

Sustainability Report

Luigi Lavazza S.p.A.



2015

LAVAZZA



Sustainability Report 2015 Luigi Lavazza S.p.A.



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Our business has grown tremendously in the last years. This is a moment of extraordinary development for us, as witnessed by our most recent acquisitions of Carte Noire, market leader in the French retail sector and Merrild, the main brand in Denmark and the Baltic countries. Sixth in global coffee ranking, Lavazza reaffirms itself as a global company, with more than 50% of its revenues deriving from exports. We are a leading international Group, engaging consistently in offering the same quality and excellence that distinguished us for 120 years.

We want to keep on growing without losing sight of who we are and where we come from, the values in which our business is rooted and the respect for our people, whose hard work and skills allow us to aim for and reach ambitious goals.

At the beginning of 2017 we will move to the new Headquarters, which are just a short walk from the places where the Company was born in Torino, a city of innovation and change. This relocation will represent an opportunity to give a boost towards a more sustainable, integrated and innovative management of our Company. The new Headquarters will be in fact characterized by a more efficient management of energy consumption, lower use of paper, more flexibility in the organization of space. Moreover, digital technologies will favour an increasingly cooperative spirit, as well as an effective communication within the Company and with our stakeholders. Sustainability represents for us a reality and an opportunity, and the new Headquarters is a concrete example of this approach.

This Report tells the story of what has proven to be an extraordinary year for Sustainability, a story that kicks off with a series of special events held over the course of 2015 – Lavazza was in fact selected Official Coffee of the Italian Pavilion at the 2015 Universal Exposition and presented its first Sustainability Report, as well as its compostable capsule. Moreover, Lavazza pushed innovation further through the launch of the first espresso in outer space, while supporting culture thanks to the partnerships with the New York Guggenheim Museum and the Venetian Civic Museums. Promoting international sport events, through partnership with the 4 Grand Slam tennis tournaments was also an important point on the Company's agenda. A special year characterised, above all, by one of the pillars of our entrepreneurial vision: the attention and care we devote to our people.

A story made of consistency and credibility, of vision and momentum towards a future of challenges and opportunities.

Alberto Lavazza
President of Luigi Lavazza S.p.A.



Sustainability is a topic that we all must take into consideration. Today, as ever more in the future, it will be an essential element of business.

A challenge that we at Lavazza face every day, making our best effort to offer our consumers Quality at all levels. In fact, we are aware that our consumers are not the same as ten years ago and that they are becoming increasingly conscious of all aspects concerning product quality and value, including Company sustainability, both in terms of product and production process.

Thanks to a targeted growth policy on key markets and strategic acquisitions, Lavazza confirms itself as a global leader. Our goal is to continue in this direction by leveraging our values, tradition, quality and our ability to continuously innovate. In other words, leveraging on what makes Lavazza unique.

We are convinced that combining innovation and sustainability is the key to success. Thus, we have more than doubled investments in research and development in the last four years.

We believe in the importance of spreading our coffee culture and the excellence of our authentic Italian brand worldwide. By the same token, cooperation

with farmers, in order to increase their know-how, is crucial for Lavazza. We do that by providing farmers with appropriate tools and technologies to address climate change and minimise the environmental impact of their activities while supporting farming methods improvement.

Global markets require us to grow. We aim to build on what made us one of the most credible brands abroad: our values and identity. A vision that combines tradition and innovation and, above all, respect for our collaborators and consumers worldwide.

Antonio Baravalle
Chief Executive Officer of Luigi Lavazza S.p.A.



METHODOLOGICAL NOTE

Document objectives

With this new edition, the Lavazza Group wishes to share the results achieved in 2015 as part of its path of sustainability with its stakeholders.

The Report, in fact, is the primary instrument for managing and reporting on economic, environmental and social sustainability initiatives. It is also a transparent way to interact with and disclose information to stakeholders.

Lavazza adopts a strategic approach to corporate social responsibility (CSR), which involves the comprehensive integration of CSR themes throughout the value chain. Sustainability, for Lavazza, is therefore an integral part of its core business.

This vision requires the adoption of precise, measurable and repeatable *key performance indicators* (KPI), whose achievement is dependent on the involvement of all corporate functions and on the definition of guidelines in order to create a systemic process.

With this aim in mind, in 2011 Lavazza adapted to this approach - already adopted by the company in terms of developing a company culture - by creating a dedicated position whose task is to define, implement and coordinate company-wide CSR activities focusing on four main areas: the sustainability of the product and of production processes, and the sustainability of relations with internal and external stakeholders.

Following in stride was Lavazza's decision to form an "Institutional Relations & Sustainability" division that, besides managing the set of tasks assigned to the aforementioned corporate function, also takes care of managing the Company's relations with external parties, as well as the projects of Fondazione Lavazza.

Drafting process and references

The report was drafted by Lavazza's "Institutional Relations & Sustainability" and saw the active involvement of the Company's entire organisational structure, as required by the drafting principles of the Sustainability Report issued as an internal procedure in 2014. The contents of the Sustainability Report have been prepared according to the latest version (GRI-G4) of the Guidelines (<https://www.globalreporting.org/reporting/g4/Pages/default.aspx>) drawn up by the "Global Reporting Initiative" and the related Food Processing Sector Supplement ("Food Processing Sector Supplement" - <https://www.globalreporting.org/reporting/sector-guidance/sectorguidanceG4/Pages/default.aspx>).

The level of compliance with the GRI-G4 Standard selected by the Lavazza Group is "in accordance - Core."

Scope of the report¹

Lavazza's manufacturing system is split across six manufacturing plants: four in Italy (Torino, Gattinara, Pozzilli, Verrès²), one in Brazil and one in India. Lavazza has 3,100³ employees, operates in more than 90 countries around the world, covering every continent, through both direct subsidiaries and a large network of distributors. Domestically, Lavazza reaches its consumers directly through operators such as large-scale retailers and public establishments. Internationally, it is present in various markets through a network of distributors specialised in the 'at home' and 'away from home' channels. Lavazza offers end consumers a vast range of products designed to meet every need both at home and away from home. To ensure that figures and information are comparable over time, this Report refers to the years 2013, 2014 and 2015. [G4-17]

Quantitative data provided in the document refer to Luigi Lavazza S.p.A., the parent company based in Torino, Italy, unless otherwise stated.

Luigi Lavazza S.p.A. includes: Headquarters, Innovation Centre and Sales & Marketing; Manufacturing plants in Settimo Torinese, Gattinara, Verrès and Pozzilli.

Stakeholder Engagement and materiality analysis

[G4-18] In accordance with the GRI-G4 guidelines, Lavazza has identified the contents of its Sustainability Report according to the following principles:

- Stakeholder inclusiveness;
- Sustainability context;
- Key factors;
- Completeness.

In identifying the structure and content of the Report, Lavazza has therefore taken into account its business (analysis of Lavazza's sustainability context), the interests of stakeholders and their expectations.

To identify the most relevant aspects to include and discuss in the Report, Lavazza has:

- Identified its stakeholders, using the list already available in the Code of Ethics as reference [G4-25];
- Examined their expectations and main areas of interest using dedicated channels;
- Analysed its sustainability context and that of the reference sector, through *benchmarking* with its main competitors and analysing subject areas considered relevant to the Company's *core business*;
- Performed a key factor analysis on the most relevant sustainability issues for the company, by assigning a priority to each issue and building a 'materiality matrix'.

Stakeholder engagement activities carried out in 2015 chiefly concerned the following categories of stakeholders:

- Employees (focus groups and corporate storytelling events were organised, which are described in detail in Chapter 5 of the Report);
- Consumers (market research was conducted; please see Chapter 3 for more information);
- Coffee producers (the Earth Defenders project described in Chapter 2).

¹The reporting scope of this Sustainability Report has not been amended compared to last year's Report. The reporting period chosen in order to ensure that the data of the two years could be compared and the Report's continuity with the one for 2014 is the three-year period (2013-2014-2015) [G4-22; G4-23].

