis of the lifecycle, leads to a higher product competitiveness and reduced environmental impact. An efficient and resilient product development strategy also represents a competitive edge. Conversely, the inability to increase the efficiency of processes may lead to an inefficient use of resources and in turn to higher operating costs.

- **Empowerment of local communities where the Group is based**
  investments, business choices and development of activities in local communities make it possible to build **sound relations with local institutions** and **third sector organisations**. This leads to **local development and social legitimacy for operations**. Insufficient attention to the local community would reduce Lavazza's integration into the context in which it operates, resulting in dissatisfaction.

- **Sustainable Economic Growth**
  in the long term, failure to include ESG criteria in company decisions can have a negative impact on both the Group's reputation and the economic context in which it operates. Choices, investments, acquisitions and loans that foster the growth of the business from a long-term perspective make it possible to **generate and share wealth among the various stakeholders**, thereby contributing to the **country's development**.

- **Sustainable and Ethical Supply Chain**
  working on **monitoring the supply chain** and choosing to make purchases from suppliers who meet **high sustainability standards** entail a reduced environmental and social impact of the business. Supply products and services not consistent with the principles of sustainable development may result in environmental and social damages, as well as in an adverse impact on the Group's reputation.

Compared to 2021, topics relating to "Anticorruption, stable and transparent governance" and "Attention to the customer and the consumer" are considered intrinsic to the Group's *modus operandi*, and thus essential to its business activities.



1.5 SUSTAINABILITY STRATEGY 'A GOAL IN EVERY CUP'

THE 2030 AGENDA INTEGRATION INTO THE STRATEGY

A focus on its people and on the places and communities where it operates and a minimization of environmental impact of its activities have always been the pillars of Lavazza Group's approach to doing business. Since early 2000s, this approach has allowed the Company to organise a structured and concrete programme of coordinated initiatives in Italy and in the countries in which it is present in order to promote the integration of sustainability into all its business areas.

In **2015**, the year of publication of the first Sustainability Report, the Company subscribed to the **United Nations 2030 Agenda**, with its 17 Sustainable Development Goals (SDGs) and joined the **United Nations Global Compact**, teaming up with other companies to achieve the related goals.

That year, the Group embarked on a process for **progressively integrating sustainability** into all business areas, which led **in 2020** to the identification of the **four priority goals underlying the Group Sustainability Manifesto**.

Goal 5: Gender Equality

Goal 8: Decent Work and Economic Growth

Goal 12: Responsible Consumption and Production

Goal 13: Climate Action

The four SDGs to which Lavazza Group may commit at a strategic level and towards which it may take action through both its business and the Foundation's work were selected to promote a balance between social (8 and 5) and environmental (12 and 13) targets, choosing goals that could be integrated with the business and applied to all stages of the Lavazza value chain.

Among the Agenda 2030's goals, the Group also identified one SDG seen as a means of achieving all the other goals, namely **Goal 17 – Partnerships for the Goals**. Partnerships — which are typical of the Company's approach — are considered fundamental and instrumental to achieving all the other Goals. Participation in multi-stakeholder organisations focused on sustainability, such as World Coffee Research or International Coffee Partners, the launch of projects as part of public-private partnerships and the cooperation with others, including from a pre-competitive standpoint, are seen as the only feasible way of achieving the 2030 Agenda.

Goal 17: Partnerships for the Goals

THE SUSTAINABILITY MANIFESTO

In 2020, Lavazza formally established its commitment to the 2030 Agenda by publishing its **Sustainability Manifesto 'A Goal in Every Cup'** — programmatic statement of the Group's sustainability strategy. The Manifesto describes Lavazza's sustainability journey up to 2020 and lays down the Company's commitment to the Global Goals and priority targets that will steer future sustainability initiatives.

2022 is the third year in which the Sustainability Report illustrates how the Group is taking action to pursue the priority goals identified within the strategy.

A GOAL IN EVERY CUP

THE LAVAZZA FAMILY HAS BEEN IN THE BUSINESS OF CARING SINCE 1895.

We care about the communities where our quality beans are grown, about our employees and about the people who enjoy our coffee.

And We care about the future of our planet and society.
That's why we are committed to the

U.N. SUSTAINABLE DEVELOPMENT GOALS

They are a global business imperative and guide our work.

AN THE GLOBAL GOALS ALIGN WITH A LAVAZZA GROUP CORE VALUE:

RESPONSIBILITY.

AT LAVAZZA, WE COMMIT TO OPERATING RESPONSIBLY IN ALL ASPECTS OF OUR BUSINESS. WE ARE STAYING TRUE TO OUR VALUES AND FAMILY ROOTS.

WE ARE STAYING TRUE...

TO THE FARMERS

WHO TEND COFFEE BEANS UNDER THE SHADE OF THE FOREST CANOPY AND THE RAYS OF TROPICAL SUN.

TO OUR EMPLOYEES

WHOSE FUNDAMENTAL RIGHTS, WELLBEING AND ECONOMIC SECURITY IS OUR RESPONSIBILITY.

TO THE CUSTOMERS

WHO SHARE OUR CONCERNS AND COMMITMENT TO CREATING A MORE FAIR AND SUSTAINABLE FUTURE.

THE AUTHENTICITY OF OUR MISSION IN DEMONSTRATE BY OUR DEVOTION TO WORKING ON THE GROUND AND IN THE COMMUNITIES WHERE OUR BEANS ARE GROWN AND WHERE OUR COFFEE IS PRODUCED AND ENJOYED AROUND THE WORLD.
WE ENGAGE WITH PEOPLE EVERYWHERE BECAUSE WE BELIEVE EVERY PERSON CAN PLAY A MIGHTY ROLE IN HELPING OUR CLIMATE, ECONOMY AND SOCIETY.

WE ARE COMMITTED TO ADVANCE THE GLOBAL GOALS.

GOAL ZERO

In order to be able to make progress on the journey towards the Global Goals and the integration of sustainability into the Group's activities, it is essential that everyone understands the value of the Sustainable Development Goals, why they are important and how to contribute to achieving them. This is why in 2017 **Lavazza developed Goal Zero to spread awareness and engage reference stakeholders regarding the Sustainable Development Goals and the sustainability aspects that they promote**.

Goal Zero calls for the adoption of a different approach for each group of stakeholders, combining a series of targeted strategies and tools such as art, training and communications campaigns to inform and engage all those who come into contact with Lavazza in some way.

Five years from its creation, Goal Zero remains an objective of primary importance. According to a research into the level of knowledge of sustainability conducted by Ipsos in collaboration with the Italian Alliance for Sustainable Development, in 2022 nearly six out of ten Italians (59%) had never heard of the UN 2030 Agenda and only 12% of those affirming to know what it is said they are very familiar with the SDGs[9].

In 2022, the Group continued to implement activities that set Goal Zero as an objective, focusing on the search for an ever-greater active stakeholder engagement. The **awareness-raising, communication and internal training programmes** provided at Group level and a number of new projects launched or completely implemented in 2022 are a concrete example of this.

[9] Source: "LA CONOSCENZA DEGLI SDGs IN ITALIA" – Ipsos-ASVIS research, 2022.

BLEND FOR BETTER
LAVAZZA GROUP COMMITMENT

BLEND FOR BETTER

As of 2021, a new way has been implemented to define Lavazza's approach to sustainability: Blend for Better, which embraces the responsibility assumed by the Company and its brands towards sustainability and is reflected in the commitment made to the 17 SDGs and in a well-structured programme of activities, organised into four defined areas:

- **Spin a virtuous cycle** — the Group adopts a sustainable-by-design approach, adjusted to each phase of the product's life cycle in line with the principles of the circular economy, from adopting sustainable agricultural practices to reducing the product's environmental impact up to its end of life;
- **Care for the environment** — the Group is committed to a process aimed at minimising the environmental impact of its activities, collaborating with global organisations and NGOs in the promotion of projects to raise awareness of environmental issues and protect nature;
- **Educate for change** — the Group never stops investing in human capital and aims to create a better world by sharing culture and education and providing the right tools to develop skills and generate opportunities;
- **Open up opportunities** — constant promotion of a focus on social issues, with a wide range of initiatives that involve employees, communities and suppliers with the aim of building a prosperous and sustainable future for all.

BEYOND WALLS BY SAYPE

On 22 April 2022, on the occasion of **World Earth Day** and the inauguration of the 59th edition of the Biennale d'Arte, Lavazza Group presented, with the project **#EmbracingVenice**, a new chapter of Beyond Walls — the world-touring land art project by Saype. In Venice, the city symbolic of human creativity, but also of the complex relations between humans and nature, the project sought to call **attention to** the **fragility of life on Earth and human responsibility** to our peers and the planet, through an initiative with a strong visual impact but an ephemeral nature, destined to disappear in a few days. Two hands stretching towards each other and shaking, in a grip that conveys trust and mutual aid: this is the image at the heart of the piece, painted on a lawn using biodegradable paints designed by the artist himself, and placed on a "pontoon", a vessel typical of the city of Venice, that each day crosses the canals and thus is able to host "**the biggest human chain in history**". Beyond Walls is a project that has touched symbolic places in various countries the world over.

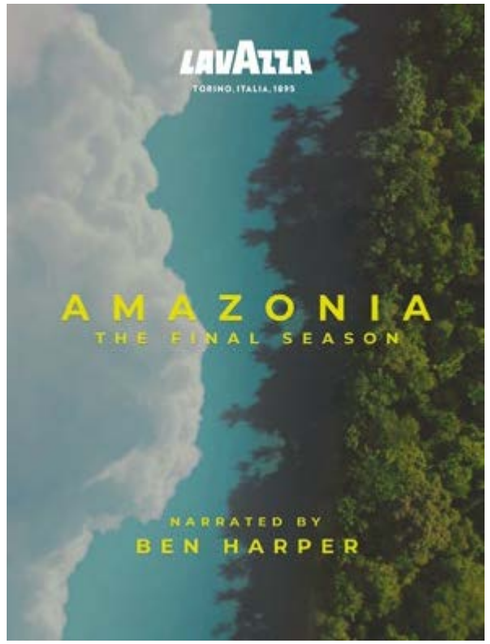
Artist: Saype

UNDER A COFFEE TREE

Celebrating the importance of human relationships and environmental integration: this is the central theme of Under a Coffee Tree, the installation by architect **Diébédo Francis Kéré** showcased at the opening of the 23rd International Exhibition of Triennale Milano, with which the Group has partnered since 2019. An installation which symbolises universal human values and the importance of sustainability. Under a Coffee Tree is an installation made of wood using ecological techniques. Guided by a participatory logic, it symbolically reproduces a coffee tree framed as a symbol of aggregation to rediscover for meetings and discussions.

A COFFEE FOR AMAZONIA

"Amazonia - The Final Season" is a docu-film available on Amazon Prime Video inspired to a **Lavazza Foundation's project** and dedicated to reforestation in the Amazon rainforest, developed in partnership with th**e Peruvian Environment Ministry, local and native communities, and CESVI, a non-governmental organisation**. In the documentary, artist **Ben Harper** takes us on an intimate journey into the heart of Peruvian Amazonia for an inspiring account of how water can continually change form to show its love for the rainforest. The Foundation's sustainability project has two main aims: to promote the conservation of the existing forest heritage through direct action by native communities, who in this way become "guardians of the rainforest", and to plant the most degraded areas. This activity has so far enabled the conservation of over 30,000 hectares of virgin rainforest and the safeguarding of four local communities. "Amazonia - The Final Season" is presented by **Lavazza ¡Tierra! Bio-Organic,** a range of coffee created in 2021 out of the Lavazza Foundation's commitment to sustainable agriculture that respects the planet, people and coffee producing countries.



TERRA MADRE SALONE DEL GUSTO

For the 2022 edition, Lavazza Group renewed its partnership with Terra Madre Salone del Gusto, the most important event dedicated to good, clean and fair food, the environment and food policies, strengthening ties with Slow Food, based on the deep connection at the level of values since the first 1996 edition, when the Company chose not only to sponsor the event, but also to embrace its philosophy and thorough attention to product quality.

As part of the rich calendar of events reflecting the Group's commitment towards sustainable development, the **Slow Food Coffee Coalition**, set up in 2021 from the initiative of Slow Food and Lavazza Group, is particularly worth of attention: this is a network that connects all the stakeholders in the coffee supply chain, from producers to roasters, from distributors to consumers, united by the idea of a good, clean and fair coffee for everyone. The event was attended by **Edward Mukiibi**, President of Slow Food, **Giuseppe Lavazza,** at the time Vice Chairman of Lavazza Group, and representatives of a sustainable development project by the Lavazza Foundation in Cuba, which is intended to support and develop the cultivation of organic coffee in the country. It was an opportunity to discuss the development of the Slow Food Coffee Coalition more than one year after it was founded.

Upon the official launch in 2021, the first objective set for the SFCC was to unite the many players making up the coffee supply chain, from growers to consumers, passing through roasters and distributors. The numbers of the first seventeen months of activity speak for themselves: 29 new Slow Food Communities were created in connection with coffee growing in nine countries worldwide, namely Cuba, Philippines, Honduras, India, Malawi, Mexico, Peru, East Timor and Uganda. In eight of these new Slow Food Communities, a certification path for a good, clean and fair coffee was launched: **Participatory Guarantee System**, i.e., a mechanism allowing the various members of the community to assess the results of their work. It is not a self-certification, but a shared assessment process, bringing together the growers and the other stakeholders, and based on trust and rules, standards and procedures set together on a preliminary basis. Moreover, this type of certification does not involve a cost for growers precisely because it is the result of internal discussions and not deriving from a third-party body's evaluation.

"This coalition — inspired by the values of cooperation — is a concrete response to the current crisis, the answer to which is regeneration, a key subject to Terra Madre Salone del Gusto 2022. It is a concrete example of ecological transition and, in this sense, it needs the conscious involvement of the whole supply chain, from those who take care of the coffee plants to those who taste coffee in the cup. With the Slow Food Coffee Coalition, we are committed to ensuring that growers' work is recognised and that consumers are able to make better informed choices."

Edward Mukiibi, President of Slow Food

"YES! WE'RE OPEN"

The 2023 **Lavazza Calendar, by photographer Alex Prager**, focuses on the café, place of a rediscovered humanity, where identities and cultures meet, where diversity amalgamates to give life to an exchange with the other, without labels of any kind.

Through this choice, Lavazza promotes openness and willingness to harness diversity as a resource and element of collective wealth: in the interpretation of the Californian artist, the café becomes both a real and metaphorical place. It stimulates a meditation on the uniqueness that distinguishes each individual, embracing those themes of **inclusion** and overcoming of divisions that animate our vision, which always poses **humanity** at the centre.

credits: Alex Prager - Sam Jackson

"Lavazza wants to interpret and promote important messages related to diversity and inclusion, and it does so by starting from its origins, from the base: coffee, which has always been synonymous with socialisation, as well as the many places that serve it."

Francesca Lavazza, Board Member of Lavazza Group

10 YEARS OF LAVAZZA CALENDARS ON SUSTAINABILITY

In 2022, the **volume "YES! We're OPEN"** by architect **Fabio Novembre** was published to celebrate **the Calendar's ten years of focus on environmental and social sustainability**: an ideal literary and photographic journey around the world to accompany the reader in exploring the values that have guided the Company and discovering the work that has shaped a decade of creative activity and concrete actions for change.

A book of photographs, a travelogue and "behind the scenes" documentation, the volume begins with an introduction written by Nobel Peace Prize and economist Muhammad Yunus, in which he encourages efforts to combat social inequality. It continues by stopping off in the various places that formed the photography sets, through a series of interviews of the main players involved with Lavazza during these ten years of the Calendar: from Carlo Petrini to Steve McCurry, from Massimo Bottura to Sonia and Jeffrey Sachs — all personalities with whom the Company has shared long-standing projects.

AT NUVOLA LAVAZZA THE GREATEST GLOBAL APPOINTMENT FOR THE SOCIAL BUSINESS COMMUNITY

The Global Social Business Summit, the largest meeting of the global social business community, which arrived for the first time in Italy in 2022, was hosted at the Turin Nuvola Lavazza. The event, promoted by The Grameen Creative Lab and the Yunus Center, brought together around the **Nobel Prize winner Muhammad Yunus** 500 representatives of over 50 international organisations from 45 countries, including entrepreneurs, NGOs, universities and companies, with the aim of dialoguing, sharing ideas and inspiring solutions to the socio-environmental challenges of our time, promoting a culture of peace.

On the first day, Giuseppe Lavazza, at the time the Vice Chairman of Lavazza Group, welcomed Professor Yunus and all the other guests at Nuvola Lavazza. He then participated in the panel "Learning from the Coffee System: A blooming Community Working Towards SDGs" with Nobel Prize Yunus and other speakers, discussing the challenges that the global environmental crisis poses to the coffee sector.

"Coffee plays a pivotal role in society: not only is it an important aspect of creating connections and community but it is essential for enabling environmental sustainability and social entrepreneurship."

Giuseppe Lavazza, current Chairman of Lavazza Group

OUR COMMITMENT FOR AN INCLUSIVE COMPANY

5 GENDER EQUALITY

2

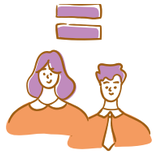
MATERIAL TOPICS

› Valorisation and Health & Safety of the Group's People

IMPACTS

› Increased wellbeing and quality of employees' work

RISK AREA



Development, wellbeing and people retention

The coffee and food & beverage industry is made up of women and men who contribute to its prosperity on a daily basis. Nonetheless, there are still considerable **inequalities** to be bridged: according to the International Coffee Organisation, 70% of coffee grown in the world is harvested by women, but less than 30% of coffee-growing land is owned by women. This gap is reflected throughout the coffee value chain with regard to management roles.
In this regard, the Group considers the inclusiveness of its work environment as an essential element for the wellbeing of its employees and is committed to ensuring that every employee within the Group is offered **equal opportunities for professional development and growth**. A healthy, safe and inclusive work environment can increase the prospects of a stable job, the attractiveness of the company and the **quality of the work offered**. This results in **improved people's satisfaction and sense of belonging**.

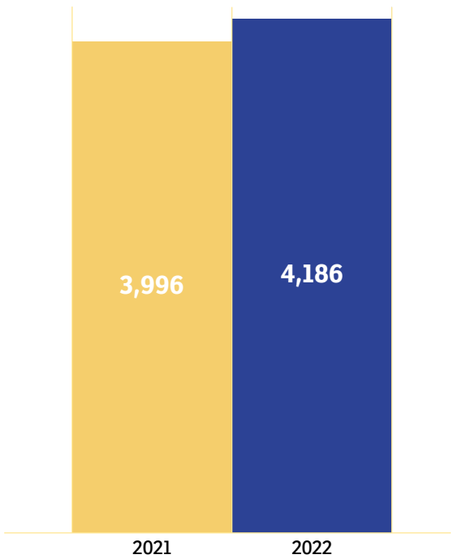
Goal 5 of the 2030 Agenda requires to "**Achieve gender equality and empower all women and girls**". It is also one of the four 2030 Agenda goals identified as a priority by Lavazza Group.

2.1
PEOPLE AT THE CENTRE

The success of Lavazza Group rests on the ongoing contribution of its people as enablers of value creation. Through various dedicated initiatives, practices and policies, Lavazza is committed to ensuring a healthy and inclusive work environment, where the **uniqueness** of each person is enhanced and **diversity** is seen as a valuable resource for both personal and professional growth. The soundness of this approach is ensured by the Group's four corporate values and its updated Code of Ethics.

The Group's organisational model is projected towards the future and towards internationalisation and evolves in keeping with the profound changes in the world of work, with its new requirements and changing perspectives. In 2022, Lavazza Group continued its efforts of **integrating** personnel management processes across the Group and for all its **employees**, through a "glocal" approach that takes into account the global dimension, while enhancing the peculiarities of local communities and markets.

GROUP EMPLOYEES AT 31 DECEMBER



At 31 December 2022, the Group's workforce totalled **4,186**, increasing by **4.8%** compared to 2021. The company population with permanent contracts accounts for **96.9%**, with a 5.0% increase compared to 2021, with 119 people working on a part-time basis, corresponding in the 80.7% of cases to women. Most of the population is based in Italy, with a total of 1,930 employees, equal to 46.1% of the total population at global level.

EMPLOYEES WITH TEMPORARY AND PERMANENT CONTRACTS AT 31 DECEMBER

	2021			2022		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Temporary employees	66	67	**133**	70	59	**129**
Permanent employees	2,409	1,454	**3,863**	2,539	1,518	**4,057**
Total	**2,475**	**1,521**	**3,996**	**2,609**	**1,577**	**4,186**

EMPLOYEES WITH FULL-TIME AND PART-TIME CONTRACTS AT 31 DECEMBER

	2021			2022		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Full-time employees	2,458	1,415	**3,873**	2,586	1,481	**4,067**
Part-time employees	17	106	**123**	23	96	**119**
Total	**2,475**	**1,521**	**3,996**	**2,609**	**1,577**	**4,186**

GROUP'S EMPLOYEES BY GENDER AND PROFESSIONAL CATEGORY AT 31 DECEMBER

	2021			2022		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Managers	136	58	**194**	141	58	**199**
Middle managers	475	294	**769**	484	322	**806**
Specialised workers	1,237	896	**2,133**	1,256	894	**2,150**
Other workers	627	273	**900**	725	306	**1,031**
Total	**2,475**	**1,521**	**3,996**	**2,606**	**1,580**	**4,186**

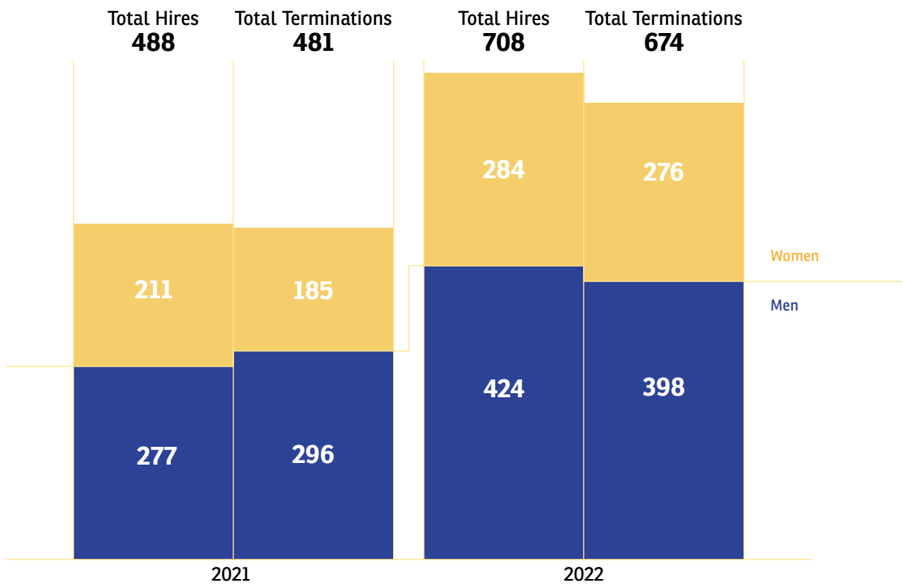
GROUP'S EMPLOYEES BY AGE AND PROFESSIONAL CATEGORY AT 31 DECEMBER

	2021				2022			
	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
Managers	1	109	84	**194**	-	108	91	**199**
Middle managers	16	558	195	**769**	21	576	209	**806**
Specialised workers	360	1,184	589	**2,133**	352	1,206	592	**2,150**
Other workers	91	504	305	**900**	113	577	341	**1,031**
Total	**468**	**2,355**	**1,173**	**3,996**	**485**	**2,468**	**1,233**	**4,186**

Women account for 37.7%, with a 29.1% presence in management roles. Most of the company population is aged between 30 and 50 years (59.0%), followed by employees over 50 (29.4%) and under 30 (11.6%).

The hiring rate is equal to 10.1% for men and 6.8% for women, while in 2022 674 people left the Group (398 men and 276 women), with a turnover rate equal to 9.5% of men 6.6% of women.

HIRES AND TERMINATIONS BY GENDER



HIRES AND TERMINATIONS AT 31 DECEMBER[10]

	HIRING RATE	TERMINATION RATE
Men	10.1%	9.5%
Women	6.8%	6.6%

	HIRING RATE	TERMINATION RATE
<30	6.0%	3.8%
30-50	9.2%	8.6%
>50	1.6%	3.7%

[10] Hiring and termination rates were calculated considering the number of employees by gender and age, divided by total employees at 31/12.

HIRES AND TERMINATIONS BY AGE AT 31 DECEMBER

	2021				2022[11]			
	<30	30-50	>50	TOTAL	<30	30-50	>50	TOTAL
Hires	194	236	58	**488**	252	387	69	**708**
Terminations	103	245	133	**481**	157	362	155	**674**

The most significant turnover, both in terms of hires and terminations, is in the 30-50 age bracket, followed by the under 30 and over 50 age brackets. The Group continued to invest in young people with a view to internationalisation: recruitment activities continued leading to a total of 708 new hires in several countries, including 35.6% people under 30.

[11] These also include the intercompany reallocation of employees, which resulted in the inclusion in the calculation of 2 new expats and 3 new inpats, all of whom are men.

2.2 OUR PATH TOWARDS DIVERSITY AND INCLUSION

In addition to its long-lasting commitment to the wellbeing, protection and professional growth of all its people, in recent years the Group has also engaged in the areas of diversity and inclusion, aimed at creating an open and welcoming work environment for all, in line with the company's values.

By the term "inclusion", Lavazza means the ability to make each person feel not only welcomed, but also respected and given the opportunity to participate fully in the life of the Company, by contributing to the best of their ability and unique skills to the success of the Group. With this in mind, through the publication of the **Diversity & Inclusion Manifesto**, the Group has stated its commitment towards its people to become a company free of inequalities, barriers, or gaps to be bridged. **The Manifesto, written by people** of the Company in an intense co-creation effort, **sets out a path of concrete actions and objectives and is accompanied by letters of commitment by the Group's top managers: the Chairman in office in 2022 Alberto Lavazza and the Chief Executive Officer Antonio Baravalle**.