²The manufacturing plant in Verrès will be the focus of an industrial plan that will lead to the progressive discontinuation of production (the factory officially shut down in July 2016), which will be transferred to the Group's multi-functional centres throughout Italy. This decision fits into the Company's goal of rationalising its manufacturing system and has seen Lavazza invest heavily in the redevelopment of its fully-owned manufacturing plants. The Company shared its plan for the future with local trade unions and institutions, assuring them that all actions that will help ensure a smoother transition have been taken and informing them that staff currently working in Verrès can be relocated elsewhere within its industrial system. The stakeholders were also informed that Lavazza has resorted to the Special Redundancy Fund (CIGS) progressively since the second half of January 2016. The manufacturing plant in Verrès is included in this Report because it has been operative for part of the three-year period (2013-2015).

³The workforce refers to the Lavazza Group.



Lavazza stakeholders and main communication channels

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

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

EXAMPLES OF COMMUNICATION CHANNELS

- Customer Service
- Social networks
- Sales network as a channel for reception, mediation and communication.

Clients and consumers



Governance bodies

- Organisation of frequent meetings
- Ethics Committee

- Meetings to develop projects that promote sports, culture, support the younger population and encourage integration.
- Events
- Meetings to understand needs and discuss problems

Local communities



Partners

- Organisation of events and frequent meetings

- Meetings to define and implement sustainability projects
- Frequent contacts to shape quality standards
- Frequent interaction to discuss coffee purchase
- Meetings to update about problems tied with coffee production

Producing communities



Press&Digital Media

- Definition of communication strategies
 - Press releases and PR materials
 - Blogger relation/Digital PR
- Organisation of events and press conferences
- Scheduling of coordination of interviews with the Board and Top Management of Lavazza
- Coordination of international Public Relations

- Frequent meetings
- Visits on site
- Improvement plans
- Sharing the Supplier Code of Conduct and Code of Ethics

Suppliers



Human Resources

- Training programmes
 - Leading Change
- Coffee Telling (sharing "leadership stories")
 - Focus Groups and Welfare Plan
 - Co-designing of spaces in new HQ
- Sharing of Employee Code of Conduct and Code of Ethics

- Participation in international round-tables
- Events
- Frequent focus meetings

National/international institutions, non-governmental agencies and local institutions

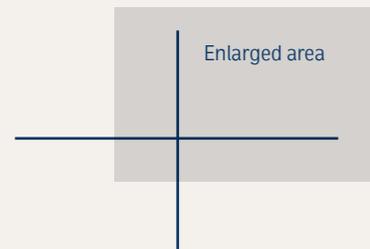


Trade unions/ industry associations

- Frequent meetings to discuss the Group's position
- Meetings to negotiate on corporate issues and within the manufacturing plant, developing the variable element of wages as a tool to promote better results
- Relations with and participation in trade association activities
- System of industrial relations as a support to growth

Materiality matrix

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



The graph shows the sustainability issues that are considered essential to the Company (horizontal axis) and to its stakeholders (vertical axis). The quadrant in the upper right shows the key issues, i.e. most significant for the Company and its stakeholders.

Assurance Process

The Sustainability Report of the Lavazza Group has been reviewed in part by PricewaterhouseCoopers Advisory S.p.A.⁴.

The results of their audits are contained in the auditor's report at the bottom of this document.

⁴ Luigi Lavazza S.p.A., following a call to tender chose PricewaterhouseCoopers Advisory S.p.A. (PwC) to audit its Sustainability Report. The top management of Lavazza is involved in the assurance process by conducting individual interviews.



Over the course of 2015, Lavazza continued pursuing its path towards sustainability, an issue that has become one of the Company's key areas for strategic development.

1.1 2015: the year of sustainability

In this context, Lavazza aims to be credible and consistent in its statements and intentions, acting as a *first mover* and a benchmark for best practices when it comes to sustainability.

To further emphasise this aim, the report opens with an overview of a series of special projects commenced and completed in 2015, which for Lavazza can be referred to in all respects as "the year of sustainability".



Expo

During the 6 months of Expo 2015, Milan was the centre of the World. As the official coffee of the Italian Pavilion, Lavazza was involved in this remarkable event, which revolved around the theme of “Feed the planet, Energy for life”.

All throughout the Expo, the aroma of Lavazza coffee spread from Piazzetta del Caffè at the Italian Pavilion, designed by renowned architect Fabio Novembre, where a huge cup

of steaming coffee welcomed visitors and wafted across the Hall. From Terrazza Martini to restaurant Peck, but also in the Coop supermarket of the future and at the two Eataly stands “Caffè Bar Vino Libero”, as well as in several other Halls.

At Expo, Lavazza offered visitors 100% sustainable !Tierra! coffee and a selection of exclusive recipes prepared by the Lavazza Training Centre.

Expo’s success, with 21.5 million tickets sold, was a success also for Lavazza and offered the opportunity to use a global platform to present itself as a benchmark in the field of sustainability, innovation and quality, both nationally and internationally.

Towards a sustainable Expo

Lavazza’s commitment in the field of CSR was recognised by the Programme “Towards a Sustainable Expo – A legacy for Sustainability”. In this Programme Lavazza was recognised as the leader in the areas of ‘Food’ and ‘Green Procurement’, in the presence of the Commissioner for EXPO, Giuseppe Sala, and the Minister for the Environment, Gian Luca Galletti.

The work carried out by Lavazza was made possible by its collaboration with partners and suppliers, which helped meet all the requirements laid down in the rules defined on the basis of the programme, drawn up by the Ministry for the Environment (Sustainable Architecture, Food & Beverage, Green Procurement,

other initiatives or special projects), recovering and cataloguing all the documentation of the supply chain and certifications, starting from the raw materials through packaging and all the way to the final products.

The ‘leadership’ recognised to Lavazza and confirmed by EXPO and the Ministry for the Environment (with which Lavazza collaborates in defining the standards for the quantification of the environmental impact of the coffee manufacturing processes), confirms the soundness of an aim that considers economic, environmental and social sustainability as a synergistic whole whose parts reciprocally feed on each other.



**EXPO 2015:
Lavazza official coffee
of the Italian Pavilion**



Lavazza Sustainability Hub

During the Expo, the Sustainability Hub located in Cascina Cuccagna di Milano was the centre of all the Company's endeavours in terms of sustainability. A greenhouse dedicated to sustainability was built according to the canons of sustainable architecture by Lavazza and Novamont, a company with which Lavazza developed its first compostable capsule of Italian espresso.

Within the Sustainability Hub, in addition to the launch of the compostable capsule, Lavazza presented the Sustainability Report 2014 and celebrated its 120th Anniversary.

The location also hosted the presentation of the "Slow Food Planet" app, the launch of the Etigua coffee blend (for details see Chapter 4) and the presentation of the Lavazza Calendar 2016.

The Hub also hosted 5 conferences concerning the circular economy along with Novamont and the University of Sustainability, with international speakers selected from among the most prominent names in the world of environmental economics.

During the Expo, the Sustainability Hub was the centre of all the Company's endeavours in terms of sustainability





2015: the internationalisation process at Lavazza

In addition to being the year of sustainability, 2015 also provided remarkable opportunities for Lavazza to grow and expand its business.

In September 2015, Lavazza concluded the acquisition of Merrild, a leading brand in the retail sector in Denmark and the Baltic countries.

Also in September, the Group took over the distribution of its products by its local partner in Australia, where it already held a significant market share, establishing a new branch in Melbourne.

Finally, 2015 was the year when Lavazza embarked on a path that on February 29, 2016, led to the acquisition of the French brand

Carte Noire, a company with a long history of quality and innovation and France's leader in the retail market with a market share of 20% (by volume). Thanks to this acquisition, France, where Lavazza was already second in terms of market share in the food service industry, became the second largest market for Lavazza after Italy when it comes to retail sales, with more than 300 new employees that became part of our family.

The agreement with the Group Jacobs Douwe Egberts (JDE), which led to the acquisition of Carte Noire following approval by the French Competition Authorities and the European Commission, initiated a process of sharing and consultation with workers' representative associations.