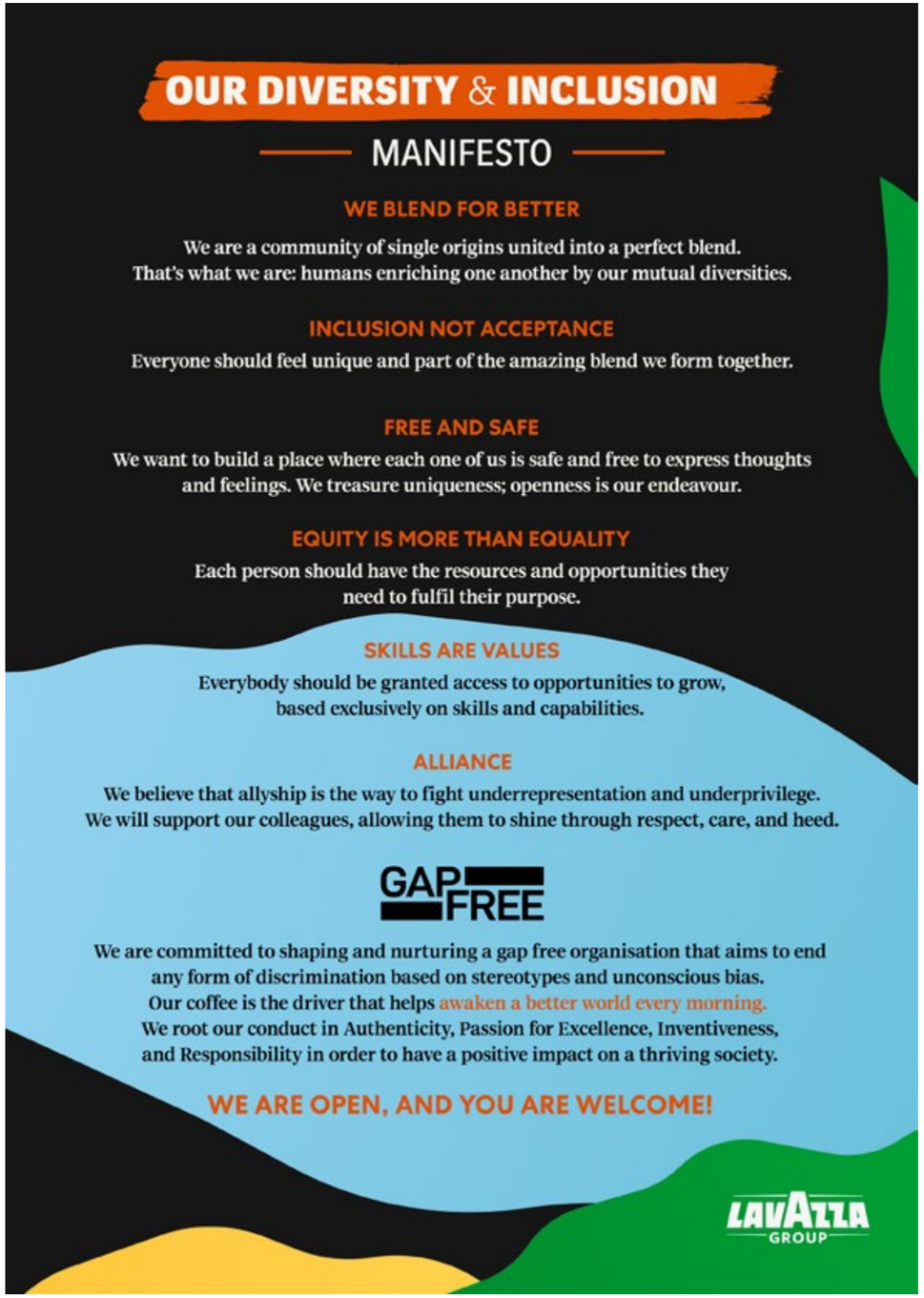
In 2022, the Group made further progress towards the establishment of a rewarding, inclusive and flexible work environment through the international development of an increasing number of training activities, a professional and performance development programme, and a Diversity & Inclusion strategic plan focusing on the Gap Free project.

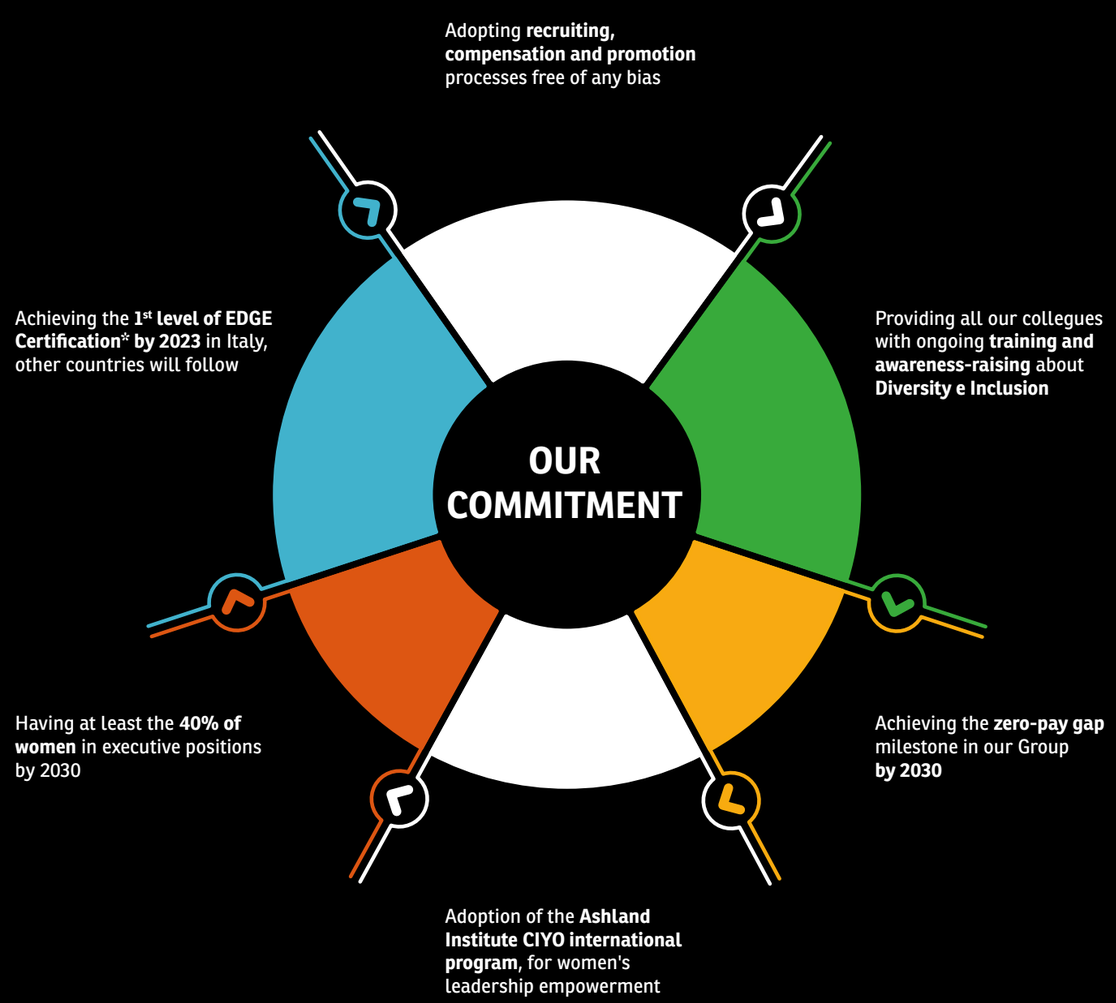
"We intend to offer an environment that respects and supports everyone's uniqueness, and where everyone feels appreciated, safe, encouraged."

Lavazza family

"People are our key factor. Our commitment to fostering diversity, fairness and inclusion helps us strengthen our Group through a vast array of knowledge, skills and viewpoints."

Antonio Baravalle, Chief Executive Officer of Lavazza Group





***EDGE** (Economic Dividends for Gender Equality) is a standardized methodology and global certification system to assess Gender Equality within companies.

GAP FREE

Launched in **2020**, Gap Free is a **structured, medium- to long-term programme** aimed at defining a path of cultural transformation **for the promotion of fairness and the enhancement of diversity**, starting from gender diversity. The ultimate goal is to promote responsible growth able to generate a positive impact in the society we live in, starting from within the Group through the creation and dissemination of an increasingly inclusive culture able to promote innovation and competitiveness, and the implementation of gender equality programmes extended to the whole company.

Gap Free was created thanks to the collaboration of the Human Resources and Institutional Relations & Sustainability Departments, applying a specific[12] methodology, which is structured into three work phases:

1. **Listening and research**: in **2020** it led to understand the company culture in terms of equal opportunities and stereotypes associated with them, allowing to identify the priority gaps to be filled, through over **1,800 online surveys** among the company people at global level, individual interviews and focus groups.

2. **Engagement & co-design**: in 2021, a path of engagement and active awareness-raising on D&I began involving the company's population, starting from a workshop dedicated to top management. Subsequently, working teams of volunteer employees were set up, who worked on the outputs of the listening and research phase to develop tangible proposals in support of a bottom-up approach to change. Finally, in November 2021 the Men Advocacy Program was launched at the Turin Headquarters, involving a number of male employees in key positions and aimed at obtaining their commitment and support to gender equality.

3. **Engagement & commitment**: 2022 saw the launch of the cultural transformation plan defined in the previous phases.

[12] It is the U-theory2134, created by the Professor Otto Scharmer of the Boston-based MIT and used effectively for over twenty years.

GAP FREE 2022: THE CHANGE IS UNDERWAY

To fully reflect the Group's commitment, in 2022 a professional, fully devoted to the implementation of Diversity and Inclusion policies, joined the D&I Department of the Group Human Resources function. The **Executive Sounding Boards** continued to be held with the CEO's first-line managers involved in specific meetings both in the one-to-one form and as workshops dedicated to raising awareness about and fostering commitment to the D&I themes.

In March, the 45 participants of the Inclusion Labs, implemented in 2021, met on the **Gap Free Community Day**: through a bottom-up approach, they identified the work areas for the development of concrete actions to be implemented in 2023, such as the topic of parenthood and digital inclusion.

The **Gap Free Activator** community was created, consisting of 18 people in the Group Headquarters, covering all eight corporate functions: the participants, equally divided between men and women, were given listening and engagement tools to help create a 'Gap Free' culture among their colleagues in the respective functions. Thus, a big effort was made, increasingly involving the entire organisation, by means of surveys and meetings — coffee chats — to encourage discussions on the subject, on the experiences and personal story of each person and to bring such discussions to the attention of the function managers.

Furthermore, again at the Headquarters, the Ashland Institute's **CIYO (Come Into Your Own)** programme for the promotion of female leadership was launched, involving 12 female managers in top management positions, during five and a half days dedicated to establishing alliances and professional networking and the development of potentially inspiring role models for all employees. The programme will continue in 2023.

In addition, specific training sessions on Diversity and Inclusion called "**D&I Gym for People Managers**" were held, which saw the participation of 51 people from the Headquarters.

Gap Free also involved the employees of the Group's Italian plants through the **Italy Plants Leadership Engagement Programme**. 2022 saw the participation of 26 people.

While the Gap Free programme originated in Italy, its aim is to make an impact on a global scale: a series of workshops were launched with **77** participants from the **Leadership Teams**. Priority D&I issues were identified for the individual countries, in order to give utmost consideration to cultural diversity and develop action plans in response to the real and the most urgent local needs. The programme also provides for training and specific involvement of **Human Resources managers in the main countries** where the Group operates.

RATIO OF WOMEN'S BASE SALARY TO MEN'S BASE SALARY IN THE TWO-YEAR PERIOD[13]

	2021	2022
Managers	103%	98%
Middle managers	95%	99%
Specialised workers	97%	101%
Other workers	101%	102%

Women's base salary is substantially in line with men's base salary, with a total ratio of 100.3% in 2022. Year-on-year deviations reflect the normal seniority and turnover changes.

[13] The calculation used for the ratio of women's base salary to men's base salary only includes subsidiaries having at least both genders in each professional category.

EDGE CERTIFICATION

The EDGE (Economic Dividends for Gender Equality) certification is based on a standardised methodology and a comprehensive Gender Equality assessment system within the companies. In 2022, Lavazza Group achieved one of the first goals of its Diversity & Inclusion Manifesto, by reaching the first level of EDGE certification (Level I ASSESS) for Gender Equality in Italy. This recognition is reserved for companies that, through a standardised **assessment** methodology, have demonstrated a serious and verifiable commitment towards zero-gender gap in the workplace. The methodology applied includes a first phase involving data and internal policy analysis, followed by the launch of a survey to collect data on the perceptions of the company personnel involved. An audit of the Company is then carried out before the issuance of the final certification.

"Level I of the EDGE certification is an important first milestone in our journey towards creating an increasingly inclusive and truly gap-free workplace, which reinforces our determination to pursue this commitment and reach the next certification levels."

Lucia Pellino, Diversity & Inclusion Director of Lavazza Group

FOUR 'GENERATIONS' COMPARED

In October, at the Nuvola Lavazza Headquarters, 250 employees took part in the **"Generations" open talk**, an occasion for meeting Federico Capeci, author of the book of the same name, and for discussing the opportunities that can arise from the intergenerational synergy between the four generations of people currently working at the company: **Baby Boomers, Generation X, Millennials and Generation Z.**

PARTNERSHIPS

Resting on the belief that dialogue and discussion are valuable opportunities, the Group cooperates with numerous partners in the implementation of projects that encourage employee awareness of D&I issues, often actively involving them through the sharing of their personal experience. The partners the Group worked with in 2022 include, among others, **Lifeed,** in the field of enhancing care-giving skills in companies and de-stereotyping parenthood; **Valore D**, an Italian business association that is a pioneer in the dissemination of a culture of inclusion in companies, a vehicle for sharing experiences with other companies and a participating partner in development paths on inclusive leadership; **Libellula**, in the field of combating violence against women through the elimination of gender stereotypes in the workplace; **DiverCity**, a European magazine dealing with innovation and inclusion.

BASEMENT CAFÉ BY LAVAZZA

In addition to the activities and programmes internal to the Group and the partnerships with associations dedicated to the issue, Lavazza has created Basement Café, an innovative programme capable of virtuously investigating the lived experience of younger generations — and more — from an all-encompassing perspective. A fully online format, on air on YouTube and Spotify with an episode every two weeks, featuring debates on the trending topics of the moment: from rights to respect for diversity, gender, sexual identity, generational conflict and differing visions of the future. The debates are conducted by some of the most influential personalities in Italian music, TV and cinema, and to date have garnered around **80 million** views.

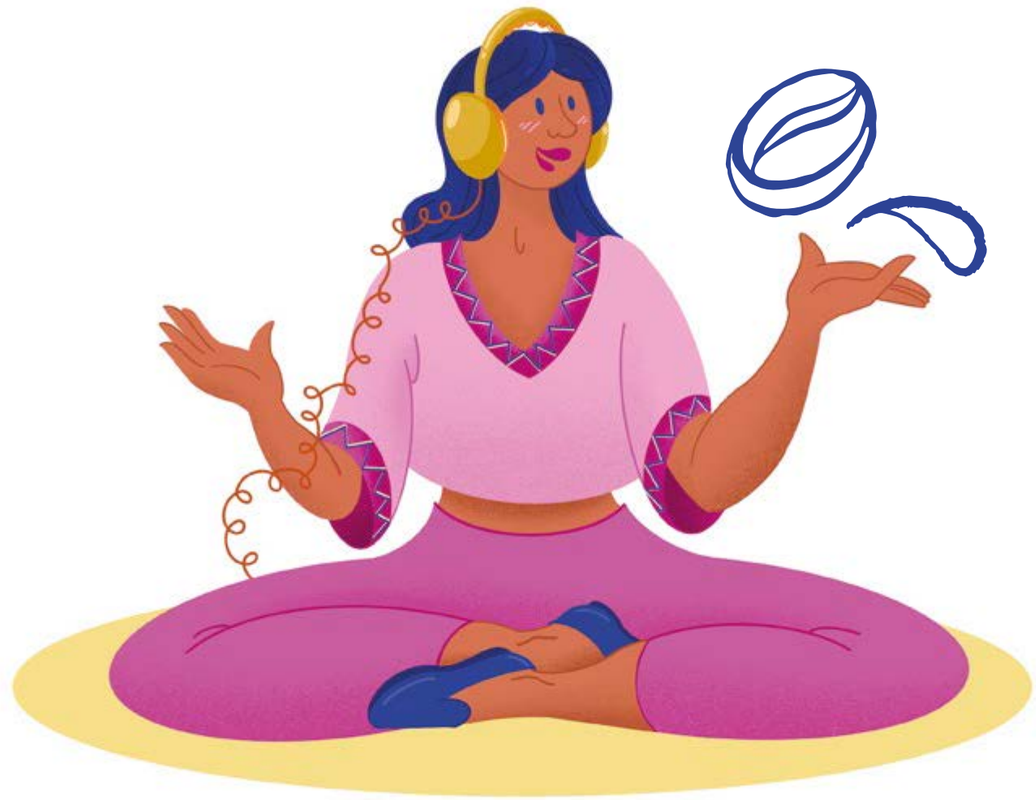
2.3 PROFESSIONAL DEVELOPMENT AND PEOPLE'S WELLBEING

For Lavazza, the Group's people are one of the essential assets to continuing its business and make it possible to add value through their work. The Group undertakes to protect the rights of its workers and provide them with the tools they need for personal and professional development, from training to performance measurement.

2.3.1 TRAINING

The **centrality of individuals**, a **global approach and flexibility** are some of the key concepts that guide Lavazza Group in managing the training of its people: an area in which the company's commitment yielded particularly significant fruit in 2022, contributing to the ongoing international integration process.

Thanks to an increasing drive on global projects and an increasingly strong focus on people's professional development, total **training** hours provided at global level amounted to approximately **65,000**, of which 40,000 managed centrally by the Headquarters (31,000 in Italy and 9,000 in other countries), with an around **50%** increase in the number of people involved compared to the previous year.



around

65,000

total **training** hours provided at Global level

TRAINING HOURS PER CAPITA IN THE TWO-YEAR PERIOD

	2021			2022		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Managers	16.91	21.75	**18.36**	24.7	28.16	**25.71**
Middle managers	11.69	15.56	**13.17**	16.54	21.09	**18.36**
Specialised workers	6.58	8.95	**7.57**	12.91	16.55	**14.42**
Other workers	5.50	6.00	**7.21**	16.66	19.88	**17.61**
Total	**7.63**	**10.19**	**9.09**	**15.26**	**18.54**	**16.50**

In 2022, the average training hours provided per capita increased by 7.4 points, with a **81.5% increase** compared to 2021.
This general increase is mainly tied to the introduction of new global compliance campaigns, corporate initiatives (particularly to spread knowledge of the Group's values, stimulate a culture of feedback and personal self-development and support the adoption of the new Performance & Development Process) and specific professional family training (from the development of technical expertise, with a particular increase within facilities, to team-building proposals, including at the international level, creating the opportunity for knowledge, the construction of relationships and a sense of belonging to the global team and collaborating in an environment of trust).

In addition, in 2022 training offerings were expanded to include digital content available at the global level, flexible and accessible in a fully independent way and at any time, as an immediate response to individuals' development needs over a broad roster of subjects. This is the case, for example, of the LinkedIn Learning platform, which since it was activated saw 30,000 videos viewed, of which 23,300 were completed.
Moreover, continuity was assured for other fundamental initiatives, such as the induction process for new recruits, awareness-raising activities on D&I issues, freely accessible courses in the catalogue and language training.
Lastly, a campaign was launched with a focus on the new version of the Code of Ethics which will continue throughout 2023 in order to address various subjects, including the Whistleblowing Policy, the Tax Control Framework, the Anticorruption Policy, the Crisis Management and the Social Media Policy. This project stemmed from the collaboration of the HR, Compliance and Communication functions and represents an extraordinary opportunity for all the Group's employees to share responsible values and behaviours.

2.3.2 THE NEW GROUP'S PERFORMANCE MANAGEMENT SYSTEM

The professional development of the Group's people is managed through a performance measurement system that was revised and applied more unambiguously throughout the Group in 2022. The revision of the process has its roots in an increasingly global context that requires integration of the various processes and a unique assessment criteria throughout the Group. In this context motivational drivers and people's expectations also changed: this implies the need to update career paths and rewarding tools in order to provide an appropriate development system for each individual. Today our values and Purpose should inspire people to build and consolidate a common culture on a daily basis.

The new Performance & Development Process (PDP) system supports people in investing in their growth. It ensures that they are constantly aligned with company strategies and accountable for what they can and must contribute in terms of professionalism, motivation and future improvement. Among the most recent innovations, the new system incorporates the four values of Lavazza Group, so as that the development of all the Group's people be into line with these values. The resulting evaluation process was based for 60% on performance objectives and for 40% on compliance of one's behaviours with those associated with the four company's values. Another important innovation was the introduction of the Development Goals, in which everyone may identify several individual improvement actions.

The process of adopting the new process was accompanied by the creation of the PDP Learning Programme, the purpose of which is to spread awareness of the four values, stimulate a culture of feedback and personal self-development, as well as management by objectives and performance, through an integrated, free and multilingual learning environment. The process is global and has been constructed with subsidiaries and the active support of employees of various functions, assigned the role of project champions.

PERCENTAGE OF EMPLOYEES PERIODICALLY INVOLVED IN THE EVALUATION PROCESS OF THEIR PERFORMANCE AND PROFESSIONAL DEVELOPMENT IN THE TWO-YEAR PERIOD

	2021[14]			2022		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Managers	90.4%	81.0%	**87.6%**	91.5%	79.3%	**87.9%**
Middle managers	85.1%	85.0%	**85.0%**	84.7%	84.5%	**84.6%**
Specialised workers	69.3%	70.2%	**69.7%**	74.6%	72.1%	**73.6%**
Other workers	15.9%	39.6%	**23.1%**	19.6%	35.9%	**24.4%**

Lastly, the ongoing improvement of the Group's performances is ensured by the Management By Objectives (MBO) mechanism. For a Group focused on efficiency and constant growth, the incentive structure must be based on achievement of the Group's strategic objectives[15]. 87.4% of managers is subject to the MBO.

PERCENTAGE OF EMPLOYEES INVOLVED IN THE MBO PROGRAMME BY PROFESSIONAL CATEGORY IN THE TWO-YEAR PERIOD

	2021			2022		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Managers	84.6%	70.7%	**80.4%**	90.8%	79.3%	**87.4%**
Middle managers	40.0%	46.9%	**42.7%**	34.1%	35.4%	**34.6%**

[14] Data relating to 2021 refers to the following companies: Luigi Lavazza S.p.A., Carte Noire S.a.s., Carte Noire Operations S.a.s., Lavazza Coffee (UK) Ltd, Luigi Lavazza Deutschland G.m.b.H., Lavazza France S.a.s., Lavazza Kaffee G.m.b.H., Lavazza Premium Coffees Corp., Lavazza Australia Pty Ltd, Lavazza Sweden AB, Merrild Kaffe ApS, Lavazza Professional North America LLC, Lavazza Professional (UK) Ltd, Lavazza Professional Germany G.m.b.H., Lavazza Professional France S.a.s.

[15] The indicators taken into account in the MBO process relate to the EBITDA and the Free Cash Flow.

2.3.3 PEOPLE'S PROTECTION AND WELLBEING

The Group's commitment in offering a secure, healthy workplace is also put into practice by providing a company welfare plan designed to meet employees' needs and ensure that they enjoy a sound work-life balance and personal respect.

The Group allows the annual production bonus to be converted into welfare. Using the Edenred platform, employees can obtain vouchers, reimbursements and discounts for various needs.

To ensure personal care, in 2022 we developed **Time to Care**, a new Welfare & Wellbeing plan. Inspired by Responsibility, one of the four Group's values, which also encompasses a focus on its people and their comprehensive well-being, Time to Care offers tools for improving physical and mental health, thinking about social relations and meeting economic commitments. The programme, which became active in 2023, is based on four pillars:

- **physical wellbeing:** helping people find and maintain the ability to act energetically and make the best decisions for their lives, careers and health, now and in the future;
- **emotional wellbeing:** supporting people with tools that promote flexibility, awareness and management of emotions, to face each day's challenges optimally;
- **social wellbeing:** contributing to creating a sense of belonging and recognising oneself as an active part of a social network;
- **financial wellbeing:** improving and increasing purchasing power for people and their families.

WELLBEING IN A CAPSULE

In spring 2022, the Turin Headquarters and the Gattinara and Turin plants saw the launch of the first Welfare & Wellbeing initiative: "your wellbeing in a Capsule". For three months employees were given access to "Capsule", an innovative touch-point capable of measuring several health parameters, such as ageing, blood pressure, physical condition and mental and physical wellbeing in seven minutes. The initiative garnered a great deal of interest, with 1,100 measurement sessions completed.

1,100

measurement sessions completed

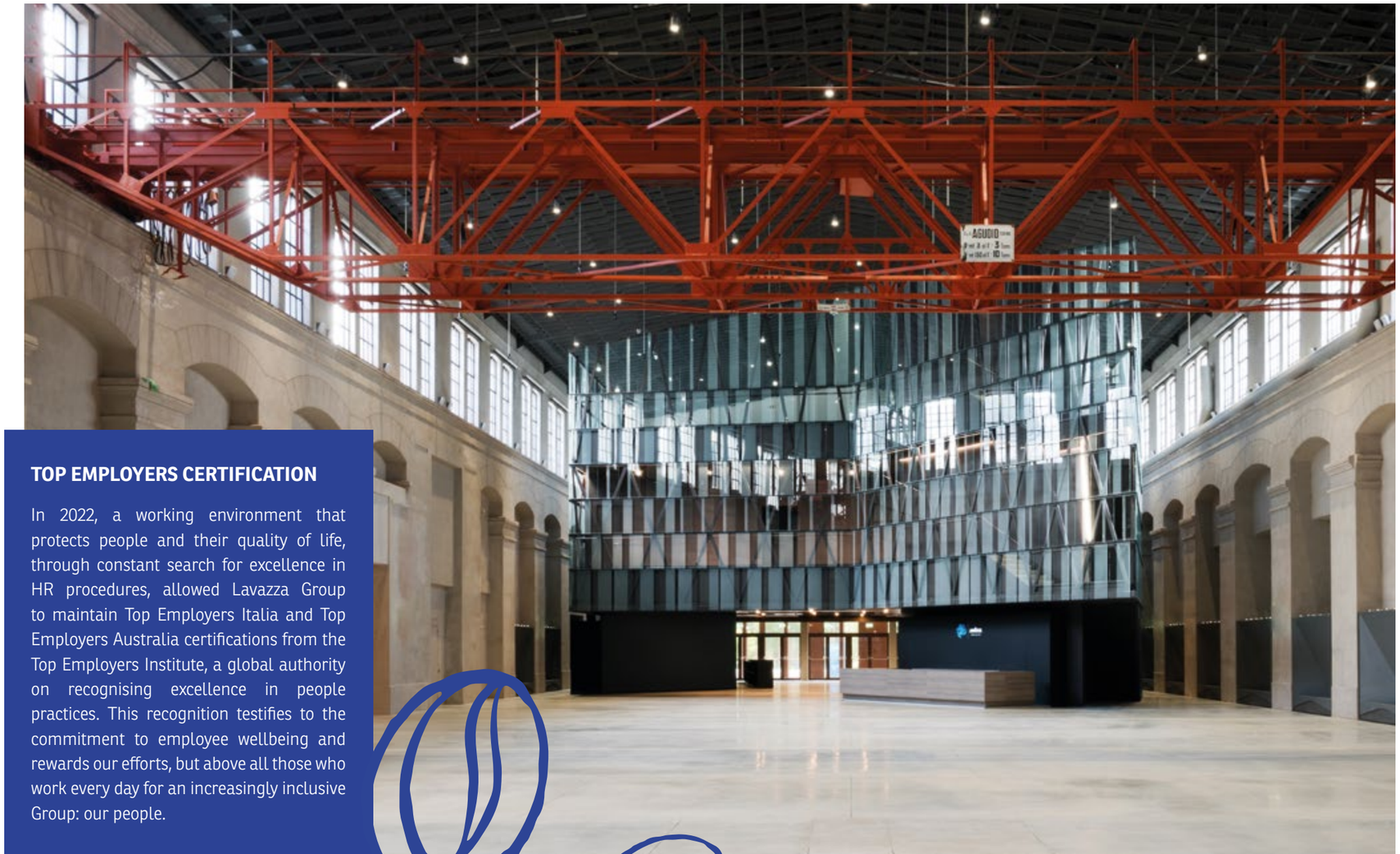
NEW PROTECTION MEASURES FOR THE HEADQUARTERS' EMPLOYEES

At the end of November 2022, a new supplementary company contract was signed for the three-year period 2023-2025 for approximately **1,000 employees** who work at the Headquarters[16]. First of all, this contract maintains and increases the flexibility of remote working, which will be ensured for ten days a month, which may also be consecutive. Another new feature is the "short Friday", allowing employees to leave work early on Fridays from May to September. Moreover, additional hours will be made available for caregiving both to go with family members, relatives or cohabitants to medical appointments, and for medical treatment and care for pets. Even greater attention will be paid to **maternity** and **paternity**, with five more days of mandatory paternity leave beyond the ten required by Italian law.

"We have always cared about the wellbeing of our people, and this new development of the supplementary contract, which continues the process that began in previous years, in all of its parts, both economic and legal, confirms Lavazza Group's attention to its people. We believe firmly that human capital is a primary resource for a sustainable, long-term development process for a Group that is becoming increasingly global."

Enrico Contini, Chief Human Resources Officer of Lavazza Group

[16] The Turin Nuvola Lavazza Headquarters and the Settimo Torinese Innovation Center.



TOP EMPLOYERS CERTIFICATION

In 2022, a working environment that protects people and their quality of life, through constant search for excellence in HR procedures, allowed Lavazza Group to maintain Top Employers Italia and Top Employers Australia certifications from the Top Employers Institute, a global authority on recognising excellence in people practices. This recognition testifies to the commitment to employee wellbeing and rewards our efforts, but above all those who work every day for an increasingly inclusive Group: our people.

top EMPLOYER ITALIA ITALY 2023

CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

KICKING HORSE COFFEE GREAT PLACE TO WORK IN CANADA

In 2022, Kicking Horse Coffee was named a **Great Place to Work in Canada** by Great Places to Work, a company specialised in analysing and improving business climate and employer branding. The company achieved this recognition for the **seventh year running.**

RESPONSIBLE GROWTH

8 DECENT WORK AND ECONOMIC GROWTH

3

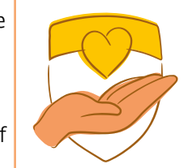
MATERIAL TOPICS

- Sustainable economic growth
- Valorisation and Health & Safety of the Group's people
- Sustainable and ethical supply chain

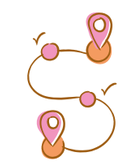
IMPACTS

- Creation of shared value among stakeholders
- Human rights violation
- Sustainable development of coffee-growing communities
- Increased wellbeing and quality of employees' work

RISK AREA



Health and safety



Sustainable supply chain

For Lavazza Group, doing business responsibly is an essential prerequisite: enhancing **people** and **local communities** makes it possible to generate **shared value** for all its stakeholders, thus contributing to economic development.

The Group's interest in people extends not only to its employees, **their wellbeing and their occupational health and safety**, but also to respect for the human rights and sustainable development of workers throughout the supply chain.

The Group's procurement from developing markets that are less regulated or characterised by high levels of poverty could entail indirect involvement in cases of violation of **human rights**. Accordingly, in such countries the Group implements strategic projects and partnerships with civil society organisations operating in the field, supporting fair development of coffee-growing regions and communities. The tools adopted to support the rights of farming communities and protect the rights of children and female entrepreneurs, as well as the systems for monitoring the sustainability performances of its suppliers, ensure that the Group's economic growth also has a positive impact on the **quality of living** of coffee-growing communities.

3.1 VALUE CREATION

In 2022, within an economic scenario that featured some elements of complexity due to the general global macroeconomic and political context, Lavazza Group achieved a positive operating performance, with a further increase in turnover compared to the previous year. Despite the consequences of the pandemic, the international geopolitical tensions, inflation and the raw material crisis, the Group maintained its profitability substantially in line with the previous year, with margins supported by three factors: higher sales in all geographical areas, a solid price mix and operating cost containment. The Group thus confirmed it has the values, resources and people needed to manage complexity and look to the future with peace of mind.

OPERATING RESULTS FOR THE TWO-YEAR PERIOD (€/000)

	2021	2022
Net revenues	2,308.4	2,715.5
EBIT	163.6	159.6
EBITDA	312.1	309.1
Profit for the year	105.5	94.6
CAPEX	135.0	123.7
Net financial position	(283.1)	(135.7)
Equity attributable to the Group	2,530.4	2,579.0

Revenues grew by **17.6%** compared to 2021 and net financial position remained positive at €136 million, confirming the Company's financial solidity. Turnover grew both in the **At Home** and in the **Away From Home** channels. As regards the At Home channel, the sales volume rose compared to the previous year (+2%, in contrast with the shrinking At Home coffee market), mainly driven by the pricing increase introduced following the rise in raw material costs. Conversely, in the Away From Home channel, despite a positive contribution resulting from the pricing increase, it was the positive volume effect (+26%) that generated the greatest growth in turnover.

REVENUES

+17.6%

VS 2021

The **Beans segment** continued to grow, confirming itself as the most dynamic on the market in 2022 as well. Taking into consideration the 15 main geographies where the Group operates, this segment rose by +1.4% compared to 2021 and Lavazza Group's market share grew (+1.5%) thanks to a 12% increase compared to 2021.

In the **Single Serve** capsule segment, which remained the most competitive, the Group continued to carry out its plan for the launch of aluminium capsules.

At geographical level, the Group reported sell-out growth rates by value in the retail channel in Germany (+18.1%), the United States (+14.1%) and Poland (+28%). Italy and France also increased by 1.5% and 6.1%, respectively, after the decline reported in 2021.

The Group's **EBITDA** was **€309 million** compared to €312 million for 2021 (-1%), virtually in line with the previous year. EBITDA margin was 11.4% compared to 13.5% for 2021. **EBIT** was **€160 million** compared to €164 million for 2021 (-2.4%), with EBIT margin at 5.9% and without a significant decrease. **Profit** amounted to **€95 million**, down compared to €106 million for 2021 (-10.3%).

The decline was due to the financial component, which was impacted by the negative effect of the adjustment to the year-end market values of financial securities, by foreign exchange losses mainly due to the Euro/Dollar exchange rate trend, by charges arising from extraordinary transactions such as the future sale of the majority stake in Fresh and Honest Café Ltd and the acquisition of the minority stake in Kicking Horse Coffe Co. Ltd Financial expense grew by €40 million, partially offset by the positive change in income taxes, which declined by €33 million mainly thanks to the lower taxes of Luigi Lavazza S.p.A.

In the **two-year period 2021-2022**, Lavazza Group was able to generate value thanks to a business model and a forward-looking strategy oriented towards **growth**, **innovation** and **sustainability**. This commitment is confirmed by the constant growth of the economic value generated and distributed.

In particular, the **economic value generated grew** mainly as a result of the turnover, while the **economic value distributed rose** due to a general increase in operating costs and taxes paid, as well as payments to providers of capital. The **economic value retained was positive**. It represents the difference between the economic value generated and the economic value distributed, adjusted by the typically non-monetary items of amortisation, depreciation and write-downs, as well as provisions. In 2021 and 2022, the Group made **donations** totalling **€10 million and €5 million** respectively, classified under recurring donations to associations and recognised bodies in support of social, health and cultural projects.

ECONOMIC VALUE GENERATE, DISTRIBUTED AND RETAINED FOR THE TWO-YEAR PERIOD

(€/000)

	2021	2022
A - ECONOMIC VALUE GENERATED (a+b)	**2,313,309**	**2,725,375**
a) Net revenues	2,308,393	2,715,466
b) Interest and dividends collected	4,916	9,909
B - ECONOMIC VALUE DISTRIBUTED (c+d+e)	**2,239,111**	**2,656,673**
c) Operating costs	**2,139,120**	**2,542,550**
c1) Cost of sales	1,385,765	1,794,767
c2) Promotional and advertising costs	229,992	212,071
c3) Selling costs	183,253	203,242
c4) Other structure costs	340,110	332,470
General and administrative expenses	*292,587*	*287,855*
Research and development costs	*15,787*	*16,559*
Other operating expense and income	*31,736*	*28,056*
d) Payments to providers of capital	**45,841**	**53,937**
d1) Dividends paid	33,376	43,138
d2) Interest expense paid	12,465	10,799
e) Income taxes paid	54,150	60,186
ECONOMIC VALUE RETAINED (A-B-f+g+h)	**276,284**	**237,504**
f) Extraordinary community investments (Covid-19)	-	-
g) Amortisation, depreciation and write-downs	151,019	152,235
h) Provisions and use of funds	51,067	16,567

INCLUDED IN OPERATING COSTS	2021	2022
Staff salaries and benefits	352,881	356,636
of which in the costs of sales	*55,608*	*66,154*
of which in selling costs	*126,514*	*133,046*
of which in other structure costs	*170,759*	*157,436*
Donations and gifts	**10,196**	**4,855**
Indirect taxes paid to the Public Administration	**7,427**	**6,222**

3.2 LAVAZZA'S APPROACH TO TAXATION

Lavazza Group's approach to taxation stems from a system of values shared by the entire Company that is based on the principles of **prudence, responsibility, consistency and transparency**, aimed at fostering a climate of trust towards all stakeholders, including in the fiscal area.

In 2021, the Group defined its Tax Strategy, approved by the Board of Directors, confirming that it is committed to responsibly managing tax matters in compliance with the above-mentioned principles and through **ongoing collaboration with institutions.** By defining the methods of sound and prudent management of taxation, the Tax Strategy is inspired by the principles set out in the Code of Ethics and integrates the control measures provided for in the Organisation, Management and Control Model adopted pursuant to Legislative Decree No. 231/2001, where applicable.

The Group thus promotes the spread of the tax culture and considers of primary importance to comply with all the laws and regulations of a tax nature applicable in the various jurisdictions in which it operates. For this purpose, it adopts a governance system aimed at containing the tax risk. In particular, it states that it does not carry out transactions with the sole or main purpose of reducing the tax burden and does not invest in countries that adopt a privileged tax regime, if not directly functional to the business purposes of the Group.

Strategic or management decisions, ordinary or extraordinary, require a prior assessment of the tax implications. To this end, all the corporate stakeholders involved have the responsibility of involving in advance the **Group Tax Department**, competent in tax matters, for the assessment of the tax impact of the transactions and the combined awareness regarding the methods of managing the potential tax risks.

All the Group's activities comply with the relevant legislation and tax planning is always in line with its commercial activities.

The business culture principles underlying Lavazza Group's tax approach refer to:

- responsible management of the tax variable based on trust, transparency and collaboration with the institutions and inspired by the principles set out in the Code of Ethics;
- containment of the tax risk;
- dissemination of the tax culture and compliance with all legal provisions and tax regulations applicable in the various jurisdictions in which the Group operates;
- dissemination across the Group of the general principles of conduct in tax matters, based on values of responsibility;
- compliance of the organisation and related processes (tax governance) in accordance with the goals defined;
- constant dialogue with the Tax Authorities managed in a professional, transparent and timely manner.

In **2022**, the Group received an important recognition for having ensured a constant focus over the year on tax compliance processes, which have their roots in its Code of Ethics and Tax Strategy, as well as in the positive assessment by the Italian Revenue Agency of the **Tax Control Framework**, i.e., the internal system for managing and monitoring tax risk. **Effective 2021, the parent company Luigi Lavazza S.p.A. was admitted to the Cooperative Compliance regime established pursuant to Legislative Decree No. 128/2015**, a fundamental tool to interface and collaborate with the Italian Revenue Agency to prevent and fix tax disputes. The admission is in keeping with the Company's governance and sustainability strategies, and represents a milestone in a broader path aimed at adopting systems of international cooperation with Tax Authorities in all the countries around the world where Lavazza Group's subsidiaries operate.

"For Lavazza Group, management of tax risk is an essential aspect. Its admission to the Italian Revenue Agency's compliance regime confirms the validity and transparency of actions implemented in this area, in pursuit of conduct that is always ethical, responsible and consistent with its sustainability strategies."

Enrico Cavatorta, Chief Financial & Corporate Officer of Lavazza Group

3.3 EMPLOYEES' HEALTH AND SAFETY

Supported by the shared values that set it apart, Lavazza Group is committed to constantly improving its health and safety performance to ensure a safe working environment. The Corporate Policy for Occupational Health, Safety, Energy and Environment shared with the entire Group promotes the values of health and safety, the adoption of virtuous behaviour and active engagement of personnel. The Group manages these aspects according to an approach based on assessing risks associated with workplaces with the aim of eliminating or minimising them, in accordance with applicable laws and regulations in all the countries in which it operates, as well as with the Health, Safety, Energy and Environment Guidelines set by the parent company.

In conclusion of the years-long process that began in 2015, in 2022 the whole Group[17]'s **Occupational Health and Safety Management System**, which involves all employees and external workers operating in workplaces controlled by it, **was certified ISO 45001**. The standard was adopted voluntarily to align and harmonise the management of the issue for all Lavazza Group companies, in that it establishes a framework for improving safety, reducing risks in the working environment and protecting the health of workers, in view of the requirements of local legislation. With specific reference to the Group's Italian companies, all the requirements of Legislative Decree No. 81/2008 are strictly complied with.

Thanks to the Group's Integrated Management System for Health, Safety, Energy and the Environment, the **central HSE** (Health, Safety & Environment) **function** is able to monitor progress and performance according to a clearly defined set of roles and responsibilities, as well as on the basis of planned periodic internal audits to test the adequacy and functioning of the Management System and to reinforce its coverage of the hotspots identified in the risk analysis, which is kept constantly up to date. On the basis of the risk assessment, protective measures are identified, including the Personal Protective Equipment (PPE) required to safeguard worker safety, health monitoring and first aid services, while ensuring the confidentiality of information in line with the law and the Group's privacy policies.

[17] Luigi Lavazza S.p.A. (Lavazza Nuvola HQ, Cofincaf S.p.A., Innovation Center, Milan Flagship Store, and the Turin, 1895, Gattinara and Pozzilli plants), Lavazza Professional North America LLC, Lavazza Professional (UK) Ltd and Carte Noire Operations S.a.s.

With regard to production units, the main work-related hazards are those associated with manufacturing, such as physical, biological and chemical risks, whereas in offices they relate to video terminal use. When a workplace injury occurs, in accordance with company protocols the information is sent to the competent authorities within the legal timescales and a report is drafted with a description of the circumstances, the causes of the event and the corrective measures to be taken.

The entire company population receives information, adequate **training**, both mandatory and voluntary, and, where necessary, on-the-job training on on occupational health and safety issues, with the updates required by local legislation and adapted to each employee's duties. The company population is involved in the Management System through exchanges with the Workers' Safety Representatives both at the Italian level and with dedicated personnel at the international level, as well as thanks to the possibility to report opportunities for improvement or near-misses through the internal communication process and the application of the appropriate operational and management processes for the role in question.

The Group's commitment to protecting the health and wellbeing of its workers also extends to raising awareness of health and safety risks not directly associated with working activities through the company Welfare&Wellbeing programme. In addition, in confirmation of the promotion of a working environment that protects all personnel, their quality of life and their families, and according to an approach that increasingly places people at the heart of all the Group's projects, in 2022 the International WELL Building Institute (IWBI) confirmed its **WELL Health-Safety Rating certification**, which was extended to all the Parent Company's buildings.

WORK-RELATED INJURIES IN THE TWO-YEAR PERIOD

	2021	2022
Number of recordable work-related injuries[18]	18	15
Number of high-consequence work-related injuries[19]	0	0
Number of fatalities as a result of work-related injury	0	0
Hours worked	6,831,902	7,069,979
Rate of recordable work-related injuries[20]	2.63	2.12
Rate of high-consequence work-related injuries[21]	0	0
Rate of fatalities as a result of work-related injury[22]	0	0

The **work-related injuries** that occurred in 2022 were generally attributable to causes of a behavioural nature resulting from tripping and falling, lifting or improper handling of materials, distraction and collisions. At plants, where most risk factors are present, 2022 was a record year in terms of the **lowest number of work-related injuries** to personnel with one day or more away from work (7 work-related injuries in 2022 against 10 in 2021).

A SAFETY DAY IN LAVÉRUNE

Among the initiatives promoted in 2022 to raise workers' awareness on the issue of occupational safety, mention should be made of the **"Journée de la Sécurité"** held at the Carte Noire Operations facility in Lavérune, France. The initiative involved all of the facility's workers, as well as a team of health and safety specialists from the Group's various plants, and was extended to representatives of local authorities and businesses. The whole day was devoted to opportunities for reflection, workshops and direct experiences relating to the issues of fire prevention, first aid, the effects of alcohol and drugs on driving vehicles and the use of forklifts. At the beginning of the event, a highly-appreciated video message was delivered by the Group's Chairman, Alberto Lavazza, who underscored the role and value that occupational health and safety have always played for the Lavazza family and the company.

[18] Work-related injuries occurred to Lavazza's personnel. Data relating to the two-year period includes the "recordable" work-related injuries that entailed the loss of at least one workday, including any high-consequence work-related injuries and fatalities. In 2022, in addition to the 15 recordable work-related injuries, other 3 events occurred that were reported to OHSA (Occupational Safety and Health Administration, US federal agency in charge of ensuring safe and healthful working conditions to American workers); these are not included in this item as they entailed less than one day away from work.

[19] Work-related injuries entailing over 6 months workday loss.

[20] Rate of recordable work-related injuries = No. of recordable work-related injuries / No. of hours worked * 1,000,000.

[21] Rate of high-consequence work-related injuries = No. of recordable high-consequence work-related injuries / No. of hours worked * 1,000,000.

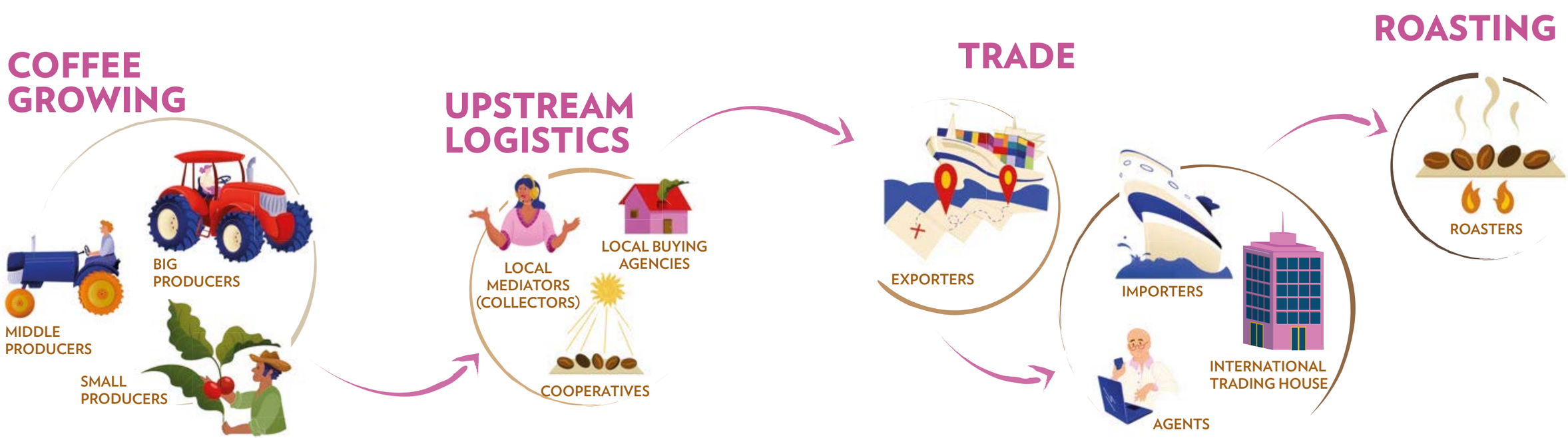
[22] Rate of fatalities as a result of recordable work-related injuries = No. of recordable work-related injuries / No. of hours worked * 1,000,000.

3.4 SUPPLY CHAIN MANAGEMENT

3.4.1 A COMPLEX SUPPLY CHAIN

The coffee industry is complex and fragmentary: most growers are small- and medium-size agricultural entrepreneurs with limited hectares of land, mostly located in remote and hard-to-reach areas, given the peculiarity of the ecosystem in which the *coffea* (coffee plant) grows. Accordingly, from the field to the port of origin, logistics involves the participation of a series of players in various forms, such as cooperatives — typical of Central America and Latin America — and local mediators (also known as bulk traders), which are fundamental in the part of the supply chain that connects growers to exporters, where the latter prepare coffee containers at their production facilities along with all the documentation required to ship the coffee.

Once at the port of entry, the raw material is brought to the facility of the importer (often the roaster itself), where the coffee is roasted. Roasters use various methods of procuring green coffee depending on their business size. The largest among them, including Lavazza Group, buy directly from international trading houses, which often have facilities in the main countries of origin, where green coffee blends are prepared according to the quality standards set by roasters. Other smaller roasters use importers in the destination country that handle all phases of customs clearance on the roaster's behalf. In some cases, when the local exporter is unfamiliar with the structure and peculiarities of roasters in an importing country, it relies on agents who are charged with promoting the exporter's coffee.



In this scenario, with its complexity of management, Lavazza Group is committed to improving its supply chain in line with the fundamental principles of **promotion and protection of human rights, safeguarding of the environment and business ethics**, which have always guided the Group's procurement policy.

At the global level, the Group bases its business on a responsible supply and procurement chain, incentivised by the **active engagement of suppliers** in social and environmental sustainability matters, as well as a on a **multistakeholder collaboration** model with partnerships of excellence at both the international and local level. In this regard, work on strengthening the Group's set of procedures — from the Code of Ethics to the Supplier Code of Conduct and the Commitment to Human Rights and the Commitment to Children's Rights — and the projects carried out with the main suppliers and civil society associations operating in coffee-growing countries further confirm the focus on setting up an increasingly responsible supply chain.

3.4.2 COMMITMENT TO PROTECTING HUMAN RIGHTS

For Lavazza Group, considering the specific characteristics of the areas in which coffee growers operate where there is a high risk of violation of human rights, **respect for human rights** is an essential principle, which cannot be compromised in any way and must be safeguarded with the greatest commitment and the best forces in the field,

Accordingly, the Group adopts a zero-tolerance policy towards all forms of threat to human rights throughout the supply chain, and in particular in relation to the wellbeing of children. The Group promotes and supports the **International Labour Organization (ILO)**[23] with regards to the fundamental principles and rights at work and, as part of its sustainability strategy, it has adopted the **United Nations Guiding Principles on Business and Human Rights.**

In addition, in 2017 the Company integrated into its activities the **Children's Rights and Business Principles (CRBP)**[24], on the basis of which it updated its Code of Conduct, whose signing is required to Suppliers to work with the Group, as well as the corporate social responsibility (CSR) criteria for qualification of suppliers, as an additional tool for verifying whether they meet the standards set by the Group.

Moreover, since 2016 all Lavazza Group's green coffee suppliers have been asked to recognise and confirm that no coffee comes either from plantations on the **"Transparency List on Contemporary Slavery in Brazil"** published by Danwatch or from plantations or suppliers that might not comply with laws and regulations.

[23] The International Labour Organization is the UN specialised agency devoted to promoting social justice and internationally recognised human and labour rights.

[24] Guidelines drawn up by Save the Children, the Global Compact and UNICEF to support companies in the protection and promotion of children's rights.

3.4.3 COOPERATION PROJECTS IN THE FIELD

Supplier engagement and assessment consists in a process made up of increasingly updated and structured policy tools and specific projects in the field led by a specific unit within the Institutional Relations & Sustainability Department that collaborates with the Coffee Buying Department on all social and environmental matters relating to the production chain.

This commitment provides for the **engagement of the Group's employees**, **collaborators** and **suppliers** — as primary key stakeholders — and is based on a structured series of partnerships with:

- **the local institutions**, for projects in the coffee-growing countries;
- **other roasters**, namely other companies operating in the coffee sector at a pre-competitive level and through activities in collaboration with International Coffee Partner, the association that brings together the leading coffee roasters and traders for specific projects;
- **organisations of excellence**, such as the International Labour Organization;
- **Non-Governmental Organisations (NGOs)** within pilot projects, in particular Save The Children — with which Lavazza has partnered for 20 years —, Oxfam and Rainforest Alliance.

The international social projects throughout the production chain are based on a scenario analysis carried out in collaboration with local civil society associations. As part of these projects, the Group directly involves several selected suppliers in the work in the field, coordinated and managed by the NGOs together with the local institutions and partners. These are suppliers operating both in the production of coffee machines, such as the project developed with **Save The Children in China**, concluded in 2020, and in green coffee growing, such as in the case of the project with **Oxfam in Colombia**, which concluded in 2022 after a two-year journey. The Oxfam project was implemented at a selection of plantations in Colombia, with a focus on growers, through the application of the human rights impact assessment (HRIA) method, which made it possible to identify the issues that require the greatest attention in the area in question, i.e., women's empowerment, and to continue down this path in developing projects in collaboration with coffee traders in the field. The Group launched a collaboration path with the aim of expanding this in-field project approach as much as possible, creating an increasingly ethical and sustainable value chain.

THE COMMITMENT IN THE FIELD IN VIETNAM

Vietnam is the number-two country in the world by coffee exports and among the three countries in which most of the coffee processed by Lavazza Group originates. Two projects are in place in this country involving the supply chain.

The first was launched in 2019, with a focus on children's rights, together with **Save The Children**, an NGO with which the Company has partnered for over 20 years. With the support of the organisation The Centre for Child Rights and Business, the project involves six coffee-growing communities in the Dak Lak region that are part of the Group's production chain, extending to **2,000 direct beneficiaries** (of which 1,500 children) and **17,000 indirect beneficiaries**. In particular, this project, dedicated to raising awareness of children's rights, involved extensively all actors throughout the supply chain: almost all of the Group's first- and second-level coffee suppliers in Vietnam, coffee-grower cooperatives, small growers and local families and children.

The first phase of the project, implemented in the three-year period 2020-2023, will continue with further extension and development until 2026. The first phase, called Needs Assessment, included interviews with community members to assess the social sustainability of coffee growing practices. This phase was helpful in evaluating the context in which the project was to be developed and the needs of the project's beneficiaries. The data collected in this phase showed that families have a low level of awareness of children's rights, on which work began in 2021. In the second phase of the project, the improvement areas and targets were identified and the resulting plan of activities was formulated with all stakeholders involved.