The scope of the acquisitions of Merrild and Carte Noire incorporated what can be referred to as "local jewels", with a very strong brand awareness, and represent milestones in the Group's international growth strategy, with the ambition (at a time when the coffee market is gradually consolidating) of playing an increasingly important role among the big industry leaders, while at the same time preserving the identity and the values that have always distinguished Lavazza. Thanks to these recent acquisitions, the Company now ranks sixth in the world in its industry, with over 50% of its sales from abroad.

20% **Carte Noire**, France's leader in the retail market with a market share of 20% (by volume)





Compostable capsule

On March 3, 2015, the Lavazza Sustainability Hub was the venue chosen for the presentation of the Italian espresso compostable capsule in Mater-Bi®, manufactured in collaboration with Novamont.

As described in the Sustainability Report 2014, this object of a few square centimetres in diameter is not only an innovation in terms of material, but harbours an extraordinary iconic value that aptly captures Lavazza's several centuries of history, its pioneering spirit,

strict observance of the scientific method that fosters innovation by testing and trials and above all, an ideal container for coffee that as always is excellent.

The innovative capsule offers a concrete and tangible sign towards a sustainable business model. In fact, it can be harvested moist and undergo composting, a process in which the capsule and coffee grounds are transformed into compost for the soil. This triggers a virtuous cycle that transforms

waste products within an industrial sector into a raw material that can be used in another production cycle.

The new compostable capsule, therefore, not only presents an opportunity to embrace an eco-friendly lifestyle that does not affect the environment, but also a way to contribute to its development.

**In a few months
the compostable capsule
becomes compost**

From coffee grounds to edible mushrooms

Since 2008 Lavazza, with partners of excellence such as the Politecnico di Torino, the University of Gastronomic Sciences of Pollenzo and Novamont, has been working on analysing coffee grounds, finding that their composition can trigger a regeneration process that gives birth to new materials such as polymers, inks, wood, paper and edible mushrooms. The latter come to life from waste espresso, becoming a source of protein with high nutritional value, as well as a low-cost food.

This is the principle that has guided the pilot project that Lavazza launched in 2015 with Novamont and in partnership with AMSA, the Milan City Hall and the social cooperative "Il Giardinone". The opportunity offered by the universal exposition in Milan could not go wasted.

So it was, then, that from Piazzetta del Caffè in the Italian Pavilion at Expo, all coffee grounds collected by AMSA returned to city to be handed over to the care of "Il Giardinone" and then be transformed into a resource, in what represents a remarkable process of circular economy.

Once delivered, the coffee grounds were mixed with spores and other natural ingredients and placed in special storage containers resistant to vertical farming,

following a procedure tested in France by Upcycle, which allowed for every pound of coffee grounds to create 300 grams of edible mushrooms.

Another important goal of the project was to foster training by hiring disadvantaged people assigned to the preparation of the substrates and the care of experimental cultivation, under the professional supervision of an experienced agronomist.

The result was surprising: since September 2015, 1,500 kg of Lavazza coffee grounds were collected and 150 kg of mushrooms (Pleurotus ostreatus) of excellent quality were produced (with a protein content higher than that contained in other mushrooms cultivated according to standard methods).

Moreover, using the "exhausted" substrate after the cultivation of Pleurotus, the mushroom scraps were in turn used as a fertiliser for the production of salads, with a yield equal to twice the number of products on the market: an example of perfect circularity.

5a fase 60 giorni
6a fase 75 giorni





Espresso conquers space

Coffee calling Earth: at 12:44 p.m. of May 3, 2015, the first espresso was enjoyed in space. A long nurtured desire finally achieved thanks to ISSpresso, the first capsule espresso machine capable of working in the extreme conditions of space, which was installed on the international space station by Samantha Cristoforetti, an Italian astronaut of the European Space Agency, captain of the air force involved in Futura, the second long-term mission of the Italian Space Agency on the ISS. The ISSpresso project was brought to life by Lavazza and Argotec, an

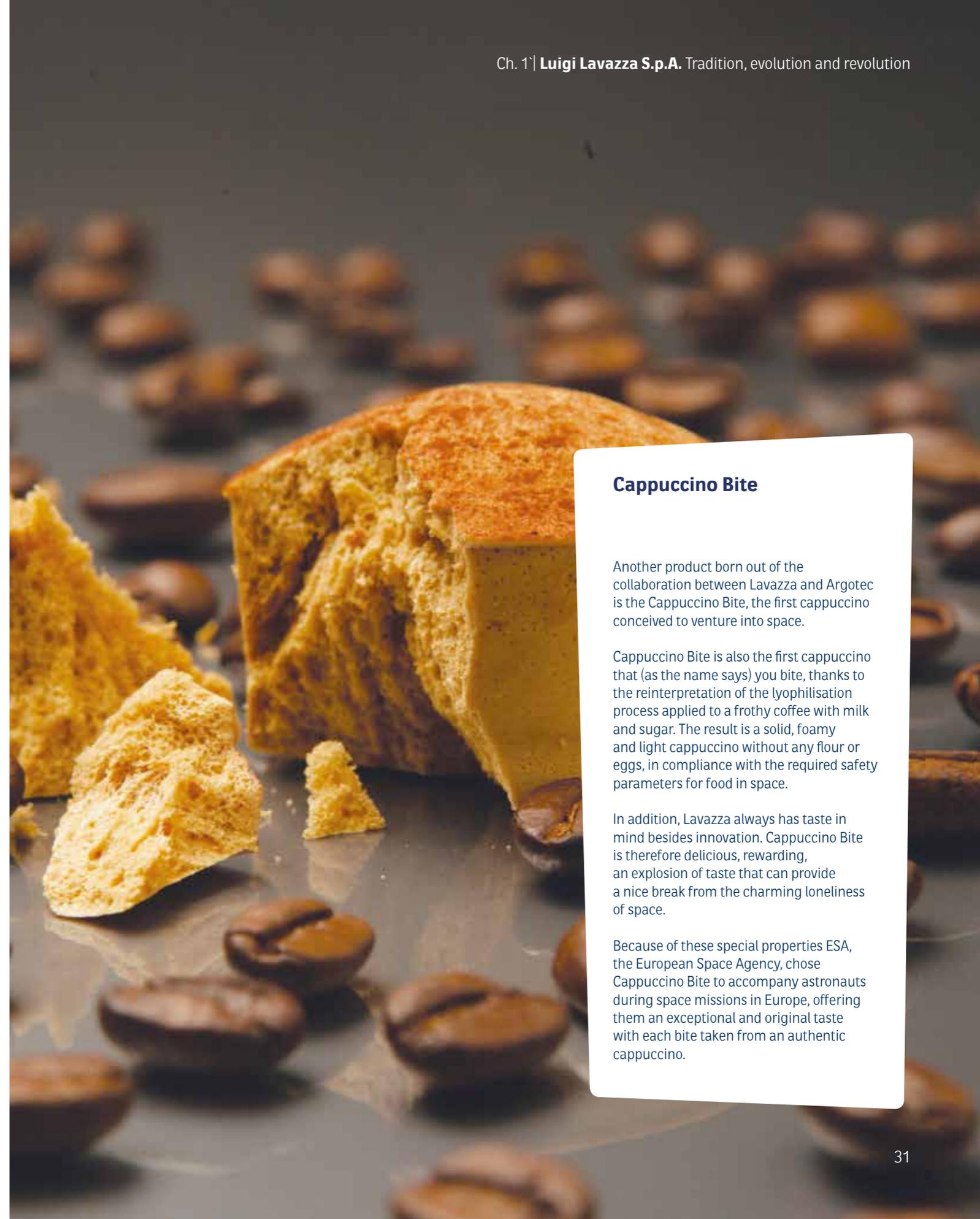
engineering company specialised in the design of Italian aerospace systems and European leader in the preparation of healthy, nutritious foods to be eaten in space, as part of a public-private partnership with the Italian Space Agency (ASI).

Operations in support of the experiment were followed by Argotec's control centre and monitored by those of the Italian Space Agency. The first espresso in space was enthusiastically received by the crew of the Futura mission. The ISSpresso machine, which uses

the same Lavazza coffee blends available on planet earth, has been designed and manufactured to ensure the same quality of an authentic Italian espresso: creamy, full-bodied and with the right aroma and temperature. The beverage was dispensed in microgravity conditions while preserving all the properties of Italian espresso.

**12.44 p.m.
May 3
2015**

the first espresso
was enjoyed in space



Cappuccino Bite

Another product born out of the collaboration between Lavazza and Argotec is the Cappuccino Bite, the first cappuccino conceived to venture into space.

Cappuccino Bite is also the first cappuccino that (as the name says) you bite, thanks to the reinterpretation of the lyophilisation process applied to a frothy coffee with milk and sugar. The result is a solid, foamy and light cappuccino without any flour or eggs, in compliance with the required safety parameters for food in space.

In addition, Lavazza always has taste in mind besides innovation. Cappuccino Bite is therefore delicious, rewarding, an explosion of taste that can provide a nice break from the charming loneliness of space.

Because of these special properties ESA, the European Space Agency, chose Cappuccino Bite to accompany astronauts during space missions in Europe, offering them an exceptional and original taste with each bite taken from an authentic cappuccino.



FROM
FATHER
TO
SON

2016 LAVAZZA CALENDAR BY JOEY L.

Lavazza Calendar

The Lavazza Calendar 2016 "From Father to Son", designed in collaboration with Slow Food and under the creative direction of Armando Testa, brings out the rituals and customs of the new generation of Earth Defenders. Modern heroes of the Earth who, thanks to the teachings of the Fathers, feed on the planet in a fair and sustainable way.

Like the young Dali for instance, who is 27 years old, produces chilli in Mexico and is overseeing the Mopampa, a project designed and developed by her mother and which has allowed women to emancipate themselves economically and to enhance their role in society.

Or like Anderson Ricardo Silva, who is 33, lives in Brazil and works to fulfil

the dream of creating a complete and family-run manufacturing process. Portrayed on a truck while his father Isauil hands him a bag of coffee: a gesture that symbolises the generational change.

The photographer who took the picture is also young, the 26-year-old Canadian Joey L. In a series of 13 snapshots, he captures portraits of young men and women along with their "Fathers" who day by day, thanks to the teachings handed down from generation to generation, defend biodiversity, plants and crops without wasting resources, for the benefit of the local community.

The Lavazza Calendar 2016 is a tribute to these heroes of our time. Presented in the year of the EXPO,

it by all means was an appeal to all those who share the principles and values of sustainability promoted by Lavazza and Slow Food, and a concrete show of support to "Terra Madre Giovani – We Feed the Planet", an event dedicated to the future of food and the planet organised by the Slow Food Youth Network, with Lavazza in the vest of Official Partner.

Old and new generations represented while hard at work and learning, in their natural settings, in their desire for change, but always with a sense of devotion to their traditions.



Lavazza's participation in COP21 together with partner Novamont brought the Italian bio-economy in the spotlight

COP21

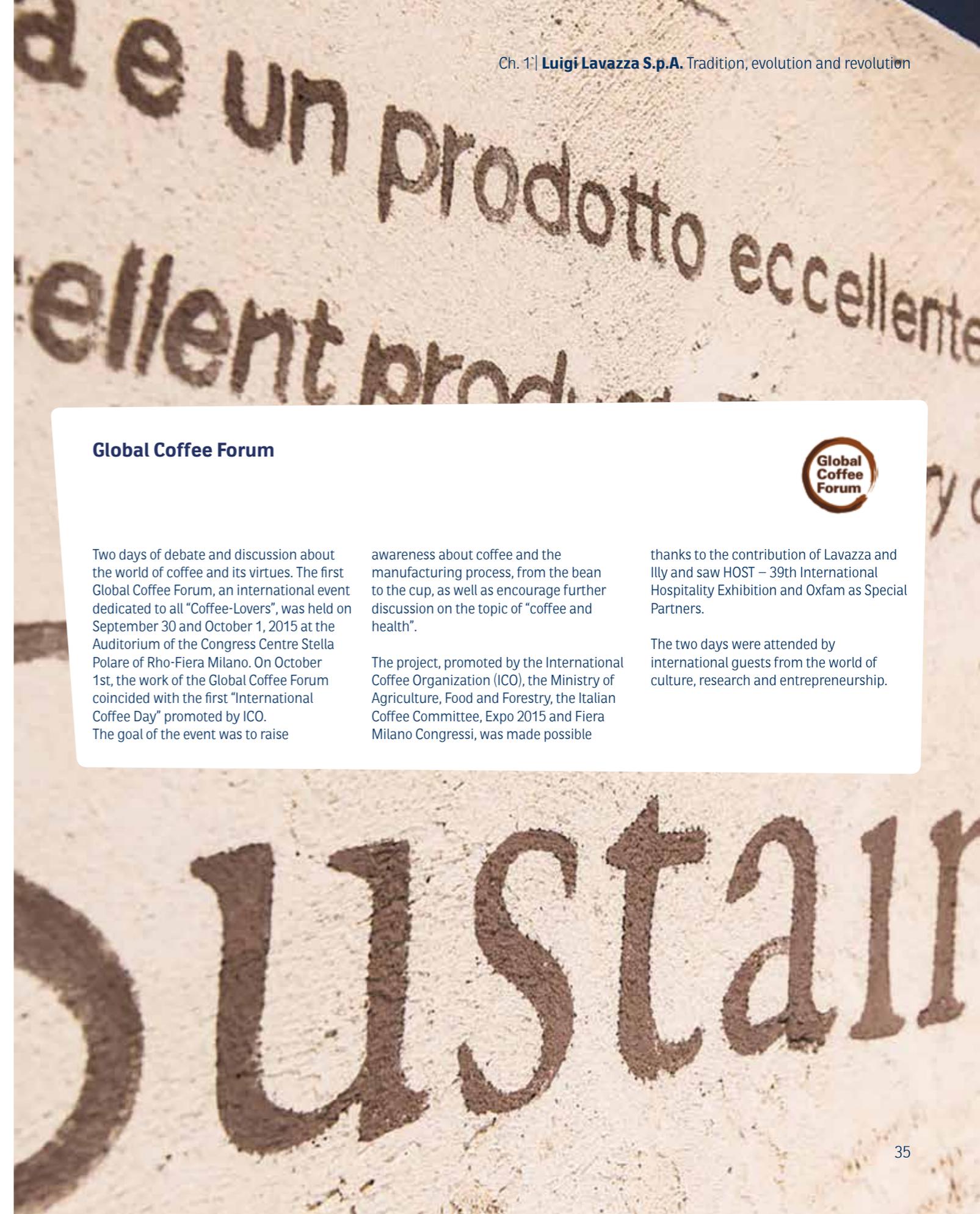
Participation in COP21, the International Conference on climate change of the United Nations, was another key event that closed Lavazza's year of sustainability. The Conference, which was held in Paris from November 30 to December 12, 2015, 23 years after the signing of the framework agreement for the protection of the atmosphere, was attended by about 195 countries and over 50,000 people, including delegates of Member States, observers, NGOs, media and civil society representatives.

Its aim was to reach a binding and universal agreement on climate

for the first time in over 20 years of mediation by the United Nations that would involve all countries. The result of the Conference was the negotiation of the "Paris agreement", a global agreement to tackle climate change, which sets the goal of limiting the increase in global warming to less than 2 degrees Celsius (°C) compared to pre-industrial levels.

Lavazza's participation in COP21 together with partner Novamont brought the Italian bio-economy in the spotlight. The two Italian companies, in fact, presented the compostable capsule and their

partnership with Shamengo, the non-governmental organisation that aims to research, support and develop solutions for a future that is more and more environmentally friendly. This served as an opportunity for Lavazza to confirm its commitment that sees it involved in an intense activity of research and innovation aimed at developing sustainable solutions that are inspired by the philosophy of a circular economy.