Lavazza Group's goal is to create a model of action, consolidate it in Vietnam, but also spread it, thus developing good practices in the Company's main coffee-supplying countries.

As part of the second project in Vietnam, the Group continued to support, in collaboration with a major supplier, a project financed by the Dutch Ministry of Foreign Affairs through the Fund Against Child Labour (FBK) managed by the Netherlands Enterprise Agency (RVO) in Vietnam. The implementing NGO is **Rainforest Alliance**, with which the Company has had commercial relations for many years. Since 2020, the four-year project has been managed in collaboration with the government and local authorities and aims to increase farmers' income and combat child labour in the supply chain in Vietnam's Gia Lai and Dak Lak provinces, which are home to numerous indigenous ethnic minority groups. The ultimate goal is to improve the living conditions of the **1,500 growers involved**, the 50% of whom should obtain Rainforest Alliance certification by the end of the project in 2024.

In collaboration with Rainforest Alliance's staff in the field, a training programme was launched for local farmers to develop their key competencies so as to improve their agricultural practices and entrepreneurial skills. A great deal of attention is dedicated to young people in the most remote areas, who have gained better access to to vocational training and guidance, as well as to boys and girls for whom educational courses on children's rights have been launched, along with the so called "child lead groups" coordinated by teachers. The project is also aimed at raising awareness on the fight against child labour through a series of training sessions involving farmers' associations, local authorities and business partners.

ACHIEVEMENTS:

- 1,500 growers, of which 25% are women and 50% belong to ethnic minority groups, are already involved in training;
- 40 training sessions on good agricultural practices and child labour with the participation of 30-50 people per session. Training will continue in 2023;
- distribution of material to raise awareness of child labour, including: 9 GAP short films, 4,000 flyers and 3,200 handouts on children's rights.

3.4.4 SUPPLIERS' ASSESSMENT

In accordance with Lavazza Group's standard, accreditation of new suppliers requires acceptance of the Code of Ethics and Code of Conduct, as well as, starting from 2018, completion of a questionnaire dedicated to sustainability. However, in recent years the procurement policies and procedures implemented have seen sustainability criteria become an increasingly important parameter when assessing suppliers. The process of creating a full-fledged **vendor rating** system was completed in 2022 through the adoption of the **EcoVadis** platform. This external platform was adopted in 2020 to monitor the sustainability performance of suppliers and propose improvement plans with regard to respect for the environment, human rights, ethics and sustainable procurement.

Through ad-hoc questionnaires prepared on the basis of specific indicators (number of workers, country of origin and product category) and the responses received, suppliers are assigned an overall score resulting from the weighted average scores obtained in each area examined: environment, working practices, human rights, ethics and sustainable purchasing. In addition, a higher score is awarded to suppliers with which international cooperation and sustainable development projects are in progress, as a company or through the Lavazza Foundation.

The Group recognises the importance of monitoring the sustainability performance of its suppliers, as confirmed also by the launch of specific **training** courses on sustainability matters dedicated to the Purchasing Department's personnel.

GOLD 2023 ecovadis Sustainability Rating

In 2022, over 95% of suppliers involved in the green coffee supply chain took part in the EcoVadis assessment

For the fourth consecutive year, Lavazza Group obtained EcoVadis certification, one of the most recognised international rating for supplier sustainability. In 2022, the Group received the **Gold Medal** for the first time, ranking in the top 5% of companies assessed by the EcoVadis team of international experts. The score was increased by five points from the previous year to 70/100, placing the Company in the 95th percentile, equivalent to an "Advanced" level of assessment. Of the pillars on which the experts at EcoVadis base their assessment, the sections dedicated to the Environment and Sustainable Procurement, along with the Labor & Human Rights section, contributed the most to achieving this important result.

"The promotion and protection of human rights, environmental protection and business ethics are fundamental principles that have always guided Lavazza Group's procurement policy. We are proud of this recognition, which was made possible by the shared values and collective commitment of employees and collaborators, along with representatives of our supply chain."

Mario Cerutti, Chief Institutional Relations and Sustainability Officer of Lavazza Group

2022 SUPPLIER COFFEE LINKS: REWARDS SUSTAINABILITY

In 2022, the annual supplier convention was resumed in physical presence form at the Nuvola Lavazza Headquarters in Turin, with the participation of **500 suppliers** and 200 guests from within the Company: it was an important opportunity to take stock of the results achieved in the year and share the new challenges for the future with the partners. At the convention, the third edition of the **Supplier Coffee Links Awards** was held and awards were presented to the eight best suppliers in four categories: Sustainability, Quality, Competitiveness and Innovation.

PROTECTION OF THE ENVIRONMENT AND NATURAL RESOURCES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

4

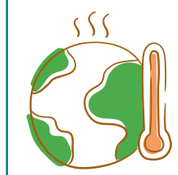
MATERIAL TOPICS

- Environmental sustainability and fight against climate change
- Sustainable innovation

IMPACTS

- Greenhouse gas emissions and resource consumption
- Launch of products with non recyclable materials
- Biodiversity reduction

RISK AREA



Climate change

Land use, Deforestation and biodiversity

Since its foundation, Lavazza Group's history has always been marked by a focus on environmental sustainability. Since then, it has never ceased to influence the Company's industrial, commercial and product-related decisions. Today, Lavazza has defined a Group strategy through its **Roadmap to Zero**, a path in which environmental sustainability drives process and product innovation. To reduce its impact on the environment and give a positive long-term contribution, the Company decided to focus its attention on two of the 17 UN Sustainable Development Goals, namely, **Goal 12** – **Responsible Consumption and Production** and **Goal 13** – **Climate Action**. By adopting a structured methodological approach, Lavazza Group has outlined an **environmental sustainability strategy from bean to cup**, taking into account the impacts along the product's entire life cycle. The following chapter aims to illustrate how, based on its own sense of responsibility, the Company deals with the main impacts directly and indirectly related to its business activities.

First of all, as a manufacturing company, Lavazza Group recognises the environmental impact currently generated by the emission into the atmosphere of greenhouse gases, deriving from the combustion used in coffee production and roasting, and from the consumption of resources, such as energy, water and raw materials, for the production process. With this awareness, the Group is committed to implementing strategies and solutions for the reduction and mitigation of these impacts.

For example, the inclusion of **circular economy** principles within production processes helps the Group minimise the impact generated using materials required for coffee packaging, both through their optimisation in terms of weight and type (for example, giving preference to recyclable materials), and through efficient management of their end of life. The need to combine the sensory properties required to preserve coffee and the urgent need to safeguard the planet are reconciled in a dedicated Roadmap to Zero programme: the **Sustainable Packaging Roadmap**, which aims to make the packaging of the Group's entire product portfolio recyclable, compostable or reusable by 2025.

At the same time, the Group recognises that the coffee production activity is directly linked to the **biodiversity** of ecosystems in the producing countries and that this is particularly at risk, given coffee's major exposure to the effects of climate change and the extensive marketing of few of its varieties. For this reason, the close **collaboration** between the Group, the Lavazza Foundation, local growers and the main coffee traders is an essential element for preserving the varied biodiversity of the ecosystems of the producing countries and for promoting actions against **deforestation**.

4.1 THE PATH TOWARDS ENVIRONMENTAL SUSTAINABILITY

Lavazza's environmental strategy is incorporated into the entire Group's operating model at the international level with an integrated and homogeneous approach based on four pillars of intervention and on the three phases, i.e., **measurement, reduction and offsetting of the environmental impact**. The adoption of the Group's approach is supported by the Policy for Occupational Health, Safety, Energy and Environment, which provides for business activities and goods and services production processes to be carried out through the implementation of an Integrated Management System, defined in accordance with international standards, and through the promotion of the responsible use of resources in order to achieve sustainable growth that respects the environment and protects people and the rights of future generations. In 2022, the **ISO 14001 environmental certification for the Integrated Management System was expanded at Group level**[25], attesting to an environmental management based on the stages of planning, execution, control and implementation of improvement actions, and managed by a well-defined structure of roles and responsibilities. With specific reference to emissions management, the Group's greenhouse gas inventory is drawn up according to the **UNI ISO 14064-1** Standard, a voluntary standard the application of which is verified annually by an accredited third party.

[25] Luigi Lavazza S.p.A. (Headquarters, Cofincaf S.p.A., Innovation Center, Milan Flagship Store, and the Turin, 1895, Gattinara and Pozzilli plants), Lavazza Professional North America LLC, Lavazza Professional (UK) Ltd and Carte Noire Operations S.a.s..

STRATEGY

THE 4 PILLARS AND THE CIRCULAR ECONOMY

The Group's environmental sustainability strategy is based on four, integrated key concepts.

1. Climate protection

The Group aims to contribute to the fight against climate change, reducing the environmental impact generated along its entire value chain, thanks to the Company's **Roadmap to Zero** launched in **2020**: a constantly updated strategy that prioritises a progressive reduction of emissions and subsequent offsetting of unavoidable emissions.

2. Responsible use of resources

The Roadmap to Zero is a structured programme that takes into account the complexity of the coffee production chain. It is for this reason that one of the main guidelines underlying the Group's environmental strategy concerns the responsible use of resources, from their production to their consumption. The entire Group has therefore adopted protocols aimed at achieving **maximum energy efficiency and sustainable water and waste management**.

3. Sustainable by design

The Roadmap to Zero includes the **Sustainable Packaging Roadmap**, launched by the Company in **2020** and aimed at making the packaging of the Group's entire product portfolio compostable, recyclable or reusable **by 2025**. This plan applies the main precepts of the **circular economy**, whose principles also extend to coffee machines and production models, with an approach that promotes **sustainability by design** to avoid waste, make the use of resources more efficient, enhance product end of life and reduce the environmental impact of production processes as a whole.

4. Environmental sustainability at the source

The Group's environmental strategy is further enriched by the activity of the **Lavazza Foundation** that, as of **2004**, has implemented sustainable development projects supporting coffee growers in adopting **agricultural techniques aimed at effectively respond to the effects of climate change** and promoting **good practices for the conservation of high nature value areas**. The growth process ensured by the Foundation's projects has allowed various farming cooperatives to become suppliers to Lavazza Group. In such cases, environmental and social sustainability is an economic sustainability driver. Moreover, in recent years, the Foundation has partnered with non-governmental organisations and international institutions, intensifying its reforestation projects, as well as projects aimed at fighting deforestation.

Lavazza Group Circular Economy Manifesto published in 2022

A VIRTUOUS COMPANY ACCORDING TO GS1 ITALY AND SCUOLA SUPERIORE SANT'ANNA IN PISA

Lavazza **has been found to be a particularly virtuous company in the application of circular economy principles, according to the analysis of the level of circularity**[26] carried out through Circol-UP1, the tool developed by GS1 Italy in collaboration with **Scuola Superiore Sant'Anna in Pisa**. According to the experts, *"Lavazza has embarked on a structured circularity development path with a good awareness of the role of the circular economy in its organisation as a lever for its own economic development, while respecting the environment. These circularity actions, developed also through a network of collaborations, are not just one-off initiatives: they are solutions, often innovative, deriving from a clear structured strategy with a medium-long term vision."* **The circular economy principles have been found to be generally integrated, so that the Company has been ranked among virtuous enterprises obtaining a "Proactivist" performance level**, i.e., the level just below full circularity. In particular, the evidence collected identifies the **product Design, Production and Use/Consumption** phases as those in which the Group's Italian production plants achieve the best circularity performance, with a percentage of more than 80% that already places them in the high band of almost complete adherence to the circularity principles.

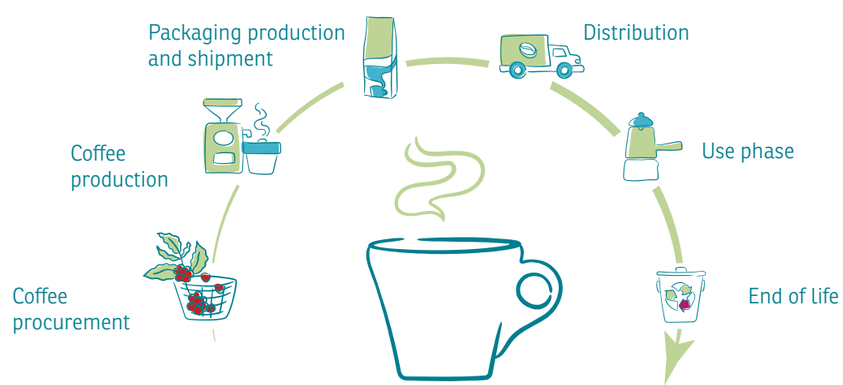
[26] Circularity measurement refers to Luigi Lavazza S.p.A.'s Italian production plants of Pozzilli, Gattinara.

THE THREE-STEP APPROACH

MEASUREMENT

The impact measurement process is the first phase on which the Group's actions are based and is instrumental in defining the path of the subsequent reduction and offsetting steps. The Group measures and monitors annually the environmental impacts generated on its production process by the energy resources required (fuels, electricity, natural gas) and the materials introduced and produced (waste, scrap, water, packaging materials). The measurement of the Group's environmental impacts is reflected in the monitoring of the greenhouse gas emissions inventory, which has to be updated if substantial changes occur, such as, for example, changes in scope, business activities, standards and/or emission factors used.

As of **2015**, the Group has performed analyses through the **Life Cycle Assessment** (LCA) methodology aimed at assessing a product by analysing its environmental impact throughout its life cycle. Using the results obtained from the LCA analyses carried out throughout its value chain, the Group identifies opportunities for improvement and develops dedicated projects.

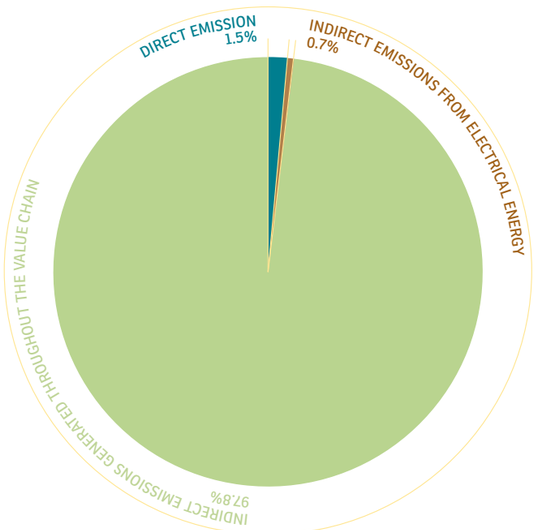


To report and disclose the contribution to the environmental impact of the various stages of the supply chain, Lavazza Group uses the **Carbon Footprint**[27] indicator. The environmental impact is expressed in tCO_{2eq} (tonnes of CO_2 equivalent) and refers to the whole production chain.

The Group takes into consideration the emission categories defined by **ISO 14064-1**, which are associated with those indicated by the **GHG Protocol** and highlights their impact through its own reporting format. The following table shows a simplified correlation between the two different standards and the related **level of control** of Lavazza Group, where the margin of action represents the possibility of acting in relation to the impacts generated by the Group (e.g., changing supplier, replacing machinery and plants, etc.), while the level of control refers to the actual management of the emission source (direct or indirect).

In 2022, the Group generated **2,746,522 tCO_{2eq}** of emissions, of which 42,767 tCO_{2eq} of direct emissions, 19,189 tCO_{2eq}[28] of indirect emissions from electricity and 2,684,565 tCO_{2eq} of indirect emissions, down by 5.2% compared to 2,897,562 tCO_{2eq} in 2021.

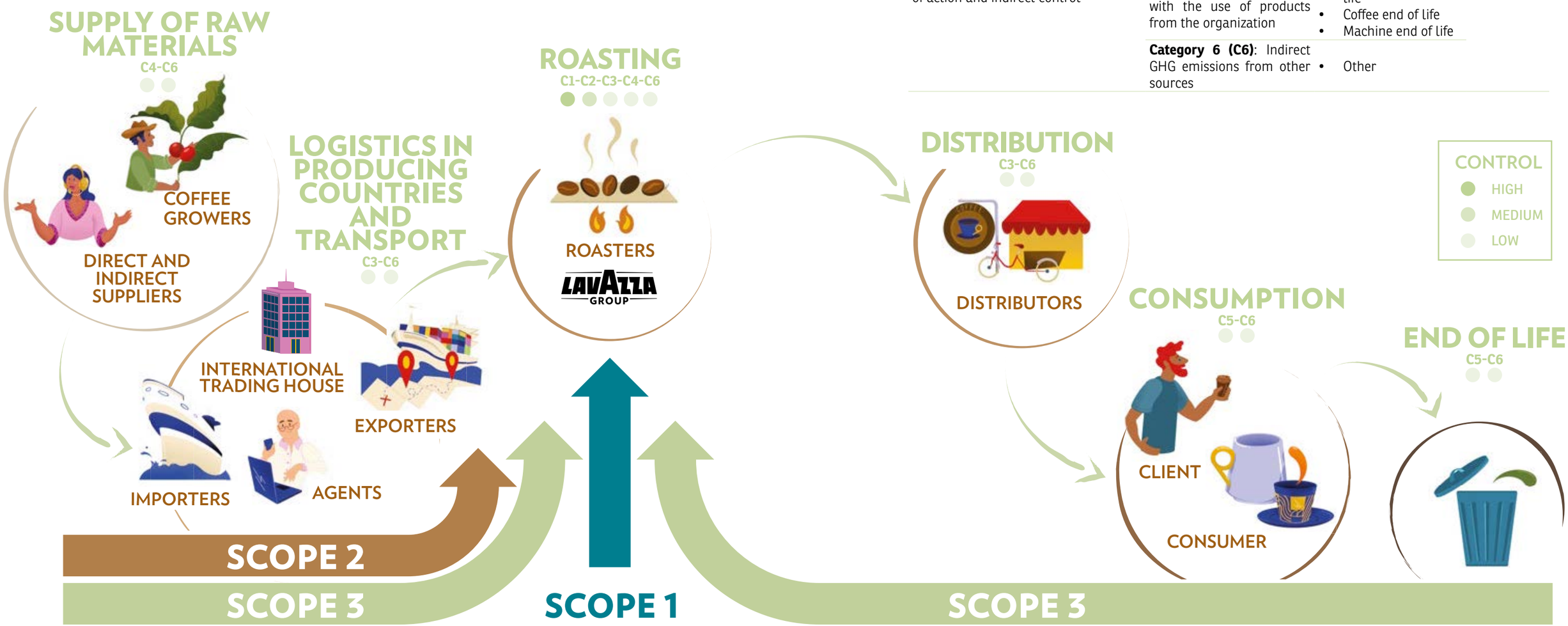
BREAKDOWN OF THE GROUP'S TOTAL CO_{2EQ} EMISSIONS IN 2022



[27] The carbon footprint is defined by the ISO/TS 14067:2013 standard as the sum of GHG emissions and removals in a product system, expressed in CO2eq and based on a life cycle assessment (LCA). The results relating to the environmental impacts are shown for the two-year period 2021-2022 for all the Group, including both commercial and production sites.

[28] Value calculated according to the market-based approach.

CONTROL BY LAVAZZA GROUP	ISO 14064-1 CATEGORIES	ISO 14064-1 SUB-CATEGORIES	GHG PROTOCOL
Direct emissions: emissions directly generated and controlled by the organisation, for which the Group has high margin of action and direct control	**Category 1 (C1):** Direct GHG emissions and removals	• Energy consumption for production • Workplace heating • Corporate vehicle fleet	Scope 1
Indirect emissions from electricity: emissions indirectly generated from the use of electricity, in relation to which the Group has high margin of action and indirect control	**Category 2 (C2):** Indirect GHG emissions from imported energy	• Electrical energy • Thermal energy	Scope 2
Indirect emissions generated along the value chain: emissions generated indirectly by the activities performed throughout the value chain, both upstream and downstream, in relation to which the Group has limited margin of action and indirect control	**Category 3 (C3)**: Indirect GHG emissions from transportation	• Inbound logistics • Employee travel • Outbound logistics	Scope 3
	Category 4 (C4): Indirect GHG emissions from products used by an organization	• Green coffee • Food raw materials • Packaging • Machines • Water consumption • Plant waste	
	Category 5 (C5): Indirect GHG emissions associated with the use of products from the organization	• Usage • Packaging end of life • Coffee end of life • Machine end of life	
	Category 6 (C6): Indirect GHG emissions from other sources	• Other	



REDUCTION

On the basis of the results of the measurement and ongoing monitoring of the environmental impact, the Group outlines its reduction strategy through the definition of **5 improvement plans** dedicated to green coffee, coffee machines, production, packaging and logistics. In particular, thanks to the implementation of projects aimed at increasing energy efficiency and using alternative sources and materials, the Group has gradually reduced its direct and indirect emissions due to the use of electricity. Today, **100%** of the electricity powering the 7 main plants out of the total 9 plants — in Italy, France, the United Kingdom and Canada — is obtained from **renewable sources** thanks to a plan launched in 2012. This system allows to produce **98%** of the coffee of the whole Group using renewable electricity.

Moreover, the **circular economy principles** applied in 2022 to further abate emissions enabled to make **66% of the packaging** of the Group's entire product portfolio **recyclable**.

In addition, the ratio of the total emissions generated (excluding the compensated ones) to the tonnes of processed coffee is **8.8 tCO_2/t**, **down by 16%** compared to 10.5 tCO_2/t in 2021, despite the broader scope and the non-linear performance of coffee production (increased by 8%) compared to emissions (decreased by 5.2%[29]). This means that **in 2022 the emissions per tonne of processed coffee decreased by 16% compared to the previous year**.

CO_{2EQ} EMISSIONS
PER COFFEE PROCESSED

-16% VS 2021

[29] For 2022, the 2020 inventory calculation was expanded to include four additional categories regarding (i) coffee brewing machines; (ii) usage phase for products sold; (iii) raw materials other than coffee, and (iv) commuting. In addition, the conference call category was eliminated. In order to ensure comparability with the 2020 figure, thus considering the same emission categories and the related reparameterization of the offset emissions, the index is 7.6, improving compared to 8.5 in 2021.

OFFSETTING

The Group's environmental sustainability strategy provides for the Company's commitment not to be limited to those matters under its direct control, but to also be focused on reducing environmental impacts not directly generated by its business activities. With this in mind, the last phase of the Roadmap to Zero envisages **offsetting residual and unavoidable emissions**, through the financing of projects capable of absorbing or avoiding emissions through the purchase of carbon credits. Lavazza Group has thus carried out measurement and reduction activities, as well as impact offsetting activities through programmes involving the purchase of these credits. These are so-called 'green credits', each equivalent to a tonne of avoided or absorbed carbon dioxide, generated by supporting and financing positive-impact projects developed outside one's own supply chain. Each credit obtained attests to the actual reduction, or removal, of one tonne of CO2 emitted into the atmosphere in order to compensate for emissions that cannot be reduced, balancing those generated and their absorption. Among the projects chosen by the Group, buying carbon credits also means financing and supporting sustainable development projects that contribute to improving the living conditions of local communities, providing social, economic, and environmental benefits on a global scale.

This supports accredited entities for the development and certification of carbon credits deriving mainly from reforestation, forest conservation and renewable energy development projects. In 2022, **350,832 tCO_{2eq}** were offset with regard to the carbon footprint of Single Serve products in the CO2 Neutral range sold during the year and to emissions relating to Category 1 – Direct GHG emissions and removals and Category 2 – Indirect GHG emissions from imported energy.

4.2 THE ENVIRONMENTAL IMPACT MANAGEMENT

4.2.1 THE IMPACT GENERATED BY THE GROUP'S BUSINESS PROCESSES

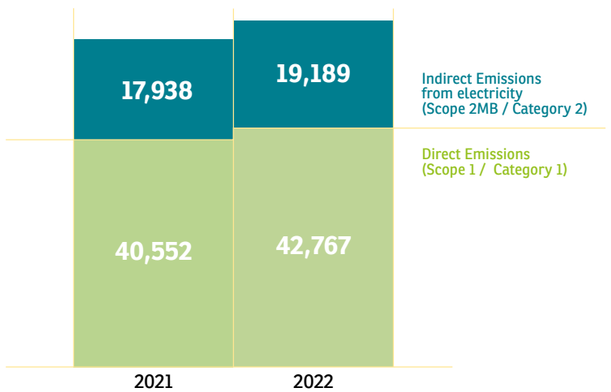
MEASUREMENT

Direct emissions (Category 1) are all emissions that are generated by production processes and business activities under the Group's direct control. The directly generated environmental impact derives from the combustion of fuels required to process and roast coffee, the use of natural gas for heating premises and fuels for the company fleet.

In 2022, these emissions amounted to **42,767 tCO_{2eq}**, increasing by 5.5% compared to the previous year, due to the 8% increase in the quantity of processed coffee.

Indirect emissions from electricity (Category 2) are emissions related to the purchase and self-production of electricity, heat and steam required to power business activities[30]. Although these emissions are indirectly linked to business activities, the organisation has a high margin of action and indirect control of these emissions as it can make choices about the energy supply selected and the self-generation of energy from renewable sources.

DIRECT EMISSIONS AND INDIRECT EMISSIONS FROM ELECTRICITY IN TCO_{2EQ} IN THE TWO-YEAR PERIOD



[30] Electricity production is an indirect emission, since the emissions associated with the electricity extraction and production phases are reparametrized in respect of the share of electricity consumption purchased from the national grid.

Indirect emissions from electricity calculated according to the market-based approach[31] amounted to **19,189 tCO_{2eq}**, up by 7.0% compared to the previous year as a result of the availability of primary data from additional commercial subsidiaries and the higher quantity of processed coffee. The value calculated according to the location-based approach is equal to 50,156 tCO_{2eq}: this means that the Group, for the same consumption, would have emitted more than twice as many indirect emissions from electricity if it had not purchased energy with Guarantees of Origin[32], certifying it was generated from renewable sources. This difference in terms of climate-changing impact is further evidence of the commitment to purchasing energy from certified renewable sources.

As mentioned above, the calculation of the environmental impact results from measurement and monitoring of the energy sources used by the Group:

GROUP'S ENERGY CONSUMPTION

	UOM	2021	2022
Consumption for production and workplace heating	**GJ**	**524,458.5**	**563,633.0**
Natural gas	GJ	495,498.3	530,019.7
Diesel	GJ	126.0	285.1
LPG	GJ	28,437.7	32,984.0
District heating	GJ	396.4	344.2
Consumption for the corporate vehicle fleet	**GJ**	**71,199.9**	**120,172.0**
Petrol	GJ	71,199.9	18,296.8
Diesel	GJ		101,871.7
LPG	GJ		0.8
Electricity for car fleet[33]	GJ	-	2.8
Electricity consumption	**GJ**	**361,157.1**	**367,939.9**
Self-production and consumption of energy from renewable sources	GJ	2,260.8	2,225.0
Electricity from renewable sources purchased from the grid	GJ	331,280.5	327,590.3
Electricity from non-renewable sources purchased from the grid	GJ	27,615.9	38,124.5
Energia termica	GJ		
Total energy consumption	**GJ**	**956,815.5**	**1,051,744.7**

[31] The market-based approach is a calculation methodology (source: GHG Protocol) that identifies the amount of emissions generated by the Group net of the portion covered by Guarantees of Origin, certifying the use of energy from renewable sources, and using a conversion factor that excludes renewables from the national energy mix.