Global Coffee Forum



Two days of debate and discussion about the world of coffee and its virtues. The first Global Coffee Forum, an international event dedicated to all "Coffee-Lovers", was held on September 30 and October 1, 2015 at the Auditorium of the Congress Centre Stella Polare of Rho-Fiera Milano. On October 1st, the work of the Global Coffee Forum coincided with the first "International Coffee Day" promoted by ICO. The goal of the event was to raise

awareness about coffee and the manufacturing process, from the bean to the cup, as well as encourage further discussion on the topic of "coffee and health".

The project, promoted by the International Coffee Organization (ICO), the Ministry of Agriculture, Food and Forestry, the Italian Coffee Committee, Expo 2015 and Fiera Milano Congressi, was made possible

thanks to the contribution of Lavazza and Illy and saw HOST – 39th International Hospitality Exhibition and Oxfam as Special Partners.

The two days were attended by international guests from the world of culture, research and entrepreneurship.

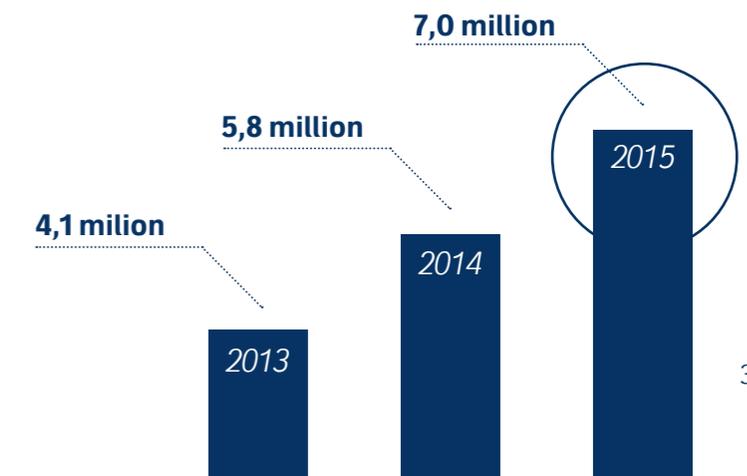


1.2 Growing economic engagement in sustainability



To provide precise answers to the growing expectations of the several markets in which Lavazza operates, as well as potential ones, its economic engagement in sustainability in the period 2013-2015 rose from 4.1

million in 2013 to 5.8 million euros in 2014, and up to **7 million in 2015**, demonstrating the strategic importance that sustainability has for the Group⁵.



⁵ Lavazza's financial commitment to sustainability refers to expenditures incurred in the following areas: CSR, membership fee due to the Institute for Scientific Information on Coffee (ISIC), consumer health and safety, responsible management of the supply chain, Fondazione Lavazza, free supplies, environmental costs, sustainable coffee-pod redesign, packaging, environmental sustainability projects and eco-design.



1.3 Business values, value of the business

The synergy between the economic strength that has distinguished Lavazza in 120 years of business and its system of corporate values (passion for excellence, team spirit, a sense of belonging, transparency, integrity⁶ and foresightedness) allow the Group to have a comprehensive approach to Sustainability.

2015 was one of the most important years in the history of Lavazza. After 120 years, the Company has reached the status of one of the most credible brands worldwide; thanks to a vision, that dialectically unites tradition and innovation. The opening of a subsidiary in Australia and the negotiations for the two acquisitions of Carte Noire, a leader in the coffee market in France and Merrild, the leading brand in Denmark and the Baltic States, have projected Lavazza into the elite pantheon of global corporations.

The Company also strengthened its international visibility by making

a grand appearance at Expo 2015 as Official Coffee of the Italian Pavilion with its product proving one of the most popular symbols of quality made in Italy, and focusing on Lavazza's distinguishing traits of excellence:

- Innovation, research and sustainable growth, with the presentation of the first Sustainability Report, the launch of the first compostable capsule and the first espresso to be drank in space;
- Culture, thanks to the partnership with the Guggenheim Museum of New York and the network of Venetian civic museums;
- Sports: Lavazza is now a partner of the 4 Grand Slam tennis tournaments;
- Communication, with an international campaign involving the main countries of the world and the Lavazza Calendar dedicated to Earth Defenders.

In a desire to share its system of corporate values with internal and external stakeholders, Lavazza condensed them in the Group's Code of Ethics published on the intranet and on the corporate website (www.lavazza.it/it/mondo_lavazza/ethics.html). The Code of Ethics also forms an integral part of the Code of Conduct for Employees as well as all contracts with suppliers. A Supplier Code of Conduct⁷ is also distributed that pinpoints the values that should guide relations between Lavazza and its suppliers.



⁶ In the period 2013-2015 only penalties for fiscal matters have occurred, arising from disputes with the Italian Finance Police, inspections carried by the Italian Revenue Agency or voluntary compliance, and for administrative reasons. For the three years of analysis the total amount of these penalties is approximately 78,962 Euro.

⁷ Lavazza's Code of Ethics and the Supplier Code of Conduct have been drawn up with reference to:

• International Labour Standards (ILO) <http://www.ilo.org/global/topics/lang--en/index.htm>

• UDHR (Universal Declaration of Human Rights) <http://www.un.org/en/documents/udhr/index.shtml>

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

Corporate governance

In Lavazza, the solidity of a family-run governance supports an industrial approach geared to creating value not only in the short-term but in the long-term as well. This method allows the executive team, to which the owners in recent years have entrusted the definition of the corporate strategies to develop and expand corporate business, to come up with an action-plan in the medium and long-term so that the Company may continue to grow significantly as a global player in the industry.

The corporate governance model adopted by the Parent company is traditional and includes a Board of Directors, chaired by Alberto Lavazza and a Board of Auditors, chaired by Gianluca Ferrero. The central body in the governance system is the Board of Directors, which has all-encompassing powers to set the strategic focus in order to ensure the Group's proper and efficient management. In addition to the Chairman, other members of the Board include Vice-Chairmen Giuseppe and Marco Lavazza, Managing Director Antonio Baravalle and Directors Antonella Lavazza, Francesca Lavazza, Manuela Lavazza, Pietro Boroli, Gabriele Galateri di Genola, Robert Kunze-Concewitz and Antonio Marcegaglia.

The task of the Board of Auditors is to monitor and ensure compliance with the law and corporate by-laws, respect for the principles of sound administration and, in particular, an appropriate internal auditing system.

A key role in corporate governance processes is covered by the Supervisory Board, which has independent powers of initiative and control and whose task is to supervise enforcement and compliance with Lavazza's Model of organisation⁸, management and control, as required by Legislative Decree No. 231/2001, as well as to update the Model and by Internal Audit, which answers directly to the Board of Directors and is responsible for implementing an effective auditing system within the Company.

The recipients of the organisational model must inform the Supervisory Board of any conduct that would construe a violation

of the provisions of the Decree, the Model and/or the Code of Ethics, as well as any specific offences of which they have knowledge.

To ensure they do, the Company has established a communication channel for employees to report to the Supervisory Board i.e. a dedicated e-mail address (Organismovigilanza@lavazza.it) made known to all staff so that they may submit reports of possible breaches and access to which is limited to the sole members of the SB. This method for reporting infractions is meant to ensure the highest level of protection to reporting person(s) from retaliation or any other form of discrimination toward them, or detriment. The Supervisory Board acts to ensure that anyone who submits a report is protected against any form of retaliation, discrimination or detriment, or any consequence arising from the report, assuring them the utmost secrecy as to their identity and without prejudice to the obligations of law and the protection of the rights of Lavazza Group companies, or persons falsely accused and/or with ill intent.

The Internal Audit function carries out activities specifically aimed at analysing and assessing the appropriateness, consistency, reliability and efficient application of internal administrative procedures (in terms of simplification, optimisation and fairness of the processes), with a view to an efficient business management.

⁸ Lavazza has developed a Model of organisation and control under Leg. Decree No. 231/01 last updated in 2014, in order to incorporate and regulate possible cases of bribes between individuals. This model is accessible to all employees, as it is published on the corporate intranet.



Luigi Lavazza S.p.A. brands sold in Italy

Single Serve

A MODO MIO, ESPRESSO POINT, BLUE, IN BLACK, FIRMA

Food Service

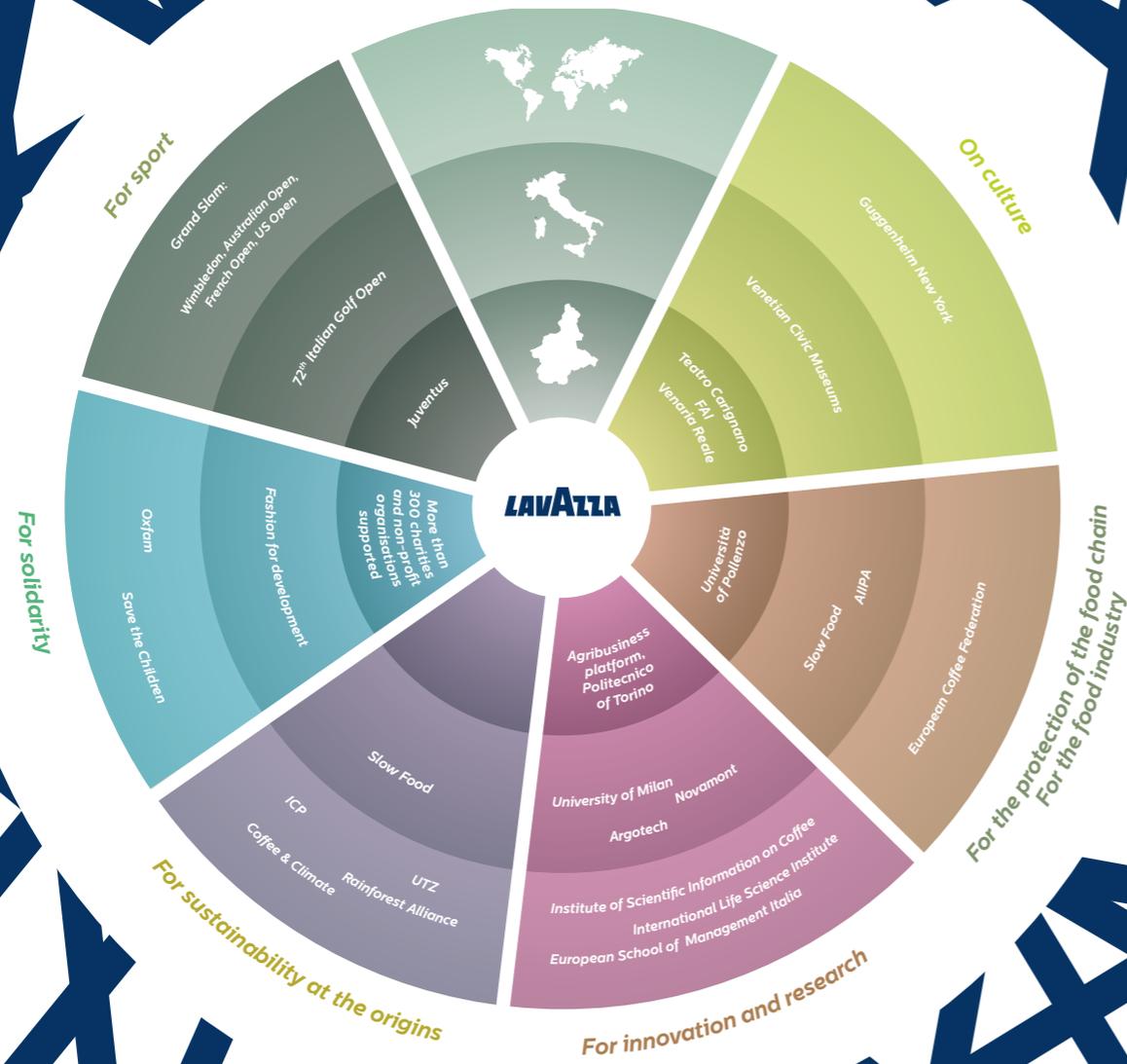
120 ANNIVERSARIO FS, ESPR.CREMA E AROMA FS, BLUE VERY B MAGNIFICO, BLUE VERY B SUPREMO, BLUE ESPR. ROTONDO, BLUE ESPR. DECAFFEINATO, BLUE ESPRESSO DOLCE, BLUE ESPR. INTENSO, BLUE ESPR. RICCO, BLUE ESP. TIERRA INTENSO, BLUE ESPRESSO VIGOROSO, DEK BAR, TOP CLASS, GRAND'ESPRESSO, GR.ESPRESSO T.SCURA, OROPURO, GRAN RISERVA, PIENAROMA RA, SUPER CREMA, GOLD SELECTION, SUPER GUSTO, GRANDE RISTOR. ROSSO, TIERRA 100% ARABICA SELECTION, KAFA, NERO SUBLIME RA, TIERRA BRASILE 100% ARABICA, TIERRA BRASILE BLEND, TIERRA TANZANIA

Roast&Ground

120 ANNIVERSARIO RETAIL, BOURBON CLASSICO, CARMENCITA, CLUB, CREMA & GUSTO CLASSICO, CREMA & GUSTO DOLCE, CREMA & GUSTO ESPRESSO, CREMA & GUSTO ESPRESSO FORTE, CREMA & GUSTO FORTE, CREMA & GUSTO RICCO, DEK, DEK INTENSO, ESPRESSO FAMIGLIA, GRAN AROMA BAR, GRAN CREMA ESPRESSO, PAULISTA, QUALITA' ORO, QUALITA' ORO ESPRESSO, QUALITA' ROSSA, SUERTE, SUPERESPRESSO, TIERRA e XLONG.



Partnership network



+4,2%

Energy, packaging and waste reduction in 2015 compared to the total industrial production costs of 2014

Sustainability as an opportunity to create value

For Lavazza, sustainability also means making a return on investment repeatable in the long term: the levers that guarantee the profit margin can be repeated consistently over time must also be sustainable. Investments, particularly in industrial assets, brand equity, human capital and product and process innovation, need to generate resources to finance the investments themselves. All of this generates a sustainable context in which both the Company and stakeholders benefit from the results, creating

the opportunity to plan further investments with a sense of confidence. This represents a cultural leap, a new and broader way of viewing sustainability as an opportunity to create value and where the entire chain, from the processing of raw materials to the finished product, is called upon to invest part of the margin it generates in Sustainability.

Between 2014 and 2015, Lavazza has continued to invest heavily in improving the efficiency of its manufacturing processes.

This resulted in lower consumptions of energy and packaging materials and less waste and scraps, with a cost saving of 4.2% in 2015 compared to the total industrial costs of production in 2014. The savings generated will be reinvested in the continuous improvement of the Company's manufacturing processes, leading to a gradual reduction of their environmental impact.



Lavazza Group - financial-economic trend

During 2015, the Group continued to implement its strategic plan to achieve organic growth that involves focusing on specific markets and geographical areas, while at the same boosting inorganic growth through the acquisition of Merrild (market leader in Denmark and the Baltic countries) for a price of Euro 51.7 million.

Revenues amount to Euro 1,472.6 million, up by 9.6% compared to 2014. The increase in revenue is largely due to higher sales of packaged coffee (+10%) and coffee capsules (+9%).

The share of revenues in foreign markets increased from 49.6% in 2014 to 52.8% in 2015, thanks also to the added business of Merrild and the establishment of a new distribution hub in Australia, furthering the Group's process of gradual internationalisation. The EBIT dropped from € 156.4 million in 2014 to 71.7 million in 2015, and the percentage impact of revenues also went down from 11.6% in 2014 to 4.8% in 2015.

This contraction is due chiefly to the increase in the cost of sales (in particular the cost of green coffee, owing also to the Company's hedging operations) and the higher spending on advertising and communication.

The operating profit for the year amounted to € 802.1 million, up by Euro 675.4 million compared to Euro 126.7 million in the previous year. This sizeable increase is mainly due to capital gains (Euro 822.8 million before taxes) on the sale of all the shares of Keurig Green Mountain Inc. owned by Luigi Lavazza S.p.A.