[32] Guarantee of Origin, i.e., a certification attesting to the renewable origin of the sources used by plants qualified by the Energy Services Manager.

[33] This power supply falls into the category of consumption for the company fleet since it is energy used for hybrid or full-electric vehicles. However, since it is electrical power, the environmental impact is included among indirect emissions from electricity (Scope 2/Category 2 – Indirect GHG emissions from imported energy).

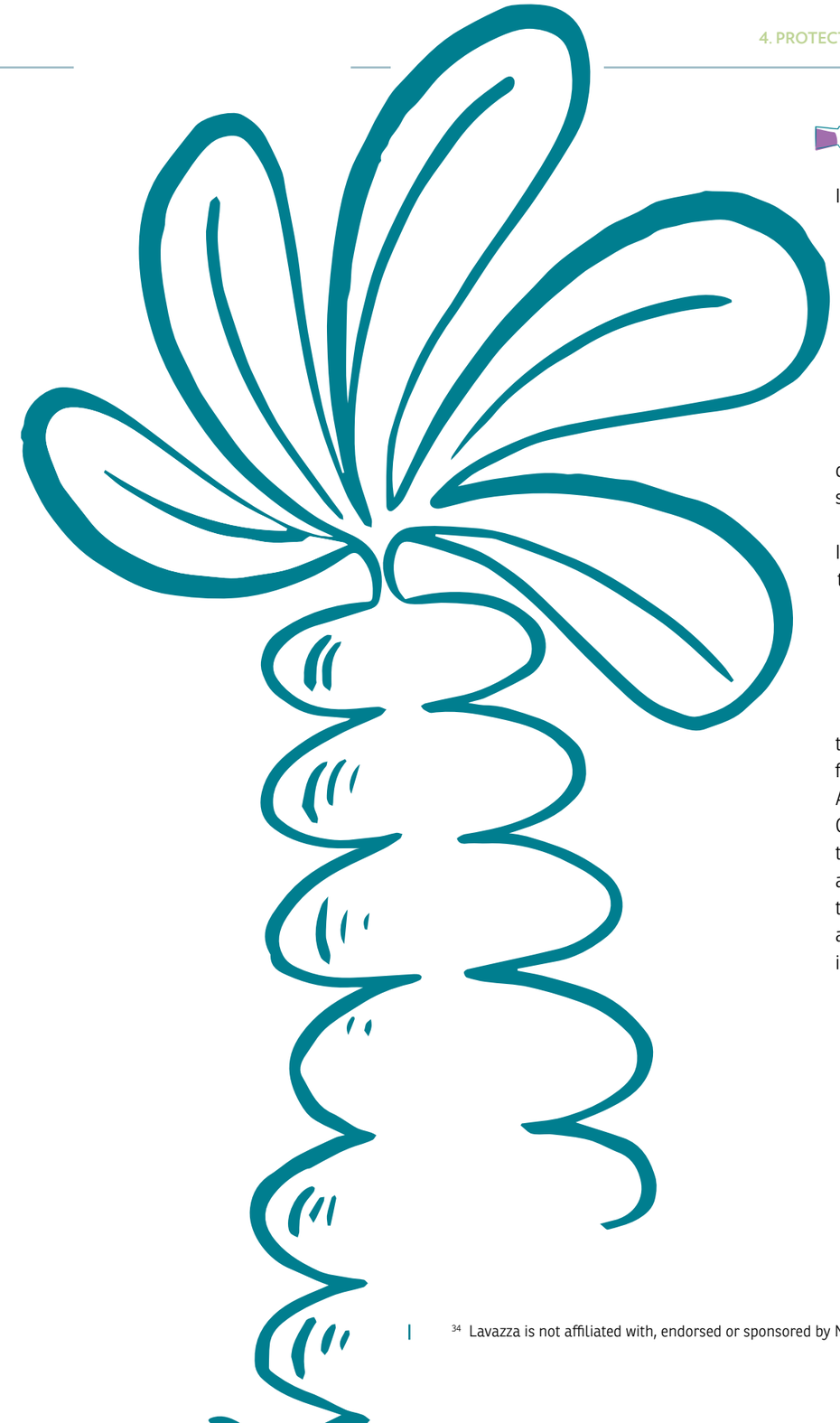
In addition to sourcing 34.8% of electricity from the grid, 90% of which is covered by Guarantees of Origin, the Group self-produces and consumes energy generated by the photovoltaic system installed at the Gattinara plant and the Nuvola headquarters in Turin. Total energy consumption amounted to 1,051,744.7 GJ in 2022, increasing by 9.9% compared to 2021, in line with the increased coffee production and in light of the inclusion of additional commercial offices in the reporting scope.

ENERGY INTENSITY

	2021	2022
Total energy intensity	3.81	3.88
Energy intensity - electricity	1.44	1.36
Energy intensity - fuels used in processes (excluding the corporate vehicle fleet)	2.09	2.08

The energy intensity indices are almost unchanged despite the increase in production thanks to the efficiency-raising and reduction activities implemented at the plants. The total energy intensity increased by 1.8% compared to the previous year, as commercial sites, most of whose consumption comes from company fleet use, were detailed and included in the calculation.

The gradual process of **reducing energy consumption, despite the increase in production and the expansion of the reporting scope**, is a reflection of the Group's commitment to contributing to the fight against climate change**.**



REDUCTION

In 2022, the action carried out by the Group's **Energy Management Team (EMT)** made it possible to reduce energy consumption at the Turin and Gattinara plants, avoiding, for the same production, consumption of more than **1,170 MWh/year**, equivalent to that of more than 400 Italian households. The result was achieved thanks to efficiency-raising measures applied to different phases of the production process, such as the increase efficiency of compressed air distribution, burner replacement and boiler optimisation.

In addition, the Turin plant has built the infrastructure required for connection to the district heating network, replacing the use of methane for heating premises.

Moreover, the emissions reduction strategy also involves the **Single Serve portfolio** consisting of the BLUE, Firma, Flavia Freshpacks containing coffee (Alterra and Lavazza Brand), aluminium Lavazza A Modo Mio capsules compatible with Nespresso Original machines (NCC)[34]and Soft Pods. These systems, which have been Carbon Neutral since 2021, are involved in annual emission reduction plans that focus on three areas: the optimisation of packaging materials, the impact of green coffee and the increase in energy efficiency.

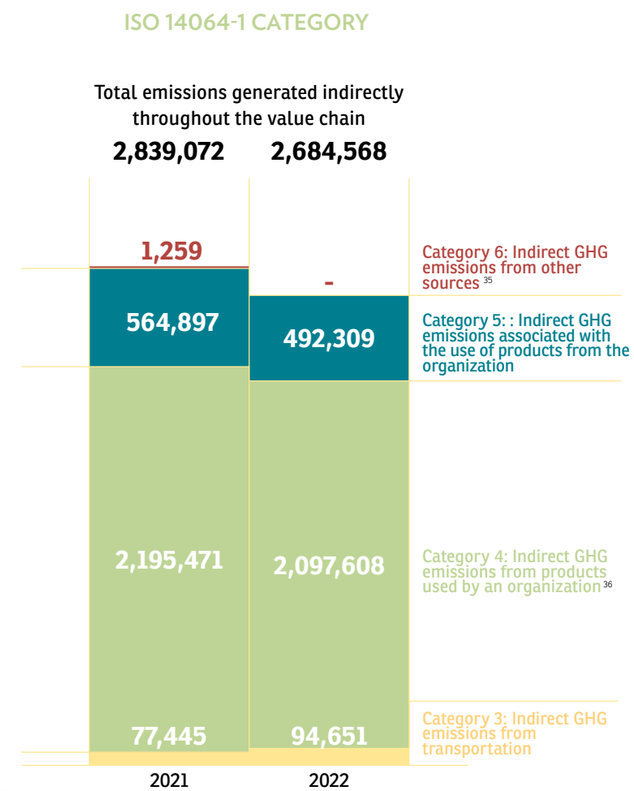
[34] Lavazza is not affiliated with, endorsed or sponsored by Nespresso.

4.2.2 THE ENVIRONMENTAL IMPACT GENERATED ALONG THE VALUE CHAIN

The Group measures its carbon footprint throughout the production chain in order to monitor the impact of its activities and identify the areas offering emission-cutting opportunities.

Indirect emissions relating to the value chain are emissions generated indirectly both upstream and downstream the business, in relation to which the Group has a limited margin of action and indirect control. Covering **98% of the total GHG inventory, equal to 2,684,568 tCO_{2eq}**, these emissions concern different phases of the supply chain, from the production of green coffee, which makes up the majority of the Group's total emissions, to its trade and the consumption and disposal phases. Given the number of players in the supply chain and its complexity, the Group's control aimed at **reducing** these emissions is limited and, for this reason, Lavazza's action is based on an active and proactive **multi-stakeholder collaboration** approach involving the supply chain players.

To understand the indirect impact generated, emissions are broken down based on the usage stages of resources — for **production, transport, product use and other emission sources**.



[35] Emissions included in the Category 6 related to e-mails and conference calls were deemed as not material for 2022 according to the specific analysis carried out: therefore, they were not reported in the 2022 inventory.

[36] In 2022, the Category 4 included a portion of the emissions that, in the 2021 Sustainability Report, had been recognised within the Category 6 since they related to the production of refrigerant gases and CO2 needed for decaffeination.

INDIRECT EMISSIONS FROM RESOURCES USED FOR PRODUCTION

(Category 4)

MEASUREMENT

Accounting for **76.4%** of total emissions, the indirect impact generated by the Group's use of products in the production process is highly material (Category 4). These impacts — generated upstream, during and downstream the activity — derive from: green coffee production methods, food raw materials other than coffee; materials used for packaging and for machine production; water resources and the generation and management of waste generated by business activities.

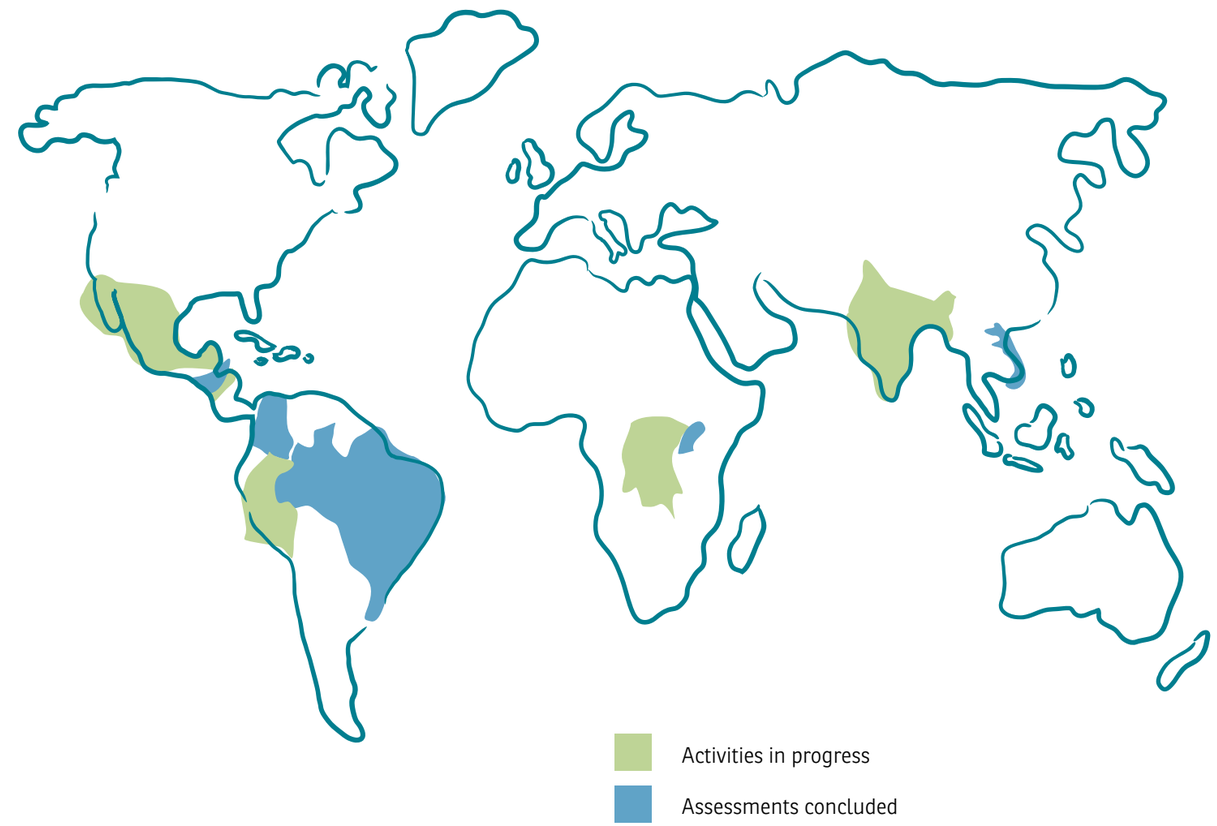
In 2022, indirect emissions from resources used for production amounted to **2,097,608 tCO_{2eq}, down by 4.5%** compared to the previous year. The reduction is mainly attributable to the choice of blends made with raw materials with a lower environmental impact.

REDUCTION

GREEN COFFEE

As part of the Group's Roadmap to Zero, the activities of the multifunctional working group launched in 2021 and dedicated to green coffee continued, with the ambitious goal of finding **new solutions that reduce the environmental impact of the coffee cultivation phase** — the **most material category** in terms of indirect emissions for roasters who, like Lavazza, use agricultural raw materials. In fact, the Group has decided to assess raw materials' environmental impact developing specific knowledge about the agricultural phase thanks to the collaboration of suppliers, institutions and local institutions. In 2022, thanks to the **increase in the number of suppliers** involved, specific emission factors were defined linked to coffee production in more than **10 countries**. The results made it possible to identify the production processes with the greatest emission impact and, consequently, to define specific improvement processes.

MAPPING THE COUNTRIES AND TRADERS INVOLVED



As part of its work on green coffee, the Group also participated in a pre-competitive initiative on Robusta coffee in **Vietnam** (Central Highlands region) and Indonesia (South Sumatra), with the co-investment by **USAID Green Invest Asia**[37] together with the world's leading roasters and 11 suppliers[38], and with technical guidance from Enveritas[39]. The countries involved account for a quarter of the world's Robusta coffee production. This project, carried out at pre-competitive level, is a **fundamental step in the coffee industry**'s understanding of the main environmental impacts that originate in the agricultural phase so that a path can be steered more effectively towards reducing emissions. The collaboration between the various players has initiated a process in which the coming years will see the implementation of impact-reducing actions and the involvement of additional coffee-producing countries.

The initiative's main objectives are:

- establishing carbon footprint benchmarks for the production of Robusta coffee, recognised by the industry and statistically valid for the two regions of origin;
- creating a standardised framework and mechanism for regular data collection, sharing and analysis to facilitate annual impact measurement, reporting and analysis;
- increasing the ability of supplier partners to understand, document and report carbon emissions and sequestration in coffee systems.

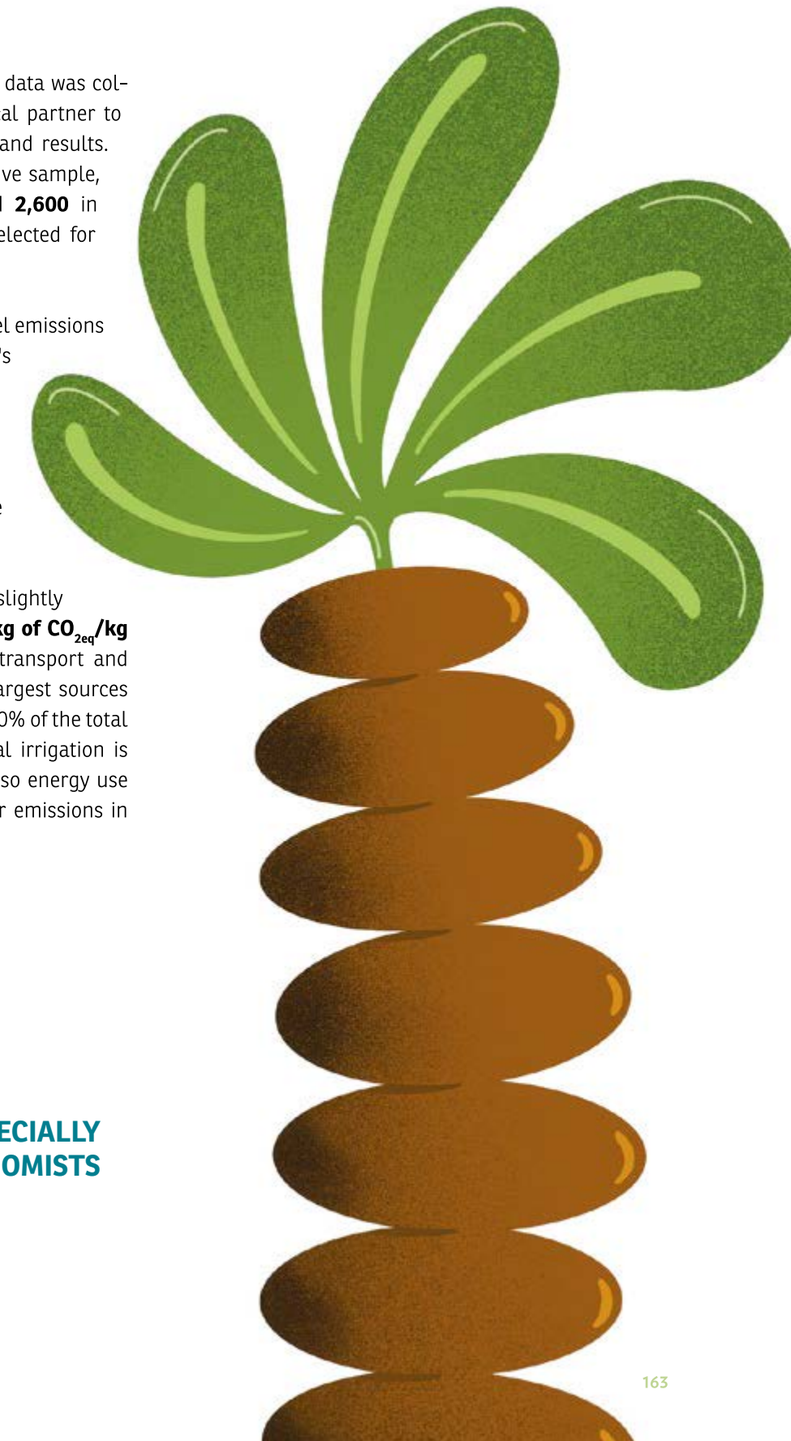
In order to establish a representative regional carbon footprint baseline, **4,600** surveys were carried out among farmers (2,539 in Vietnam and 2,045 in Indonesia) by **100** specially trained agronomists; data was collected and analysed with the technical partner to generate carbon footprint estimates and results. To produce a statistically representative sample, **1,950** farms in South Sumatra and **2,600** in Vietnam's Central Highlands were selected for the research study.

The results indicate average farm-level emissions of **1.83 kg CO_{2eq}/kg GBE**[40] in Vietnam's Central Highlands: fertiliser production and use, energy use for irrigation and residue management are the three main sources of emissions, contributing to around 94% of the total volume.

Average farm-level emissions are slightly higher in South Sumatra, with **2.38 kg of CO_{2eq}/kg GBE**. Fertiliser production and use, transport and residue management are the three largest sources of emissions, contributing to around 90% of the total footprint. Unlike Vietnam, mechanical irrigation is not a common practice in Indonesia, so energy use for irrigation is not a major factor for emissions in this producing country.

4,600
SURVEYS

100
SPECIALLY TRAINED AGRONOMISTS



[37] USAID Green Invest Asia is a structure included in USAID, the United States Agency for International Development.
[38] ECOM, Hanns R. Neumann Stiftung (HRNS), Intimex, Louis Dreyfus Company (LDC), Neumann Kaffee Gruppe (NKG), Olam Food Ingredients (OFI), Sari Makmur, Simexco, Sucafina, Sucden and Volcafé.
[39] Non-profit organisation specialised in the provision of sustainability assurance for the coffee industry.

[40] GBE: Green Bean Equivalent.

THE SUSTAINABLE PACKAGING ROADMAP

MEASUREMENT AND REDUCTION

Packaging is essential to maintain the quality, taste and freshness of coffee and at the same time allows its safe storage, transport and use. The utilisation and the launch on the market of non-renewable or non-recyclable materials have a significant impact on the environment in terms of both emissions and scarcity of resources. For this reason, the principles set out in the **CIRCULAR ECONOMY MANIFESTO** published in 2022 support the **SUSTAINABLE PACKAGING ROADMAP**, a specific and measurable path undertaken in 2020 with the aim of reducing the Group's environmental footprint and **making its entire Packaging portfolio recyclable, reusable or compostable by 2025**.

Based on the sustainable-by-design concept of the Group's environmental strategy, the Sustainable Packaging Roadmap is founded on the following four indicators.

1. **reduction of the environmental impact**, whose KPI is given by the tonnes of CO_{2eq} associated with the Packaging emission category;

2. **reduction of the use of the quantity of material**, whose KPI is given by the mass ratio, i.e., the ratio of the packaging weight to the product weight; this indicator includes the reduction in the amount of material used in packaging, the elimination of all unnecessary packaging and the use of reusable packaging;

3. **raw materials with low environmental impact,** whose KPI is the percentage of sustainable material on the total and takes into account bio-based materials, preferably from second-generation sources (scrap and waste), certified raw materials, where available, and quantities of recycled materials;

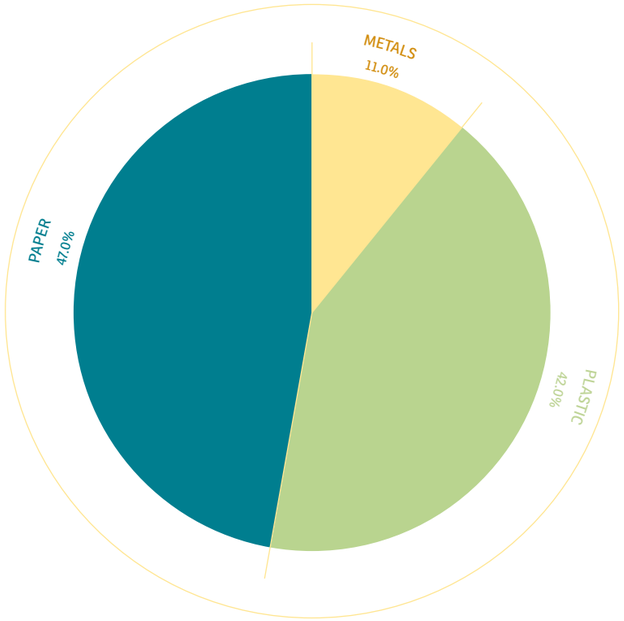
4. **enhancement of end-of-life,** whose KPI is given by recyclability (ratio of recyclable packaging to total packaging) and consists of 100% reusable, recyclable and compostable packaging.

In 2022, the Sustainable Packaging Roadmap reached a major milestone: **66%** of the packaging of the entire Group's product portfolio was already recyclable, with flexible packaging even reaching **99%**. In detail, 73% of the packaging produced at the Group's three main plants (Turin and Gattinara in Italy and Lavérune in France) — where 91% of the total production is concentrated — was recyclable. About half of the materials used for packaging are made up of paper and cardboard thanks to the work of different corporate functions, primarily **Research and Development** with its more than 110 engineers and food technologists, together with a series of collaborations with leading partners, such as **Turin Polytechnic**, with which a long-term agreement is underway focused on the sustainable revision of products, packaging and the coffee consumption experience. To support its activities, the Group has allocated a significant investment of approximately **€25 million**, thanks to which in 2022 adjustments to **19 production lines** (17 new and 2 converted) were completed at the Turin and Gattinara plants, in Italy, and at the Lavérune plant, France. These adjustments are instrumental to production with the new recyclable packaging and to achieving the Roadmap's objectives.

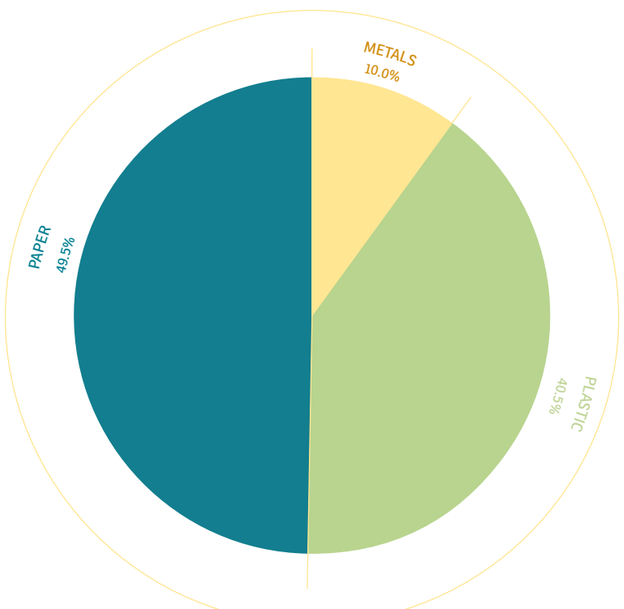
66%

OF THE PACKAGING OF THE ENTIRE GROUP'S PRODUCT PORTFOLIO WAS ALREADY RECYCLABLE

BREAKDOWN OF PACKAGING MATERIALS IN 2021



BREAKDOWN OF PACKAGING MATERIALS IN 2022



Again in **2022**, the **Packaging Recyclability Guidelines** were established to support the functions responsible for choosing supplies of materials that not only comply with mandatory legislation, but also exceed them with a view to continuous integration of circular economy and eco-design principles.

Collaborations with companies from other sectors to work on the ecological transition and the establishment of targeted partnerships are at the heart of the Group's approach. As a result, the Company has joined some of the major **European collaborative platforms** that are developing new recyclability guidelines in a sector, such as packaging, that is key to the ecological transition and is undergoing a deep change towards greater standardisation between countries. Two examples are **RecyClass**, a multi-sector non-profit that facilitates the transition to a future based on the circular economy of plastics, and **CEFLEX**, a non-profit focused on promoting the circularity of flexible packaging.

WASTE MANAGEMENT

MEASUREMENT

The environmental impact is also generated through the production and treatment of industrial waste deriving from manufacturing activities, which, based on circular economy principles, are monitored and managed through the Integrated Management System for Health, Safety, Energy and the Environment. During the production cycle, coffee waste and other types of waste are generated and then stored adequately in dedicated areas, where they are collected to be reused by third parties. The main waste produced comes from for products' packaging, from compostable material generated during production and from Waste Electrical and Electronic Equipment (WEEE).

BREAKDOWN OF WASTE GENERATED IN THE TWO-YEAR PERIOD IN TONNES

	2021			2022		
WASTE GENERATED	HAZARDOUS	NON-HAZARDOUS	TOTAL	HAZARDOUS	NON-HAZARDOUS	TOTAL
Plastic	-	1,492.1	**1,492.1**	-	1,325.2	**1,325.2**
Paper and cardboard	-	1,141.1	**1,141.1**	-	1,134.8	**1,134.8**
Metals	-	217.9	**217.9**	-	337.9	**337.9**
Packaging materials other than the previous ones (e.g., wood)	-	4,816.6	**4,816.6**	-	5,089.1	**5,089.1**
Compostable materials	-	3,066.2	**3,066.2**	-	2914.8	**2,914.8**
Waste Electrical and Electronic Equipment (WEEE)	150.9	444.9	**595.8**	175.0	345.1	**520.1**
Other [41]	102.1	1,668.8	**1,770.9**	231.6	2,026.6	**2,258.2**
Total	**253.0**	**12,847.4**	**13,100.4**	**406.6**	**13,173.4**	**13,580.0**

Compared to 2021, the Group's efforts in reducing waste resulted in a 3.7% increase in waste against an 8% rise in production.

[41] Maintenance waste, toners, cables, glass, air filters, batteries and accumulators, etc.

The Group mainly generates non-hazardous waste, with a minimum amount of 3% of hazardous waste.

WASTE GENERATED BROKEN DOWN BY TYPE IN THE TWO-YEAR PERIODS

	2021			2022		
	HAZARDOUS	NON-HAZARDOUS	TOTAL	HAZARDOUS	NON-HAZARDOUS	TOTAL
Prepared for re-use	-	144.0	**144.0**	-	95.6	**95.6**
Recycling	136.6	4,851.8	**4,988.4**	147.1	5,779.7	**5,926.8**
Other recovery operations	28.6	6,593.9	**6,622.6**	39.9	6,045.0	**6,084.9**
Total waste not sent to landfill	165.3	11,589.7	**11,755.0**	186.9	11,920.3	**12,107.2**
Incineration with energy recovery	1.5	548.8	**550.3**	1.6	714.8	**716.4**
Incineration without energy recovery	1.7	-	**1.7**	-	7.8	**7.8**
Landfill	-	48.6	**48.6**	0.2	26.6	**26.8**
Other disposal operations	84.5	660.3	**744.7**	217.9	503.9	**721.8**
Total waste sent to landfill	87.7	1,257.7	**1,345.4**	219.6	1,253.1	**1,472.8**
Total waste generated	**253.0**	**12,847.4**	**13,100.4**	**406.6**	**13,173.4**	**13,580.0**

89.2% of total waste is recovered or recycled, while the remaining 10.8% is mainly destined for disposal, energy recovery or other disposal operations, such as the purification of washing water.

97% of the vegetable waste deriving from the coffee processing[42] at the Italian plants, which in 2022 accounted for 85% of the production of the Group's volumes, is transferred to a company that produces **organic fertiliser.**

MORE THAN

89%

WASTE RECOVERED AND RECYCLED

97%

OF VEGETABLE WASTE FROM ITALIAN COFFEE PRODUCTION TURNED INTO FERTILISER

[42] Equal to 3,500 tonnes per year.

ATP FINALS – A COFFEE POWDER TENNIS COURT

The partnership between Lavazza and the international tennis tournament Nitto ATP Finals, held in Turin, was also an opportunity in 2022 to share the commitment to the circular economy and raise awareness of the issue. A tennis court made with coffee powder and additional recycled materials was set up at the Lavazza Nuvola in Turin, with the aim of inspiring more efficient waste management. At the opening of the competitions, the coffee court was signed by the finalist tennis players: the lots signed by the athletes were at the centre of a charity auction, organised in collaboration with the Nitto ATP Finals and Federtennis on the **CharityStars** platform. The proceeds, thanks to the Lavazza Foundation's over twenty-year collaboration with Save The Children, were donated to the "Digital Connections" project, aimed at school students in the Aurora district of Turin, with the aim of bridging digital educational poverty.

LESS PLASTIC WITH THE REUSE OF "BIG BAGS"

In the Turin and Gattinara plants, in Italy, and Lavérune, in France, a method has been adopted for reusing 4 times on average the "big bags", i.e., the large bags used for the storage of coffee and, if necessary, for transport from the customs warehouse to the factories. This approach allows the Group to **avoid the use of approximately 110 tonnetonnes of plastic per year**.

WATER RESOURCE

MEASUREMENT

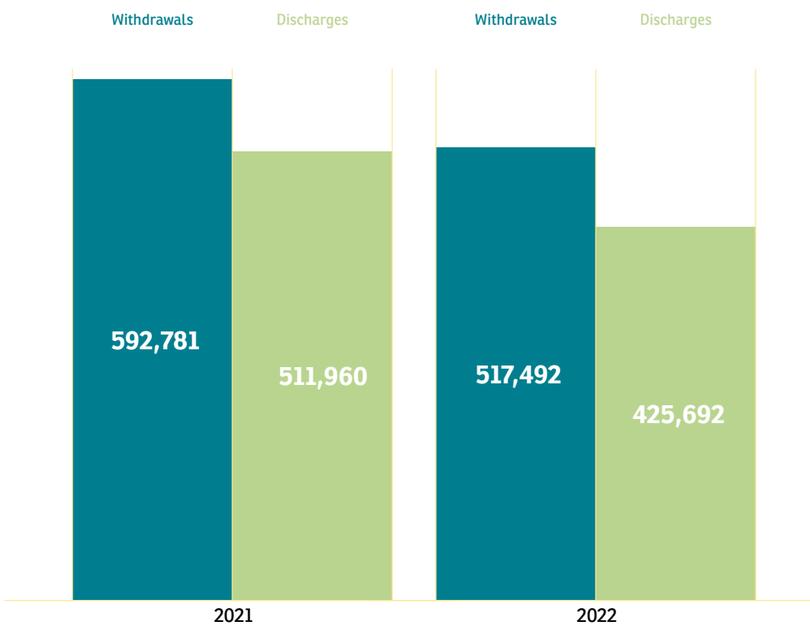
In the coffee sector, the use of water for the roasting and grinding process is far lower than in the agricultural phase, which is, by contrast, particularly impacted.

The management of direct water consumption, like waste, is part of the Group's Integrated Management System, both with regard to consumption and to withdrawals and discharges. The system monitors it on a monthly basis and identifies opportunities for increasing efficiency and reducing losses.

The water withdrawals are related to the civil hygienic-sanitary uses and to the productive uses, in particular to the coffee roasting and decaffeination processes, as well as to the cooling of the machinery used for the production of compressed air. After the Pozzilli plant, which uses water as a fundamental component for the decaffeination process, the headquarters is the second largest user of the Group's water resources.

It should be noted that the Pozzilli plant (Italy), the Basingstoke plant (UK) and the Chennai plant (India) are located in water stress zones.

TOTAL WATER WITHDRAWALS AND DISCHARGES IN M³



REDUCTION

Despite the increase in production, Lavazza's water withdrawal decreased by 12.7%, passing from 592,780.8 m³ in 2021 to **517,492.6 m³** of water in 2022, thanks to a continuous process of improving the efficiency of resource use, the launch of the project for rainwater recovery at the Nuvola Headquarters, and water recovery at the Gattinara plant, where water is conveyed to the cooling towers.

-12.7%

OF WATER WITHDRAWALS

The constant monitoring and improvement in efficiency of water use in the Group's plants are accompanied by the Lavazza Foundation's numerous projects that aim to support agricultural production resilience to climate change, improve farmers' quality of life and protect the natural resources of coffee-growing countries, including water. An example is the **Cerrado das Águas project**, developed in collaboration with the Consórcio Cerrado das Águas, in Brazil.

This project made it possible to support more than **700** coffee growers in defining a long-term strategy for protecting and improving the ecosystem services[43], in order to make the region more resilient to climate change.
Coffee growers were trained on soil- and water-related issues and alternative technologies were developed and implemented for a transition towards smart agriculture.

The main results achieved and actions developed are illustrated in detail here below:

1. improvement of water availability and soil maintenance. Training on the management of climate change impacts and on strategies for implementing cover crops;
2. creation and dissemination of the first seven episodes of the MudAgora podcast focused on the topics of coffee harvesting and plantation improvement;
3. training to encourage the transition to smart agriculture through a series of modules concerning production, organic fertilisation and improvement of the water cycle.

"Do you know that there are plenty of Lavazza Foundation projects dedicated to the protection of natural resources? Take a look at the 2022 Social Report"

[43] Multiple benefits provided by the ecosystems to the humankind.

INDIRECT EMISSIONS FROM TRANSPORTATION AND THE USE OF PRODUCTS SOLD

(Category 3 and 5)

INDIRECT EMISSIONS FROM TRANSPORTATION

MEASUREMENT

Indirect emissions from transportation (Category 3), which account for **3.4% of total emissions**, concern logistics and distribution activities upstream and downstream the supply chain (including inbound and outbound logistics), as well as business trips by Group employees. These emissions are mainly associated with the green coffee's journey from the producer to its arrival at Lavazza Group's storage points and plants, carried out by exporters and importers, and with the finished product's journey from warehouses to points of sale through the distribution channels and network, in addition to Group employees' trips. In 2022, these emissions amounted to **94,651 tCO_{2eq}, up 22.2%** compared to the previous year, due to the inclusion of outbound shipments operated by third-party distributors that were previously excluded, the inclusion of commuting into this category to account for travel from home to work, and the increase in the amount of processed coffee compared to the previous year.

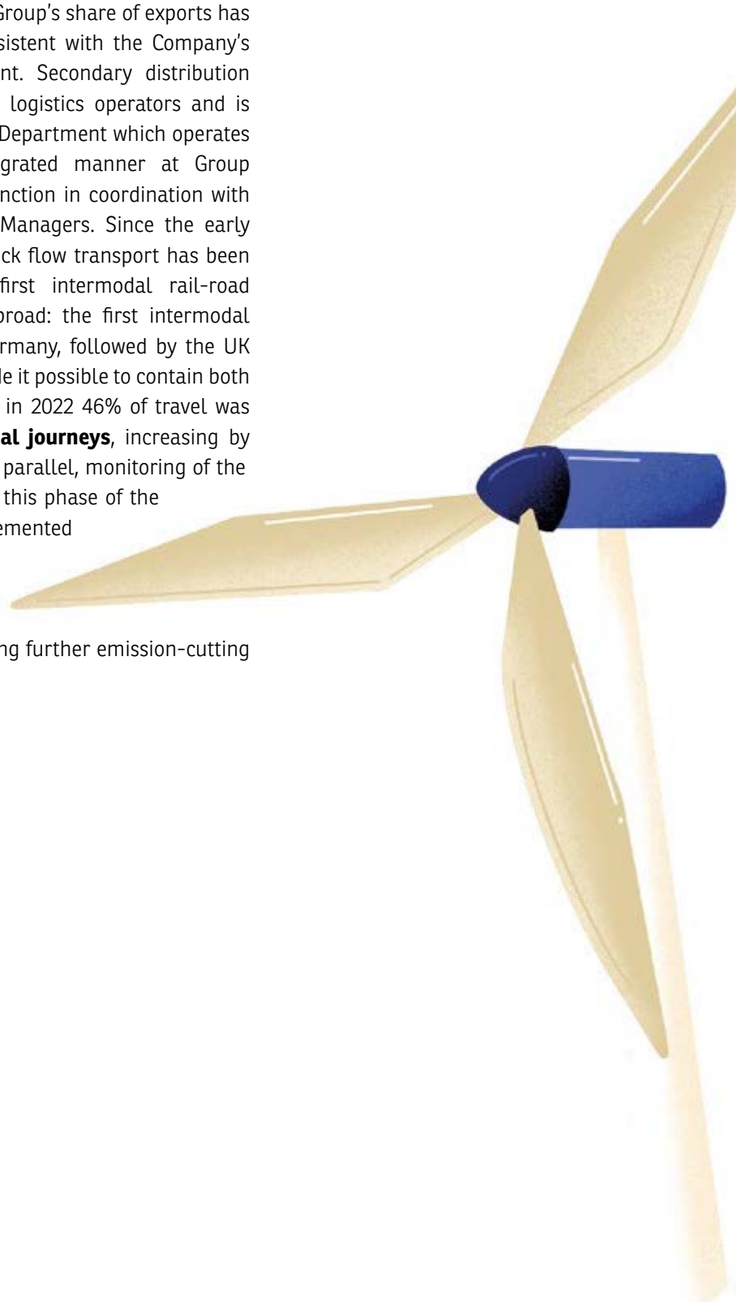
EUROPE'S LARGEST GREEN COFFEE WAREHOUSE

After the ribbon cutting in October 2022, the Vado Ligure green coffee storage silo became operational. It is located in the dry port area of Vado Ligure, in Italy, where ships dock with green coffee containers from the different countries of origin from where Lavazza procures the coffee. This is an important redevelopment and renovation work with recovery of the grain storage silo used up to 2012. The project, which saw Lavazza collaborate with the logistics operator Pacorini Silocaf since 2019, valorises all intermodal and logistics activities and was strongly supported by Vado Ligure's local institutions with a view to strategically developing the local area. Today, the Vado Ligure silo represents the largest vertical warehouse for green coffee storage in Europe. The work has been designed to be in line with the most modern international safety standards and allows Lavazza Group not only to store, but also to carry out fundamental cleaning and blending operations. A bar code system for **product traceability** is used from the arrival of the container, and then continues during the unloading phases and until the departure of the vehicles loaded with coffee destined for the Group's plants.
The new silo handles about **75,000 tonnes** of green coffee per year, is 50 metres high (about the same as a 10-storey building), covers a surface area of 12,000 m^2 and consists of 84 reinforced concrete cells of different shapes and capacities, from the largest with a volume of about 1,400 m^3 to the smallest with 225 m^3.

REDUCTION

INCREASED INTERMODALITY

In recent years, Lavazza Group's share of exports has grown considerably, consistent with the Company's international development. Secondary distribution is allocated to specialist logistics operators and is managed by a dedicated Department which operates in an increasingly integrated manner at Group level, as a centralised function in coordination with the local Supply Chain Managers. Since the early 2000s, the traditional truck flow transport has been supplemented by the first intermodal rail-road journeys to Italy and abroad: the first intermodal journey was made to Germany, followed by the UK and Italy. This choice made it possible to contain both costs and emissions and in 2022 46% of travel was made through **intermodal journeys**, increasing by 6% compared to 2021. In parallel, monitoring of the environmental impact in this phase of the supply chain was implemented through a cross-functional working group aimed at defining the KPIs and implementing further emission-cutting initiatives.



EMISSIONS FROM THE USE OF PRODUCTS SOLD

MEASUREMENT

Emissions generated from the use of products sold by the organisation (Category 5) account for **17.9%** of the GHG inventory and mainly depend on the type of preparation used by consumers to brew the coffee sold and the related energy consumption. In 2022, these emissions amounted to **492,309 tCO_{2eq}, down 12.8%,** mainly as a result of the change in the preparation method for Roast & Ground coffee: the filter method was considered for all countries, except for Italy, where the moka coffee pot was considered.

REDUCTION

PLANS FOR IMPROVING COFFEE MACHINES

The ongoing activities aimed at reducing the environmental impact of the Group's business also involve machine design. In this regard, the approach adopted is intended to use the lowest possible quantity of natural resources, while marketing coffee machines featuring high energy-efficiency indices.

None of the machines of the Group's various product families has an energy class lower than A[44]. In addition, 28% of the total number of machines are class A+.

In 2022, **Tiny Eco** was launched on the market: it is the first espresso machine for the Lavazza A Modo Mio capsule system made up to **61% with recycled plastic**, provided with 100% recycled cardboard packaging and low energy consumption (Energy Class A+; to ensure energy savings the machine goes into stand-by mode after 2 minutes). Tiny Eco, which allows a **reduction in emissions of up to 20%** compared to previous machines, is expected to replace the reference machine range.

[44] According to EC Regulation No. 1275/2008 and EC Regulation No. 801/2013 on ecodesign requirements for the standby, off mode electric power consumption of electrical and electronic household and office equipment.

4.2.3 EMISSION OFFSETTING

2022 saw the continuation of the **process for offsetting unavoidable residual emissions** launched in 2020. This process aims to offset also indirect emissions throughout the Group's supply chain, upstream and downstream operations, from green coffee to packaging, from logistics to disposal. This strategy resulted in the achievement, as early as 2020, of carbon neutrality, validated by a third-party body according to the **ISO 14067** standard, with regard to direct and indirect unavoidable residual emissions from electricity and 6 product ranges that represent almost all of the Group's Single Serve products[45]:

- Lavazza aluminium capsules compatible with Nespresso Original machines (NCC[46]);
- A Modo Mio coffee capsules;
- capsules for the coffee machines of the office and vending systems BLUE and Firma;
- Flavia Freshpacks by Lavazza Professional containing coffee;
- the Lavazza Soft Pods, for which 69,763 certified tCO2eq were offset in 2022.

In 2022, **350,832 tCO_{2eq}** were offset on total (direct and indirect) emissions generated.

[45] Namely, the single serve capsule segment.
[46] Lavazza is not affiliated with, endorsed or sponsored by Nespresso.

OFFSETTING PROJECTS

The reforestation, sustainable agriculture and renewable energy projects in developing countries, based on which Lavazza Group purchases carbon credits, are certified by internationally recognised standards, since they are able to generate credits of a quality that meets the highest standards: VCS, CCB and CDM.

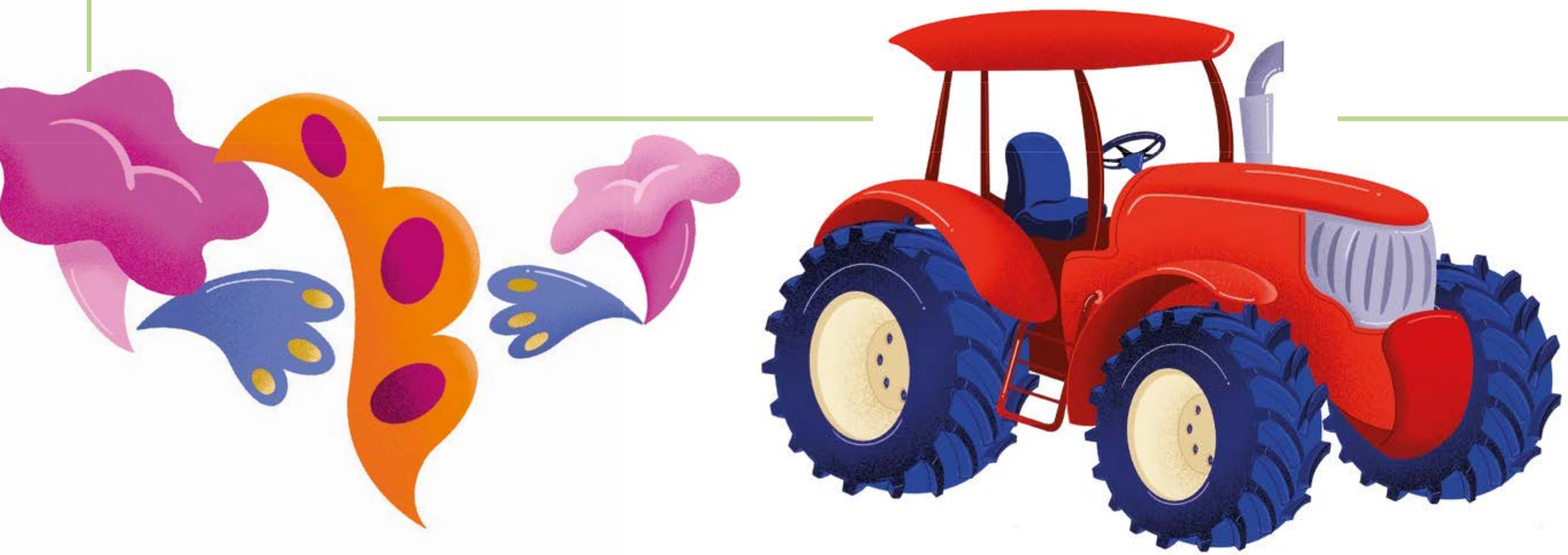
Verified Carbon Standard

The **Verified Carbon Standard** (VCS) is the most widely used voluntary carbon credit purchase programme in the world: projects developed according to the VCS Programme must follow a rigorous assessment process to achieve certification and must cover a broad range of sectors, from renewable energy to reforestation and many others.

CCBA

The **Climate, Community & Biodiversity Standards** (CCB) identify projects that simultaneously address climate change, support local communities and smallholders and conserve biodiversity.

The **Clean Development Mechanism** (CDM) allows emission-reduction projects in developing countries to earn certified emission reduction (CER) credits. These CER credits can be traded, sold and used by industrialised countries to achieve part of their emission reduction targets under the Kyoto Protocol.



4.3 THE COMMITMENT IN FAVOUR OF BIODIVERSITY AND AGAINST DEFORESTATION

Lavazza Group recognises that the coffee production activity is directly linked to the **biodiversity** of ecosystems in the producing countries and that this is particularly at risk, given coffee's major exposure to the effects of climate change and the extensive marketing of few of its varieties. With this in mind, the close **collaboration** between the Group, the Lavazza Foundation, local growers and the main coffee traders is an essential element for preserving the wide biodiversity of the ecosystems of the producing countries and for fighting against **deforestation**.

ENDORSEMENT TO THE NEW YORK DECLARATION ON FORESTS

The Group, both as a company and through the Foundation, supports and develops reforestation strategies and policies in the coffee-growing areas. The approach is based on public-private collaborations and prestigious partnerships with in-field local NGOs and associations and local and international institutions, through the implementation of programmes for sustainable development and international cooperation within the coffee supply chain.

In 2021, Lavazza Group joined the **New York Declaration on Forests** (NYDF), a platform that offers a common, multistakeholder framework for forest action, consolidating various initiatives and objectives that drive forest protection, restoration and sustainable use. Adopted in 2014, the NYDF is the main reference point for global forest action. Its ten goals include halting natural forest loss by 2030, restoring 350 million hectares of degraded landscapes, improving governance, increasing forest finance, and reducing emissions from deforestation and forest degradation as part of a post-2020 global climate agreement. There are currently over 200 endorsers, including: national governments, sub-national organisations, multinational companies, indigenous peoples and local organisations, non-governmental organisations and financial institutions. These endorsers have committed to doing their part to achieve the NYDF goals and follow its accompanying action and coordination agenda.

IN ECUADOR FOR A ZERO-DEFORESTATION COFFEE

In 2019, Lavazza Group was invited to participate in the **Deforestation-Free coffee project in Ecuador** by the **UNDP**, the International Organisation for the implementation of the United Nations Development Programme, with which the company collaborates on various fronts. Together with the Foundation, the Group has been involved in this initiative that has led Ecuador to have its first production of high quality and sustainable coffee, both from an environmental and a social point of view, coming from a number of plantations in 23 provinces bordering the Amazon rainforest.

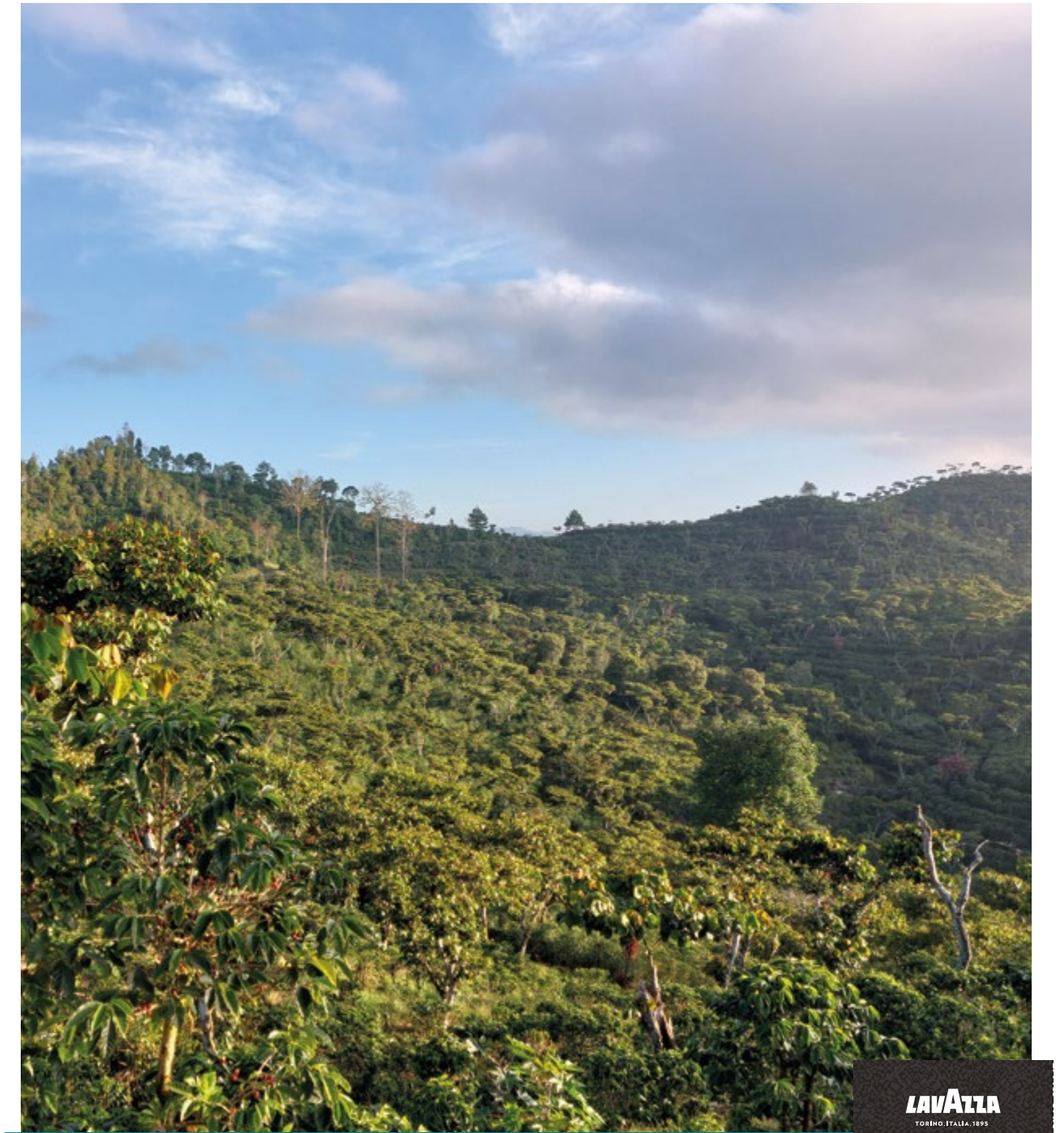
This is a **very innovative project**, as it aims to encourage sustainable coffee production: the end of **2022** saw the creation of the **first national certification protocol for a zero-deforestation coffee in Ecuador** as well as the production of the country's **first batches of deforestation-free coffee**. The programme was the result of the collaboration between UNDP and Ecuador's Ministries for the Environment and Water (MAAE) and for Agriculture and Livestock (MAG), built following massive deforestation in the Amazon basin: Lavazza was the only roasting company involved, thanks to its expertise in the coffee sector and after undergoing a due diligence process by UNDP.