Important investments were made during 2015 for a total Euro 50.3 million, mainly in industrial plants located throughout Italy, in order to upgrade them and make them more efficient and safer. This reaffirms our key presence on the territory to its benefit and that of the community.

M€	2015	Margins %	2014	Margins %	2013	Margins %
Sales revenues	1.472,6	100,0%	1.344,1	100,0%	1.340,1	100,0%
EBITDA	146,7	9,9%	225,8	16,8%	223,5	16,7%
EBIT	71,7	4,8%	156,4	11,6%	123,2	9,2%
Profit before taxes	869,2	59,0%	195,2	14,5%	184,4	13,8%
Operating profit	802,1	54,4%	126,7	9,4%	109,3	8,2%
Net working capital	375,4		274,4		270,0	
Net fixed assets	381,5		702,1		617,6	
Total investments	756,9		976,5		887,6	
Net financial position	(1.351,0)		(340,5)		(387,2)	
Shareholders' equity	2.107,9		1.317,0		1.274,8	
Total sources	756,9		976,5		887,6	
Investments	102,0		80,2		44,9	
Workforce	2.598		2.526		3.289	
ROS	5,0%		11,8%		9,3%	
ROI	10,4%		26,8%		20,8%	
ROE	38,1%		9,6%		8,6%	

k€	2015	2014	2013
Direct economic value	2.323.046	1.405.637	1.361.904
a) Revenues	2.323.046	1.405.637	1.361.904
Distributed economic value	1.477.347	1.229.406	1.246.928
b) Operating expenses	1.193.834	980.152	960.836
c) Compensation & benefits	168.745	153.826	145.763
d) Payments to lenders	25.862	14.245	66.106
e) Payments to Public administration	77.654	2.566	1.621
f) Investments in the community	3.064	1.621	1.185
g) Other expenses	8.188	8.493	6.674
Retained economic value	845.699	176.231	114.976

The table shows the economic value generated by the business and distributed to the main stakeholders, and the amount retained within the business.

The Group retains a solid financial balance with a positive net financial position at the end of 2015 of Euro 1,351.0 million (up by Euro 1,010.5 compared to the previous year) mainly due to the aforementioned sale of the shares of Keurig Green Mountain Inc.

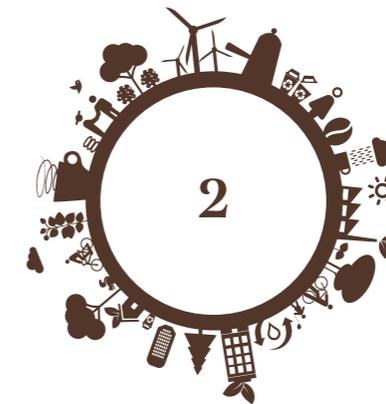
In the three-year period, the Lavazza Group was able to generate growing economic value. This was possible due to the increasing internationalisation and innovation capabilities of the Group, compared to a stagnating domestic market. The direct economic value generated differs from sales revenues as it includes dividends received and non-recurring income and expenses. More specifically, if we look at 2015, the reason is ascribable to the aforementioned capital gains on the sale of the shares of Keurig Green Mountain Inc., while for 2014, to extraordinary income because of the changes in the method for quantifying inventories (from LIFO to weighted average cost).

The economic value distributed to stakeholders displayed a sharp increase in the three-year period. More specifically, operating expenses include the cost of raw coffee, which is often liable to significant fluctuations in the purchase price. In order to mitigate the effects of such fluctuations, the Lavazza Group relies on hedging operations aimed at stabilising its financial performance for the benefit of the entire chain of stakeholders. The increase in operating costs in 2015 compared to 2014 is largely due to the rise in the cost of raw coffee, along with the associated hedges and increased investments in advertising and communication.

The value distributed to lenders refers to dividends paid to shareholders, as the Group funds its business almost entirely with own means.

The value distributed to Public administration refers mainly to the payment of income taxes.

The retained economic value in the three years represents the difference between the generated economic value and the value distributed. The significant increase in this value in 2015 compared to 2014 is determined by the positive effect of the aforementioned capital gains on the sale of shares of Keurig Green Mountain Inc.



Sustainability projects in producing countries

Fondazione Lavazza



2.1 Fondazione Giuseppe e Pericle Lavazza

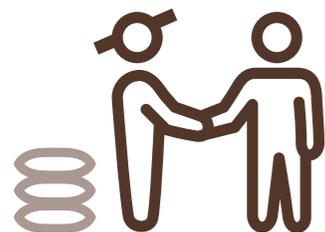
Fondazione Giuseppe e Pericle Lavazza Onlus was first established in 2004 as a tribute to the second generation of the Lavazza family.

The purpose of the Foundation is to promote and help develop solidarity projects in the field of healthcare and social welfare, and for the protection of nature and the environment, in Italy and abroad. Fondazione Lavazza is formed by five members, including two

members of the Lavazza family and Professors Giovanni Zanetti, President of the Foundation, Arnaldo Bagnasco and Giacomo Büchi. The Secretary of the Foundation is Mario Cerutti, Chief Sustainability Officer of Lavazza. A detailed description of the

Foundation's activities and its projects is available in the dedicated section of the Lavazza website.





2.2 Project overview

Projects are primarily designed to improve productivity and develop the entrepreneurial skills of producers. To achieve these aims, the projects focus on two key tools: spreading good agricultural practices and providing support

to producers in setting up and running their organisations as cooperative associations or companies. These, in fact, facilitate access to wider markets, as well as a host of services that are useful to improving production, such as

the appropriation of the necessary inputs to farming, access to credit or Group marketing. In addition to these two main aspects, projects are designed to achieve other objectives such as:



The projects focus on two key tools:

1. spreading good agricultural practices
2. providing support to producers in setting up and running their organisations



1.
Promote **gender balance** in family relations and in the community



2.
Invest in young resources through programmes designed to reverse the tendency to leave the lands where coffee is produced, supporting them in developing their business in the coffee industry in their lands of origin and favouring the generational change



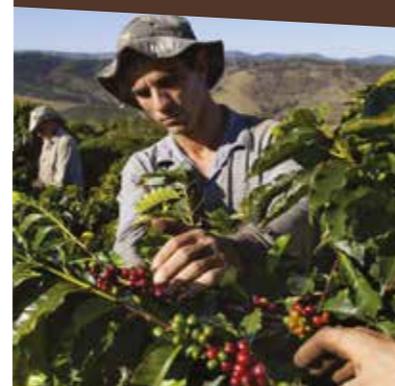
3.
Food security, i.e. the promotion of activities aimed at aiding access to food or the diversification of production



4.
Reforestation



5.
The spread of farming methods geared at **minimising environmental impacts** caused by the production of coffee



6.
Local implementation finally, is a hallmark of the Foundation's projects and guarantees an authentic ownership of the projects by producer communities



2.3 The importance of teamwork

The Foundation's several years of experience have shown that relying on public-private partnerships in a pre-competitive perspective makes it possible to boost the results of a Sustainability project. Contributing to the economic, social and environmental sustainability of coffee production brings benefits to the whole industry and generates a leverage effect that leads to scalable and impactful results.

It is precisely on the basis of this approach that since 2001,

Lavazza has participated in International **Coffee Partners**, a project involving 7 major coffee roasters in the world that pursue Sustainability projects in coffee-producing countries.

The direct involvement and contribution of producers is crucial to International Coffee Partners. It is necessary, in fact, that they themselves be actively involved in improving their living conditions. All ICP projects follow a **PPP logic** (Public Private Partnership),

which calls for the involvement of international organisations, NGOs, national institutions and private actors. This approach fosters a leverage effect that multiplies the project's benefits: it is not only resources that are pooled, but also their skills and experience that boost the impact and amplify the benefits gained.



All ICP projects follow a PPP logic (Public Private Partnership), which calls for the involvement of international organisations, NGOs, national institutions and private actors.