"Do you want to know how the Lavazza Foundation supports reforestation in Colombia? Take a look to the project developed in the META region illustrated in the 2022 Social Report"

BIODIVERSITY PROTECTION

The Group's Research and Development function is working on a project related to coffee biodiversity, aimed at identifying and using **"resilient" varieties**, in other words those able to resist and adapt to climate change and adverse events such as pests, extreme temperatures, droughts or floods. It is a programme structured over a broad time frame that envisages short, medium and long-term developments and adopts a scientific approach based on differentiation and continuous experimentation. An interesting line of research and innovation on coffee, for example, relates to fermentation and ageing processes. "Fermentation" is a natural process carried out after harvesting: the use of microorganisms and/or controlled yeast strains, with defined temperature and time parameters, allows very particular sensory profiles to be obtained that enhance certain aromatic notes, even when mixed. The main objective of this experimentation is to increase the perception of fruity and floral descriptors in the finished product, thus giving a sweet aftertaste that is particularly appreciated by young people. The experimentation so far has been conducted on both Arabica and Robusta coffee.

A second line of research is pursuing the goal of differentiating the species of coffee marketed as far as possible, while respecting the distinctive features of the places where the plant grows. The main criteria for selecting the species of these coffee varieties include sustainable cultivation methods (agroforestry systems) and their strong resilience to the impacts of climate change — a feature closely linked to the economic and food security of farmers in the supply chain.



Kafa is an Ethiopian special coffee that grows wild within the Harenna forest and respects the biodiversity of the ecosystems in which it is grown. The Carte Noire's product **Secrets of Nature** is particularly resistant to the effects of climate change effects and is Rainforest Alliance certified, with the guarantee of a production system with a lower environmental impact and greater benefits for local coffee growers.

"Do you know that most of the projects supported by the Lavazza Foundation help farmers implement agroforestry systems and sustainable agricultural practices? Take a look at the 2022 Social Report"

"Coffee, as a fruit of the earth, is delicate and alive. This is why doing research and development activities on this product is so stimulating, and at the same time complex: in addition to the normal challenges related to research and innovation, it is necessary to tackle the major issues related to climate change, which often puts crops and harvests at risk, creating uncertainty about the quantities available and quality of the beans. A solution exists, and this is based on the selection of varieties."

Fabio Scaltritti, Chief R&D Officer of Lavazza Group

THE PARTNERSHIP WITH WORLD COFFEE RESEARCH

The Group's commitment to a sustainable coffee supply chain is also expressed in a series of international partnerships, among which that with World Coffee Research (WCR) is particularly worth of notice. The WCR is the global non-profit agricultural research and development organisation that deals with research and innovative technologies aimed at guiding coffee farmers towards the development of sustainable agricultural practices. Among the many projects supported over the years, one that stands out is the project that has enabled the reconstruction of the Coffea Arabica genome to be made fully available to the public for the first time, helping the scientific community to study solutions to combat the impact of climate change and improve the quality of the raw material. In 2022, this collaboration continued on various scientific fronts: this and other projects were discussed by the World Coffee Research's Board of Directors — of which Mario Cerutti, Chief Institutional Relations & Sustainability Officer of Lavazza Group, is a member — held at the Group's Nuvola Lavazza Headquarters in Turin.

OUR PLEDGE FOR LOCAL COMMUNITIES

8 DECENT WORK AND ECONOMIC GROWTH

MATERIAL TOPICS

- Empowerment of the local communities where the Group is based
- Sustainable and ethical supply chain

IMPACTS

- Creation of shared value among stakeholders
- Sustainable development of coffee-growing communities

RISK AREA

Sustainable supply chain | Climate change | Land use, deforestation and biodiversity

The Group's projects and its strategic partnerships with civil society organisations in the countries where the Group procures its supplies support fair development of coffee-growing regions and communities. The tools provided by Lavazza for the rights of farming communities and the protection of the rights of children and of female entrepreneurs have a **positive impact on their quality of life**.

The corporate choices, investments, acquisitions and the development of activities within the local communities where Lavazza operates foster business growth and generate shared value among the various stakeholders, thus contributing to the development of the country and allowing to build **good relationships with the local and national institutions**. This leads to **the development of the local areas**, an increase in the communities' capabilities and the **social legitimacy of Lavazza's operations**.

In its approach to business, Lavazza Group has in fact been focused on people since its foundation. Now that its presence has become international, the Group has extended its attention and focus to all communities in which it operates, inspired by one of its four fundamental values: the sense of **responsibility**. This value is reflected in the **Community Care programme** dedicated to the communities in which the Company operates through its subsidiaries and plants and, since 2004, also with the **Giuseppe and Pericle Lavazza Foundation**'s projects in the coffee-growing communities.

The Group's ultimate goal is to create opportunities for people through a structured process that begins with listening to their needs, so as to develop an effective response in the form of long-term projects, in collaboration with the local organisations and associations involved.

"Our commitment to local communities has always been oriented towards building growth pathways for those most in need, through opportunities for inclusion in the world of work and the creation of new professional opportunities in the long term. Lavazza Group intends to continue to be a point of reference and to work to build inclusion and solidarity projects in all the territories where it operates, both where Lavazza has its offices or plants and in coffee producing countries."

Marco Lavazza, Vice Chairman of Lavazza Group

5.1 LAVAZZA FOR THE COMMUNITIES WHERE IT IS BASED

5.1.1 COMMUNITY CARE

The extensive programme of engagement and support activities for local communities is developed by the Group in **collaboration** with local institutions and Non-Governmental Organisations with the aim of creating **shared value** and generating a **positive, long-term impact**. The inspiring principle is recognition of the key role of **culture**, **education** and **inclusiveness** in promoting the dignity of individuals and strengthening communities.

The main approach adopted by the Group in implementing its activities provides for Public-Private Partnerships and profit/non-profit collaboration. Support for local associations may take the form of both direct financing of activities and donations, and co-design and collaboration from the initial phases of design to their implementation. The year 2022 saw the implementation in **Italy** of **12** projects in partnership with **22** local associations and NGOs for over **5,000 direct beneficiaries**.

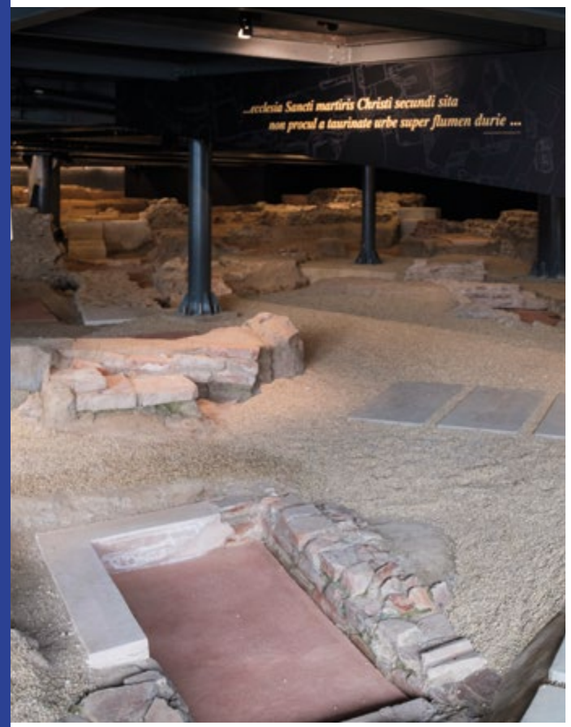
12 PROJECTS

22 LOCAL ASSOCIATIONS AND NGOs

5,000 DIRECT BENEFICIARIES

NUVOLA DI COMUNITÀ

A public archaeology project that promotes the discovery of the past to establish a shared heritage for Turin's multiethnic community, thanks to virtuous collaboration between universities, the local area and businesses. Implemented together with the Lavazza Museum, the Department of Historical Studies of the University of Turin and the G. Gullini School of Specialisation in Archaeological Heritage of Turin, the project involved members of associations from two neighbourhoods, namely Aurora, which is home to the Group's headquarters, and Barriera di Milano.
During several dedicated evenings, these members were able to visit the San Secondo Archaeological Area, home to an Early Christian church located beneath the Lavazza Headquarters. Accompanied by archaeologists and cultural mediators for the Arabic language, these citizens were able to expand their experience and gain greater understanding of the community and its origins, so as to create a bridge to new cultures.



PORTINERIA DI COMUNITÀ

The Portineria di Comunità (Community Concierge) project flows from the extensive collaboration with the Italian Network of Popular Culture **(Rete Italiana di Cultura Popolare)**, a Turin-based association that for years has developed field projects to listen to and support local communities. Located a few steps from the Group's Turin Headquarters, the Concierge is not only a place capable of offering local services to neighbourhood residents, but also a touchstone for citizens, offering services aimed at community welfare: a place that brings job supply closer to job demand, a place for urban regeneration and for the promotion of cultural events. Identified as a case of best practice by the European Social Fund, in 2021 the project was extended to several areas of the Piedmont region, in addition to Turin. Also thanks to Lavazza's support, the second neighbourhood Community Desk, the **Giardino sulla Dora (Dora Gardens)**, was set up for residents of the Aurora neighbourhood, home to the Group's Headquarters.

TORINO PROSSIMA FUTURA

The Torino Prossima Futura project was launched in 2022. This webseries was created by the cultural association GenerAzione Ponte, with support from Lavazza and in collaboration with the United Nations High Commissioner for Refugees (UNHCR). On the basis of questions from young Italian citizens or second-generation migrants, the project gathered perspectives of prominent members of the city of Turin — former mayors and various representatives of associations and civil society — with the aim of recounting the transformation undergone by the city and its residents in recent decades. The project was presented at the Salone del Libro in Turin and has now begun to be disseminated as a tool of civic education in various youth social centres and schools in the Turin area.

At global level, Lavazza Group's Community Care programme is widespread in the countries in which the Company operates thanks to active engagement activities of its people in the form of company volunteering and with initiatives supporting projects promoted by local NGOs and associations, primarily committed to supporting the vulnerable segments of the population in the promotion and protection of the environment.

LAVAZZA TORINO, ITALIA 1895

PROJECTS

- Cup of Learning with Arsenal FC Foundation
- "Roundhouse Foundation" sponsorship, supporting young people with a passion for music
- Foodbank donations of coffee

LAVAZZA PROFESSIONAL

PROJECTS

- Community Theatre Project
- Support Hospice events: Claredown Walk, Moonlight Walk, Reindeer Run
- Xmas Community donations, including Foodbank & Xmas presents
- Sponsor local Half Marathon and Mayor's Charity Show

LAVAZZA TORINO, ITALIA 1895

PROJECTS

- Des Etoiles et Des Femme (Stars and Women). Making training of excellence accessible
- Cup of Learning

LAVAZZA TORINO, ITALIA 1895

PROJECTS

- Partnership with "Female Founder" initiative
- Support Ronald McDonald Children's aid charity

Merrild

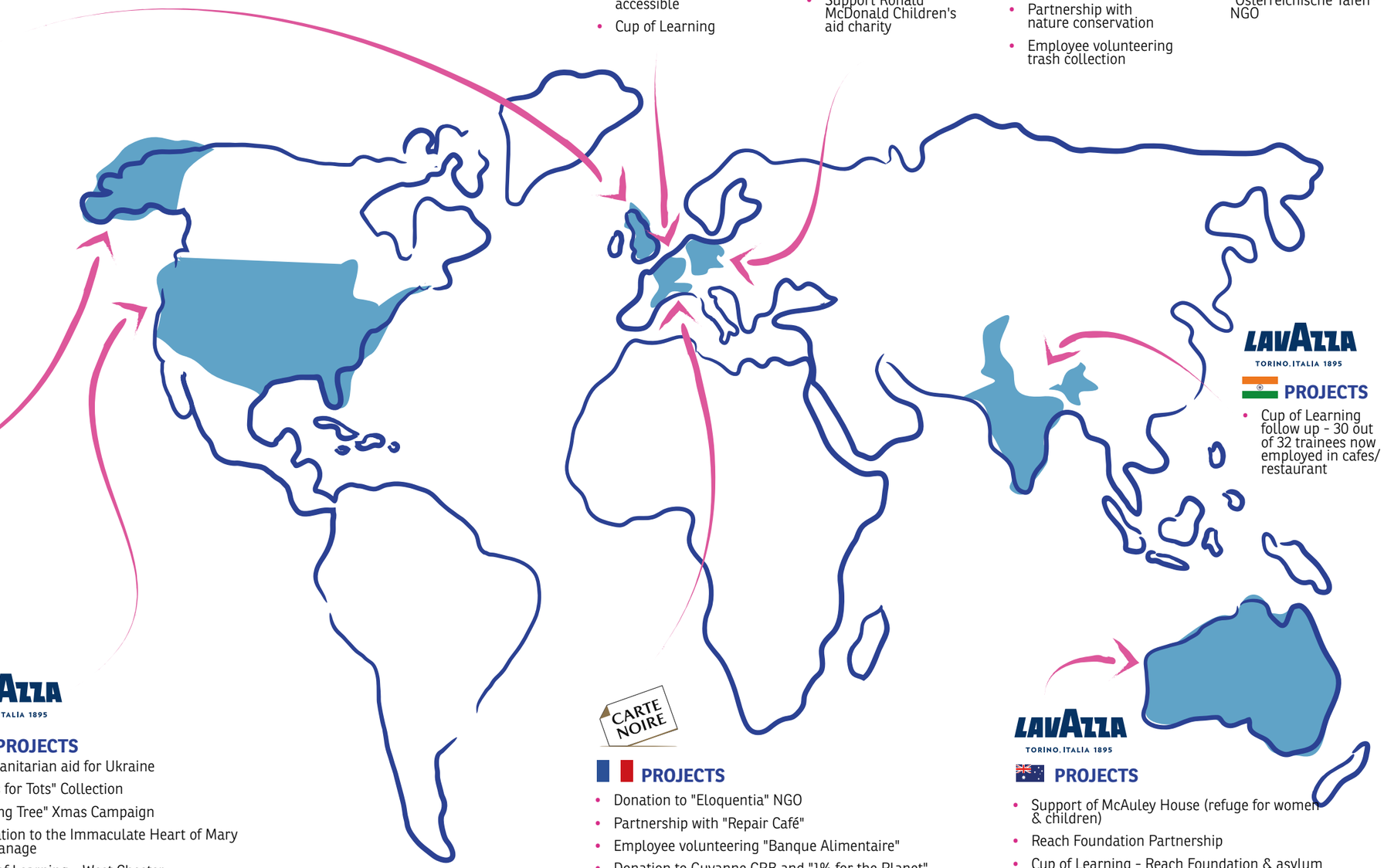
PROJECTS

- "Mother Care" Support
- Red Cross support for Ukraine
- Partnership with nature conservation
- Employee volunteering trash collection

LAVAZZA TORINO, ITALIA 1895

PROJECTS

- Support for "Ute Bock" NGO
- Support for "Osterreichische Tafen" NGO



LAVAZZA TORINO, ITALIA 1895

PROJECTS

- Cup of Learning follow up - 30 out of 32 trainees now employed in cafes/ restaurant

KICKING HORSE COFFEE

PROJECTS

- Donation to "Nature Conservancy of Canada"
- Donation to "Living Lakes"
- Donation to Columbia Valley Foundation
- Employee volunteering - local lake clean

LAVAZZA TORINO, ITALIA 1895

PROJECTS

- Humanitarian aid for Ukraine
- "Toys for Tots" Collection
- "Giving Tree" Xmas Campaign
- Donation to the Immaculate Heart of Mary orphanage
- Cup of Learning - West Chester

CARTE NOIRE

PROJECTS

- Donation to "Eloquentia" NGO
- Partnership with "Repair Café"
- Employee volunteering "Banque Alimentaire"
- Donation to Guyanne CRB and "1% for the Planet" (biodiversity)

LAVAZZA TORINO, ITALIA 1895

PROJECTS

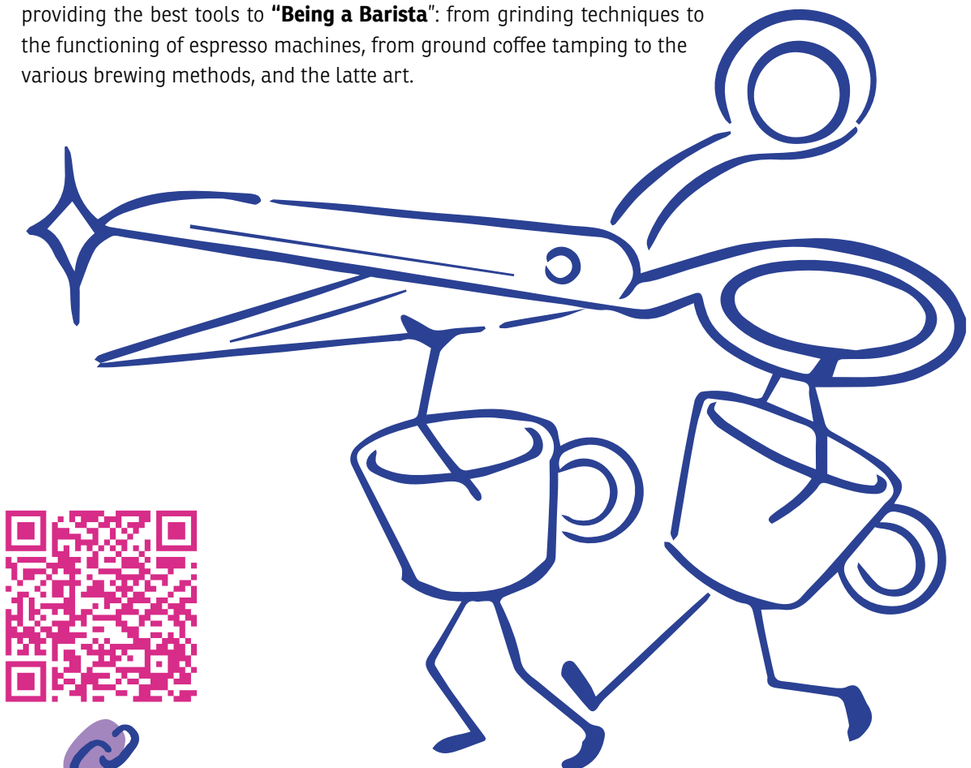
- Support of McAuley House (refuge for women & children)
- Reach Foundation Partnership
- Cup of Learning - Reach Foundation & asylum seekers

5.1.2 A CUP OF LEARNING

The commitment towards communities is further underscored by the programme A Cup of Learning, a way of spreading coffee culture by offering an opportunity to turn this passion into a profession. The programme provides dedicated training to young people in search of career opportunities in the coffee sector, particularly to those from the most vulnerable social groups.

The programme is structured into two parts:

- the first is dedicated to **green coffee**, with a specific focus on sensory analysis of coffee, its processing techniques, cupping and evaluation of products according to their origin. The aim is to provide attendees with the methodological expertise to be able to evaluate coffee quality from different points of view. The main beneficiaries are people involved in the agricultural process of coffee growing;
- the second is dedicated to training on the espresso world and is aimed at providing the best tools to **"Being a Barista**": from grinding techniques to the functioning of espresso machines, from ground coffee tamping to the various brewing methods, and the latte art.



A Cup of Learning 2017-2022

16
COUNTRIES INVOLVED

+90
INTERNSHIPS

+380
BENEFICIARIES

15
LAVAZZA GROUP TRAINERS

+600
TRAINING HOURS

29
NGOs AND INSTITUTIONAL PARTNERS

FOR THE SECOND CONSECUTIVE YEAR, THE A CUP OF LEARNING PROGRAMME HAS RECEIVED THE AWARD "WELCOME" WORKING FOR REFUGEE INTEGRATION FROM UNHCR.

The award recognises the Group's significant commitment to promoting specific initiatives to provide refugees with access to the labour market and promote an inclusive society.

UNHCR The UN Refugee Agency

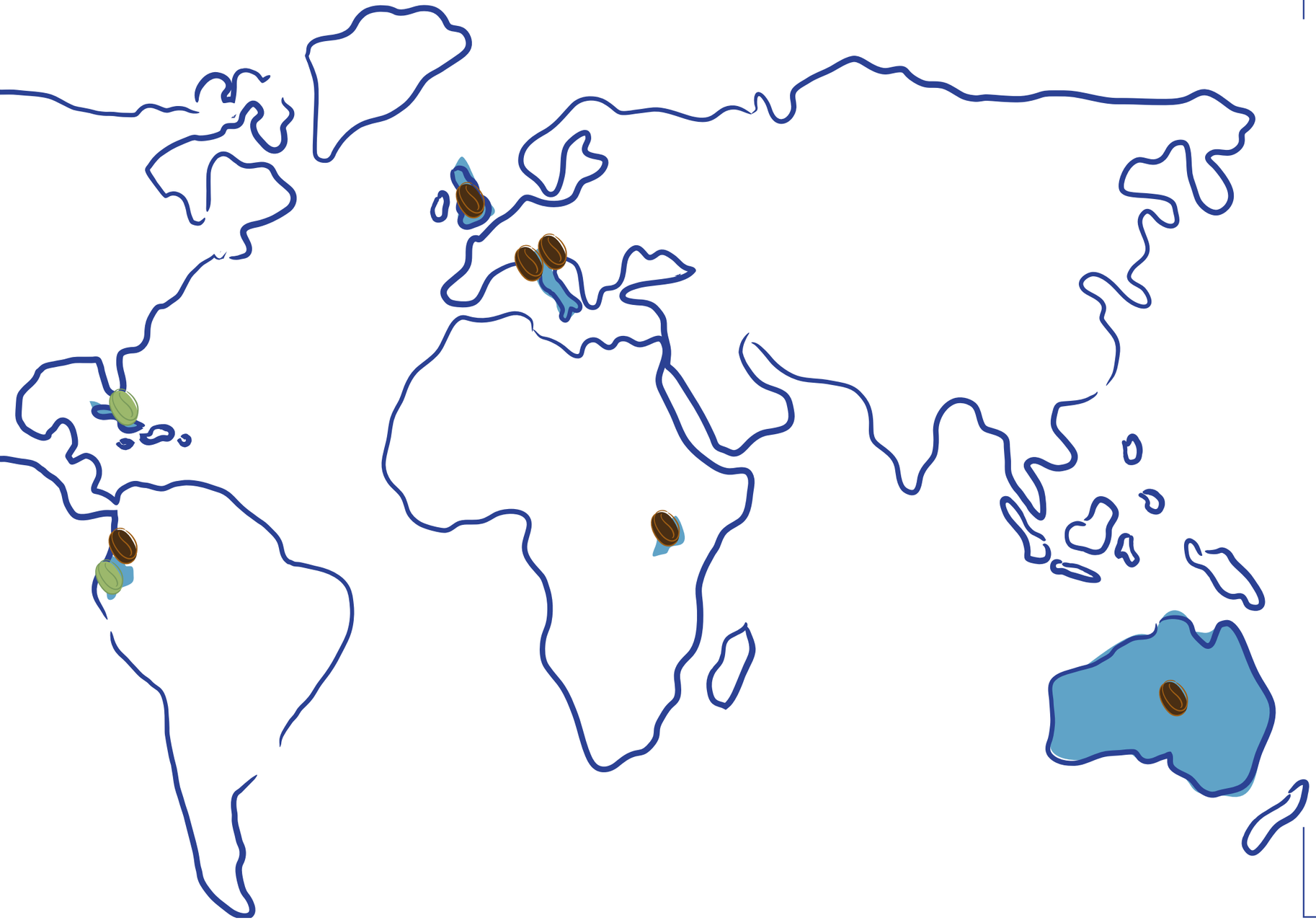
welcome working for refugee integration ITALY 2022

A CUP OF LEARNING

For A Cup of Learning, the Group's professionals are directly involved, providing the beneficiaries with their experience and competencies both in the coffee-growing countries where training takes place and at the Group's Training Centers present at global level. In 2022, A Cup of Learning was extended to new geographical areas, consolidating its format both in person and online, overcoming some of the restrictions imposed by the health emergency.

Since its foundation in 2017, 380 individuals have benefited from this programme, acquiring the skills required to enter the labour market in 16 countries: Italy, the Dominican Republic, India, Albania, Haiti, Brazil, Cuba, Peru, Ivory Coast, Honduras, Ecuador, the United States, Australia, France, Germany and the United Kingdom.

A CUP OF LEARNING 2022



ITALY:

- **A.A.A. Project – Accoglie, Accompagna, Avvicina** (Barista)

Beneficiaries: 18 young asylum seekers and Italian young people belonging to vulnerable groups
Partners: Italian Network of Popular Culture, Save the Children Italy, Oxfam – Diaconia Valdese, ENGIM Piedmont, Agenzia Piemonte Lavoro

- **Ad Astra Project** (Barista)

Beneficiaries: 19 young people
Partners: Fondazione di Comunità Milano, Campari Group, Heineken Italia, A&I Cooperative

ECUADOR (Barista):
Beneficiaries: 11 young people
Partners: ENGIM

CUBA, ECUADOR (green coffee):
Beneficiaries: 12 coffee growers taking part in projects supported by the Lavazza Foundation in Cuba and Ecuador
Partners: Agency for Cultural and Social Interchange (AICEC) and COSPE

UNITED KINGDOM (Barista):
Beneficiaries: 13 young people
Partners: Arsenal Foundation

UGANDA (Barista):
Beneficiaries: 15 young people of the Ujana Coffee Project supported by the Lavazza Foundation
Partners: Sawa World

AUSTRALIA (Barista):
Beneficiaries: 26
Partners: The Reach Foundation, McAuley House for Women, Asylum Seeker Resource Centre

"A Cup of Learning allowed me to understand the way the coffee I produce is processed and to learn the secrets of the barista profession. I would like to say to other young people like me that it is possible to earn a living through this profession, and that a quality coffee is a product that will bear fruit throughout its life cycle and will give the possibility to give a positive contribution to the world"
- Santiago

"A cup of learning for us is about helping young people develop skills and gain confidence"
- Jack Ferguson, Arsenal Foundation

"There's lots of opportunity through this that can help me in life"
- Blu

"I wanted to learn a new skill and I thought this would be a good skill to learn"
- Courtney

"Helping me better myself and giving me ambition"
- Lee

"I could leave here and become a boss of coffee"
- Dwayne

"I could see myself working in a coffee shop, I enjoy making it"
- Chloe

5.2 THE LAVAZZA FOUNDATION FOR THE COMMUNITIES IN THE COFFEE-GROWING COUNTRIES

With the aim of coordinating, managing and effectively implementing community care projects in coffee-growing countries, in **2004** Lavazza established the **non-profit Giuseppe and Pericle Lavazza Foundation**. Ever since, the Foundation has been promoting and financing a wide range of initiatives of **economic, social and environmental sustainability**, working both on its own and through public and private partnerships. These initiatives are implemented thanks to the collaboration with NGOs, international agencies, local entities, traders and roasting companies that operate locally in the producing countries and work in close contact with the coffee-growing communities.

The projects supported by the Foundation, illustrated in its first **Social Report** published this year, are primarily intended to increase coffee yields and quality, while also promoting entrepreneurship among coffee growers and improving their living conditions. In particular, they aim at:

- promoting **gender equality** within families and communities;
- harnessing the work of **young people** through training programmes that motivate them not to abandon coffee-growing lands and to become coffee entrepreneurs instead;
- promoting the **diversification of crops** in order to reduce risks and facilitate greater food production;
- supporting **reforestation**;
- spreading **farming techniques** that enable growers to respond effectively to the effects of **climate change**;
- introducing **technologies** to support traditional coffee-growing techniques.

+180,000 BENEFICIARIES

33 PROJECTS

20 COUNTRIES

3 CONTINENTS

NEW OPPORTUNITIES THROUGH SUSTAINABLE DEVELOPMENT

Through the Foundation, the Groups aims to make coffee a great opportunity in the coffee-growing countries: a quality product for prosperous communities that respect and protect the environment within the framework of long-term sustainable social and economic development. With this in mind, the Foundation's projects are generally developed within coffee-growing communities that do not have any relationship with the Group as regards the purchase of raw materials for its brands and products. However, the growth process ensured by the Foundation's projects was such that it allowed various farming cooperatives to become suppliers to Lavazza Group, thanks to processes that increased the efficiency of production and improved agricultural practices.

¡Tierra!, Lavazza's sustainable development project created in **2002**, stemmed from this context. Two years later, it was the basis on which the Foundation — set up precisely with the goal of coordinating this initial project and developing more like it — defined its scope of activity. Initially launched in small coffee-growing communities in Colombia, Honduras and Peru, over the years ¡Tierra! has been extended to an additional 19 countries, with the aim of supporting the social and economic development of local communities, promoting good agricultural practices in coffee plantations and involving farmers and their families. In certain areas, the project made it possible to produce high-quality coffee for the ¡Tierra! washed Arabica blends. This coffee comes from responsible agriculture **certified by the NGO Rainforest Alliance**, an international organisation that promotes the use of sustainable agricultural practices to safeguard the environment and guarantee dignified living conditions for farmers.

Over the years, ¡Tierra! — created as a project by the Foundation more than 20 years ago — has evolved to become a byword for Lavazza's blends from communities where the Foundation has active projects: today, it represents the pioneering integration of sustainability activities into the Group's way of doing business through the Foundation's actions.

This led to the creation of the following two product lines:

- **Lavazza La Reserva de ¡Tierra!**, a range of premium blends dedicated to professional baristas. Each blend contains coffee that brings with it those values that Lavazza embraces and implements in the projects that it supports through the Foundation. For this reason, La Reserva de ¡Tierra! is synonym with "sustainable excellence": a premium coffee, created through carefully selected raw materials that, for all the blends included in the range, are sourced from organic or Rainforest Alliance certified farms.

- **Lavazza ¡Tierra! Bio-Organic**, a range offering three blends dedicated to the Foundation's projects:
  - **¡Tierra! Bio-Organic For Planet**, a blend dedicated to the project that trains coffee growers on agricultural techniques to manage the effects of climate change;
  - **¡Tierra! Bio-Organic For Amazonia**, an organic coffee from Peru, where the Foundation is engaged in activities to protect the Amazon rainforest;
  - **¡Tierra! Bio-Organic For Africa**, an organic coffee grown in East Africa, a region where the Foundation supports the new generations of growers by training them on the entrepreneurial management of their activities.

SUPPORT IN THE HUMANITARIAN EMERGENCY IN UKRAINE

Following the outbreak of the conflict in Ukraine, the Foundation has mobilised to support the populations hit by this war. During the first phase of emergency, the Foundation allocated funds intended for several NGOs with which it has partnered over the years to finance the primary emergency activities. Supporting activities for this emergency will continue in 2023.

In addition to supporting **UNICEF**, the United Nations Children's Fund, the following organisations received support: **Soleterre Onlus, which operates a paediatric cancer hospital in** Kiev; **Save the Children**, which operates in the Donbass region and on Ukraine's western borders, where it provides support to families fleeing the conflict; **INTERSOS**, an organisation with a presence in Poland and Moldavia, where it sets up refugee camps; **CESVI**, which is active on the borders of Poland, Moldavia, Romania and Hungary and is involved in distributing food and essential goods; the Piedmont-based NGO **Rainbow 4 Africa and the** organisation **SOS Villaggi dei Bambini Italia**, with their humanitarian missions; and **Community of Sant'Egidio**, an association that manages four communities for orphans in Ukraine.

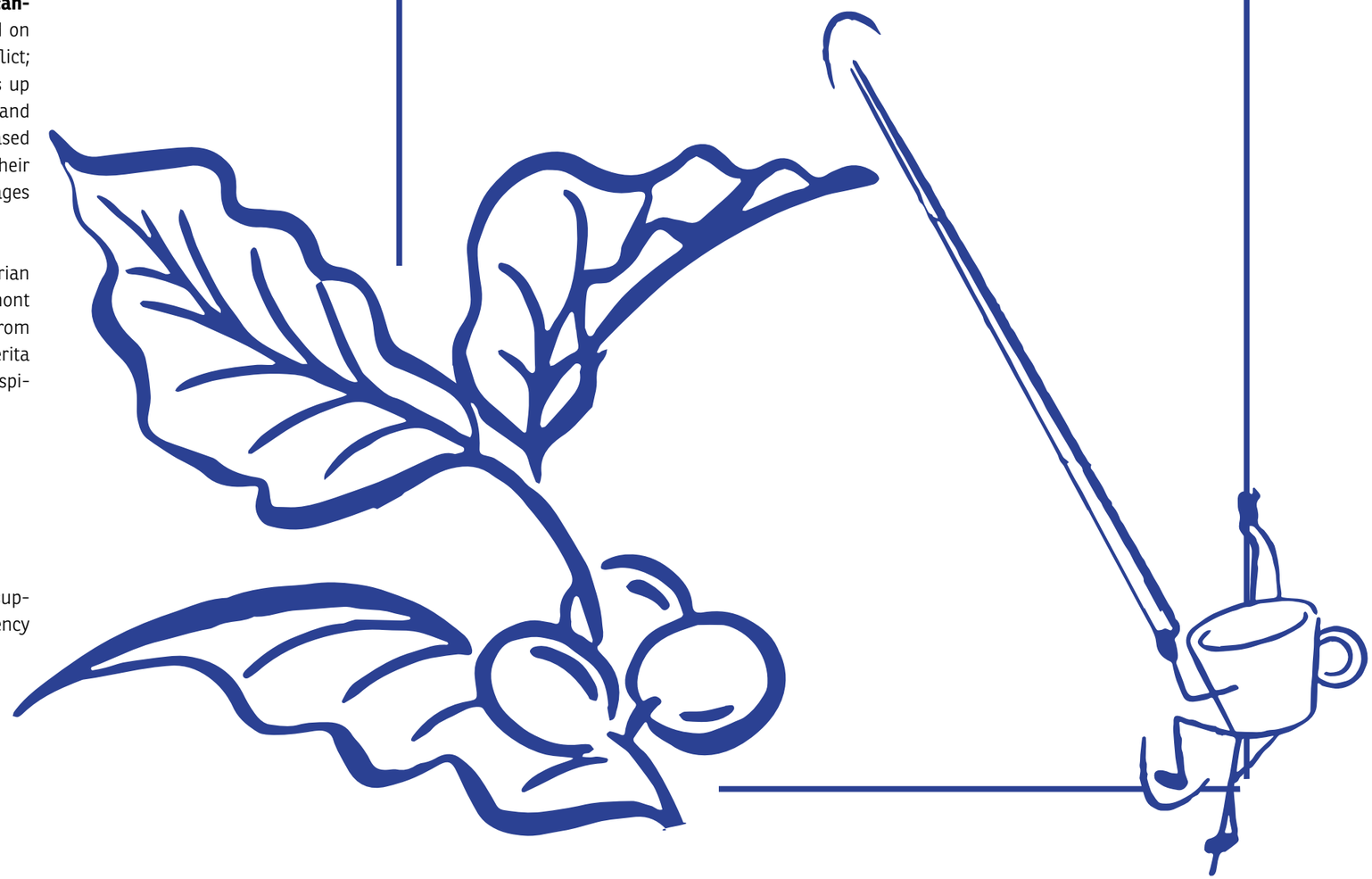
Some of the funds allocated were then used to organise two emergency humanitarian flights in March 2022. The initiatives, carried out in collaboration with the Piedmont Region and Reale Foundation, made it possible to charter a Boeing 737, which flew from Turin airport to Iasi, Romania, transferring **23** young cancer patients to Regina Margherita Hospital in Turin. The patients, accompanied by close family members, came from hospitals in Odessa and Kiev and were forced to suspend treatment due to the conflict.

Since the outbreak of the war, it was thus possible to achieve the following results:

- **14 institutions** — local NGOs and associations — supported
- **2 humanitarian flights** organised from Ukraine to Italy
- **7 humanitarian relief projects** supported in the countries neighbouring Ukraine
- **+100,000 kg of products** sent
- **5 activities promoting hospitality** supported **in Italy**, including a psychological support initiative for refugee families in the Piedmont region, the set-up of an emergency library and job research activities.

CATALYST2030 2022 AWARDS

The Catalyst2030 are awards that celebrate the commitment of companies to achieving the goals of the 2030 Agenda. In 2022, Lavazza Group was among the finalists along with other major groups. In particular, the judging panel recognised the value of the long-standing collaboration between the Lavazza Foundation and Sawa World, in Uganda. This collaboration has provided livelihoods for young coffee farmers, focusing on locally created, easy-to-start and environmentally friendly income solutions.



METHODOLOGICAL NOTE

The Sustainability Report, audited by a third-party auditor, represents the tool that Lavazza uses for disclosing the Company's annual sustainability results to its stakeholders. This Report illustrates the Lavazza Group's results with respect to the 10 principles of the UN Global Compact, endorsed by Lavazza, and to the four Sustainable Development Goals that the Lavazza Group has identified as a priority for its business: Goal 5 – Gender Equality, Goal 8 – Decent Work and Economic Growth, Goal 12 – Responsible Consumption and Production, and Goal 13 – Climate Action.

Sustainability performance is analysed over a two-year period, taking account of the methodological changes occurred over the years and with a view to bringing the Report increasingly into line with the Directors' Single Report on Operations of the Group. This alignment is instrumental to the process that the Group has preliminary launched to comply with the European Union's new regulations on non-financial reporting. In detail, the Group has been working to meet the requirements set forth by the Corporate Sustainability Reporting Directive, which the Group shall mandatorily apply as of the 2025 Sustainability Report, to be published in 2026. To this end, working groups were launched with several Group functions, leading to structured analyses and to the identification of new reporting elements to be monitored over time by the Group, such as the introduction of the business model, included also in the 2022 Directors' Single Report on Operations, the ESG risk mapping and impact prioritisation. Although the Lavazza Group does not qualify as a Public Interest Entity (PIE) or a listed company, it operates as such, adopting in advance the regulatory requirements it will be required to meet in a few years.

The Group's Institutional Relations & Sustainability (IR&S) Department has coordinated the Report's preparation in the period 1 January 2022 - 31 December 2022, gathering contributions from the entire organisational structure of the Group's companies included in the reporting scope. In this regard, it should be noted that, unlike the data contained in the 2021 Sustainability Report, data referring to the environmental impact for the two-year period 2021-2022 includes total energy consumption for both commercial and production sites. No revisions were made compared to the data published in the previous years.

The Sustainability Report is subject to the Board of Directors' approval.

With a view to providing accurate data and information on the Group's most relevant environmental and social impacts, Lavazza has gradually extended the reporting scope of its Sustainability Report, bringing it into line with that of its Separate Financial Statements, which uses the line-by-line method (workforce and the Group's financial data) to include the following legal entities:

- Luigi Lavazza S.p.A., parent company headquartered in Turin (data collected refer to the Headquarters, the Innovation Center, the Italian Commercial Areas and the Italian production plants in Turin — Settimo Torinese and 1895 —, Gattinara and Pozzilli, as well as Conficaf S.p.A.);
- Carte Noire S.a.s., a Paris-based French commercial subsidiary, part of the Lavazza Group since 2016;
- Carte Noire Operations S.a.s., a Lavérune-based French manufacturing subsidiary, part of the Lavazza Group since 2016;
- Fresh and Honest Café Ltd, a Chennai-based Indian manufacturing subsidiary, part of the Lavazza Group since 2007;
- Kicking Horse Coffee Co. Ltd, an Invermere-based Canadian manufacturing subsidiary, part of the Lavazza Group since 2018;
- Lavazza Australia Pty Ltd, a Melbourne-based Australian commercial subsidiary, part of the Lavazza Group since 2015, which includes its subsidiary Lavazza Australia OCS Pty Ltd;
- Lavazza Coffee UK Ltd, a London-based British commercial subsidiary, part of the Lavazza Group since 1990;
- Lavazza France S.a.s., a Paris-based French commercial subsidiary, part of the Lavazza Group since 1982;
- Lavazza Japan GK, a Tokyo-based Japanese commercial subsidiary, part of the Lavazza Group since 2018;
- Lavazza Kaffee G.m.b.H., a Vienna-based Austrian commercial subsidiary, part of the Lavazza Group since 1988;
- Lavazza Netherlands B.V., an Amsterdam-based Dutch subsidiary part of the Group since 2007;
- Lavazza Premium Coffees Corp., a New York-based American commercial subsidiary, part of the Lavazza Group since 1989;
- Lavazza Professional France S.a.s., a Roissy-en-France-based French commercial subsidiary, part of the Lavazza Group since 2019;
- Lavazza Professional Germany G.m.b.H., a Verden-based German commercial subsidiary, part of the Lavazza Group since 2019;

- Lavazza Professional North America LLC, a manufacturing subsidiary based in Wilmington, Delaware (USA), part of the Lavazza Group since 2019;
- Lavazza Professional (UK) Ltd, a Basingstoke-based UK manufacturing subsidiary, part of the Lavazza Group since 2019;
- Lavazza Professional (UK) Operating Services Ltd, a Swindon-based UK commercial subsidiary, part of the Lavazza Group since 2020;
- Lavazza Spagna S.L., a Barcelona-based Spanish commercial subsidiary, part of the Lavazza Group since 1998;
- Lavazza Sweden AB, a Stockholm-based Swedish commercial subsidiary, part of the Lavazza Group since 2009;
- Luigi Lavazza Deutschland G.m.b.H., a Frankfurt-based German commercial subsidiary, part of the Lavazza Group since 1987;
- Merrild Baltics SIA, a Latvian commercial subsidiary with offices in Riga and Vilnius, part of the Lavazza Group since 2015;
- Merrild Kaffe ApS, a Fredericia-based Danish commercial subsidiary, part of the Lavazza Group since 2015;
- Nims S.p.A., a Padua-based Italian commercial subsidiary, part of the Group since 2017.

Lavazza Professional Holding Europe S.r.l. and Lavazza Professional Holding North America Inc. have been added to this reporting scope: although they do not contribute to the impacts generated and the calculation of indicators, they respectively control the Lavazza Professional companies in Europe (Lavazza Professional France S.a.s., Lavazza Professional Germany G.m.b.H. and Lavazza Professional (UK) Ltd) and in the USA (Lavazza Professional North America LLC). In addition, the following companies fall within the perimeter although they do not generate social or environmental impacts: the companies Lavazza Argentina S.A., Lavazza Capital S.r.l. and Lavazza do Brasil Ltda.

The information presented in the Sustainability Report was selected following a thorough analysis of the external and internal context. Thanks to the cross-referencing of data with a study on the Company's business model and the application of a recognised stakeholder engagement process, the Group identified its main impacts on the environment, people and local communities and grouped them in material topics for reporting with reference to the GRI Standards, issued by the Global Reporting Initiative, in their 2021 updated version.

In order to collect data, for the third consecutive year, the Company availed itself of a specific software, which is used both by the PMO (Program Management Office) unit in charge of drafting the Sustainability Report and by the Focal points and data owners of the different legal entities included in the reporting scope. Each legal entity identifies one or more people tasked with providing the data required by the standard, in line with the related area of reference. The truthfulness of data provided is ensured by numerous levels of monitoring. Each data provided by a local owner is in fact analysed by his or her manager and subsequently validated at HQ level and by an independent third-party auditor.

GRI CONTENT INDEX

STATEMENT OF USE	Lavazza Group has reported the information cited in this GRI content index for the period 01/01/2022 – 31/12/2022 with reference to the GRI Standards.
REPORTING STANDARDS	GRI 1: Foundation 2021

GRI STANDARD TITLE	INDICATOR	IN-TEXT REFERENCE
GRI 2: General Disclosures (2021)	2-1 Organisational details	*1.1 The Group*
	2-2 Entities included in the organisation's sustainability reporting	*Methodological Note*
	2-3 Reporting period, frequency and contact point	*Methodological Note*
	2-4 Restatements of information	*Methodological Note*
	2-5 External assurance	*Independent Auditors' Report*
	2-6 Activities, value chain and other business relationships	*1.1 The Group* *1.3 The business model* *3.4 Supply chain management*
	2-7 Employees	*2.1 People at the centre*
	2-9 Governance structure and composition	*1.4 Group governance*
	2-11 Chair of the highest governance body	*1.4 Group governance*
	2-12 Role of the highest governance body in overseeing the management of impacts	*1.4 Group governance*
	2-14 Role of the highest governance body in sustainability reporting	*1.4 Group governance*
	2-22 Statement on sustainable development strategy	*1.4 Group governance*
	2-23 Policy commitments	*1.5 Sustainability strategy 'A Goal in Every Cup'*
	2-24 Embedding policy commitments	*1.4 Group governance* *3.4 Supply chain management*
	2-25 Processes to remediate negative impacts	*1.4 Group governance*
	2-26 Mechanisms for seeking advice and raising concerns	*1.4 Group governance*
	2-27 Compliance with laws and regulations	*1.4 Group governance*
	2-29 Approach to stakeholder engagement	*1.4 Group governance*

GRI STANDARD TITLE	INDICATOR	IN-TEXT REFERENCE
GRI 3: Material Topics (2021)	3-1 Process to determine material topics	*1.4 Group governance*
	3-2 List of material topics	*1.4 Group governance*
	3-3 Management of material topics	*1.4 Group governance*
GRI 201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	*3.1 Value creation*
GRI 205: Anti-corruption (2016)	205-2 Communication and training about anti-corruption policies	*1.4 Group governance*
GRI 207: Tax (2019)	207-1 Approach to tax	*3.2 Lavazza's approach to taxation*
	207-2 Tax governance, control, and risk management	*3.2 Lavazza's approach to taxation*
	207-3 Stakeholder engagement and management of concerns related to tax	*3.2 Lavazza's approach to taxation*
GRI 301: Materials (2016)	301-1 Materials used by weight or volume	*4.2 The environmental impact management*
GRI 302: Energy (2016)	302-1 Energy consumption within the organisation	*4.2 The environmental impact management*
	302-3 Energy intensity	*4.2 The environmental impact management*
	302-4 Reduction of energy consumption	*4.2 The environmental impact management*

GRI STANDARD TITLE	INDICATOR	IN-TEXT REFERENCE
GRI 303: Water and effluents (2018)	303-1 Interactions with water as a shared resource	*4. Protection of the environment and natural resources* *4.2 The environmental impact management*
	303-2 Management of water discharge-related impacts	*4. Protection of the environment and natural resources* *4.2 The environmental impact management*
	303-3 Water withdrawal	*4.2 The environmental impact management*
	303-4 Water discharge	*4.2 The environmental impact management*
GRI 305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	*4.2 The environmental impact management*
	305-2 Energy indirect (Scope 2) GHG emissions	*4.2 The environmental impact management*
	305-3 Other indirect (Scope 3) GHG emissions	*4.2 The environmental impact management*
GRI 306: Waste (2020)	306-1 Waste generation and significant waste-related impacts	*4.2 The environmental impact management*
	306-2 Management of significant waste-related impacts	*4. Protection of the environment and natural resources* *4.2 The environmental impact management*
	306-3 Waste generated	*4.2 The environmental impact management*
	306-4 Waste diverted from disposal	*4.2 The environmental impact management*
	306-5 Waste directed to disposal	*4.2 The environmental impact management*
GRI 308: Supplier environmental assessment (2016)	308-2 Negative environmental impacts in the supply chain and actions taken	*3.4 Supply chain management*
GRI 401: Employment (2016)	401-1 New employee hires and employee turnover	*2.1 People at the centre*

GRI STANDARD TITLE	INDICATOR	IN-TEXT REFERENCE
GRI 403: Occupational health and safety (2018)	403-1 Occupational health and safety management system	*3.3 Employees' health and safety*
	403-2 Hazard identification, risk assessment, and incident investigation	*3.3 Employees' health and safety*
	403-3 Occupational health services	*3.3 Employees' health and safety*
	403-4 Worker participation, consultation, and communication on occupational health and safety	*3.3 Employees' health and safety*
	403-5 Worker training on occupational health and safety	*3.3 Employees' health and safety*
	403-6 Promotion of worker health	*3.3 Employees' health and safety* *2.3 Professional development and people's wellbeing*
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	*3.3 Employees' health and safety*
	403-8 Workers covered by an occupational health and safety management system	*3.3 Employees' health and safety*
	403-9 Work-related injuries	*3.3 Employees' health and safety*
GRI 404: Training and education (2016)	404-1 Average hours of training per year per employee	*2.3 Professional development and people's wellbeing*
	404-3 Percentage of employees receiving regular performance and career development reviews	*2.3 Professional development and people's wellbeing*
GRI 405: Diversity and equal opportunity (2016)	405-1 Diversity of governance bodies and employees	*2.1 People at the centre*
	405-2 Ratio of basic salary and remuneration of women to men	*2.2 Our path towards diversity and inclusion*
GRI 413: Local Communities (2016)	413-1 Operations with local community engagement, impact assessments, and development programs	*3.4 Supply chain management* *5. Our pledge for local communities*
GRI 414: Supplier Social Assessment (2016)	414-2 Negative social impacts in the supply chain and actions taken	*3.4 Supply chain management*

GLOBAL COMPACT COMMUNICATION ON PROGRESS

The United Nations Global Compact is the world's largest voluntary corporate citizenship initiative, which requires participating companies to adhere to a number of principles that promote the integration of sustainability in business. It was established as a result of the wish to promote a sustainable global economy that respects human and labour rights, safeguards the environment and fights corruption. The idea was first put forward in 1999 at the World Economic Forum in Davos by Kofi Annan, former Secretary-General of the United Nations. He invited world economic leaders to sign a "Global Compact" with the United Nations in order to work together to tackle the most critical aspects of globalisation. In July 2000, the United Nations Global Compact was launched. It requires participating companies and organisations to share, sustain and apply, within their remittance, a set of fundamental, universally shared principles in the areas of human rights, labour, the environment and anti-corruption.

Lavazza became a signatory to the ten principles in 2017, undertaking to renew its commitment on a yearly basis.

COMMUNICATION ON PROGRESS

UN GLOBAL COMPACT

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

HUMAN RIGHTS

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

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

LABOUR

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

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

PRINCIPLE 5
Businesses should uphold the effective abolition of child labour.

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

ENVIRONMENT

PRINCIPLE 7
Businesses should support a precautionary approach to environmental challenges.

PRINCIPLE 8
Businesses should undertake initiatives to promote greater environmental responsibility.

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

ANTI-CORRUPTION

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

INDEPENDENT AUDITORS' REPORT

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Independent auditor's limited assurance report on the Sustainability Report 2022

To the Board of Directors of Luigi Lavazza SpA

We have undertaken a limited assurance engagement on the Sustainability Report of Luigi Lavazza SpA and its subsidiaries (hereinafter respectively the "Company" and "Lavazza Group") for the year ended 31 December 2022.

Responsibilities of the Directors

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

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

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

Auditor's Independence and Quality Control

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

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

Auditor's Responsibilities

Our responsibility is to express, based on the procedures performed, on whether the sustainability Report complies with the requirements of the GRI Standards. We conducted our engagement in accordance with International Standard on Assurance Engagements - Assurance Engagements other than Audits or Reviews of Historical *Financial* Information ("ISAE 3000

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revised") issued by the International Auditing and Assurance Standards Board for limited

assurance engagements. That standard requires that we plan and perform procedures to obtain limited assurance about whether the Sustainability Report is free from material misstatement.

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

The procedures we performed on the Sustainability Report were based on our professional judgement and included inquiries, mainly of personnel of the Company responsible for the preparation of the information presented in the Sustainability Report, inspection of documents, recalculations, agreeing and reconciling with underlying records and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. We analysed the definition process of the material topics reported in the Sustainability Report with reference to the methods of analysis and understanding of the context, identification, assessment and prioritization of actual and potential impacts and internal validation of the results of the process;
2. We compared the financial information reported in the "3.1 Value creation" section of the Sustainability Report with the information included in the Lavazza Group's consolidated financial statements as of 31 December 2022 on which other auditors issued an audit opinion, in accordance with article 14 of legislative decree n° 39 of 27 January 2010, on 12 April 2023;
3. We obtained an understanding of the processes underlying the generation, collection and management of significant qualitative and quantitative information included in the Sustainability Report.

In detail, we inquired of and discussed with management personnel of Luigi Lavazza SpA and we carried out limited analyses of documentary evidence, in order to obtain information about the processes and procedures supporting the collection, aggregation, processing and submission of non-financial information to the corporate function in charge of the preparation of the Sustainability Report.

Furthermore, for significant information, taking into account the activities and characteristics of Lavazza:

- at a holding level:
  a) with reference to the qualitative information presented in the Sustainability Report, we carried out interviews and obtained supporting documents to verify its consistency through with available evidence;
  b) with reference to quantitative information, we performed both analytical procedures and limited tests to verify, on a sample basis, the accuracy of data aggregation.
- for the companies Luigi Lavazza SpA, Carte Noire Operations Sas, Fresh and Honest Café Ltd, Kicking Horse Coffee Co. Ltd, Lavazza France Sas, Lavazza Professional Germany GmbH, Lavazza Professional North America LLC, Lavazza Professional UK Ltd, and NIMS SpA, which we selected based on their activities and contribution to performance indicators at a consolidated level, we obtained documentary evidence, on a sample basis, about the correct application of the procedures and calculation methods applied for the indicators.

Conclusion

Based on the procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Lavazza Group for the year ended 31 December 2022 is not prepared, in all material respects, in accordance with the requirements of the GRI Standards as illustrated in the "Methodological Note" section of the Sustainability Report.

Turin, 20 July 2023

PricewaterhouseCoopers Business Services Srl

Signed by

Paolo Bersani
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not performed any controls on the Sustainability Report 2022 translation.

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LAVAZZA GROUP