30.000
direct beneficiaries

19
projects

11
countries

150.000
indirect beneficiaries



857
producer organisations created and/or supported

Starting in 2014, **International Coffee Partners** has been implementing its five-year strategy for 2014-2018, whose goal is to strengthen regional projects. The previous plan reaped the following results:

29.870
hectares of coffee



coffee & climate

COP 21

Coffee & Climate was officially presented in December 2015 at the United Nations Conference on Climate change held in Paris.

The project partners, representing approximately 50% of the world coffee business, agreed to promote a sustainable future for coffee that can respond effectively to climate change.

The challenges that coffee production is facing today are many, not least those posed by climate change, which have a considerable impact on the production of premium quality coffee. It is for this reason that since 2010, Lavazza has been a founding member of **Coffee & Climate**, a project that aims to provide coffee producers the technical instruments needed to respond effectively to climate change.

The first phase of the project was completed in 2015 and has seen the implementation of 4 pilot projects in Central America, Africa and Asia involving approximately 4,000 producers. The latter

have benefited from the technical and scientific support necessary to increase the resilience of their production systems to climate change. In order to make such a vast know-how available to a wider audience, Coffee & Climate has published an online manual.

The second phase in 2015-2018 plans to increase the number of projects to involve up to 70,000 producers.

In addition to the work done within the framework of International Coffee Partners, Fondazione Lavazza carries out projects together with partners such as:



Hanns R. Neumann Stiftung



IDH



Oxfam

OXFAM



Carcafé/Volcafé

CARCAFE LTDA



Slow Food



Save the Children



2.4 Performance in 2015

Donations to the Foundation:



Countries

Brazil, Tanzania,
India, Viet Nam,
Ethiopia, Uganda,
Trifinio (Guatemala,
Honduras,
El Salvador),
Peru, Haiti,
Dominican
Republic, Indonesia,
Colombia

14
countries

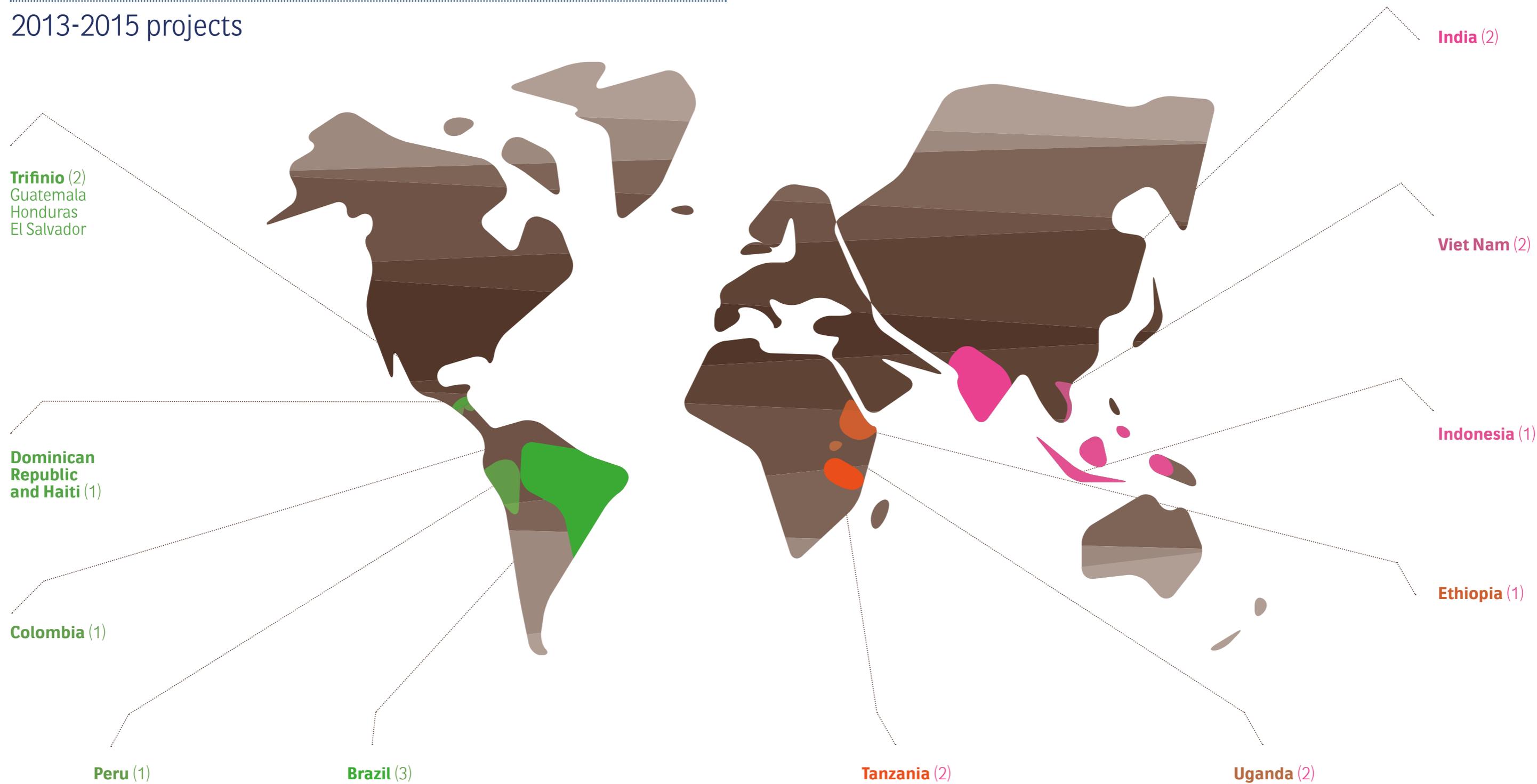
19
projects

Over
60.000
beneficiaries





2013-2015 projects



2.5 Focus on some projects of Fondazione Lavazza

Haiti and the Dominican Republic Coffee on the border with Oxfam



The first year of the project helped create mechanisms to foster dialogue and cooperation between project managers, producers and the State in the Dominican Republic and Haiti. The aim was to come up with a plan to renew and strengthen the coffee industry by working on the modernisation of plantations, introducing native coffee varieties that are rust-resistant and with a top-quality cup profile. At the same time, research was conducted on the marketing of roasted coffee, a strategy that will help add value to new production in the near future.

During the first year, 6 million plants were totally produced and were distributed to roughly 2,000 coffee producers. This enabled them to gradually upscale their businesses (on average every producer is renovating approximately 30% of the entire property), with positive effects in terms of resistance to coffee rust.

Uganda Reaching one million farmers



Since 2015, the Foundation has been active in Uganda not only as part of the International Coffee Partners project, but also by supporting the Sustainable Coffee Program of IDH.

Uganda is the second largest producer of African coffee after Ethiopia in terms of volumes. The coffee is mostly produced by small farmers, which amount to about 1.3 million. About 70% of the exports concern the Robusta variety.

In Uganda, Fondazione Lavazza works alongside IDH, which has developed a national programme aimed at increasing sustainable production of coffee in Uganda through the coordination and alignment between the public and private sectors and the development of field operations that have an impact on the sustainable production of coffee.

The goal of IDH with the Sustainable Coffee Program is to offer strategic support to the development of the Ugandan coffee industry in terms both of its production and of higher export volumes, helping communities to tackle challenges such as income, food security, climate change, gender equality and the enhancement of young resources.

Colombia Where quality coffee contributes to the peace process



Starting with 2015, the Foundation has been furthering a project in Colombia in the town of Mesetas in the Meta Department.

This land is of particular interest for two reasons: The quality of the coffee and the geopolitical importance of the area. In fact, it has been a hotbed of guerrilla warfare in recent decades and since 2013, as part of the national peace process, is part of a programme for the restitution of abandoned land plots to peasant families deprived of their land during the war. The project fits into the region's economic recovery programme that aims at bringing coffee farmers back to the territory.

The project also aims to improve and enhance the quality of coffee, maintaining it on a consistent level by applying sustainable farming methods. Another goal is to encourage the exchange of best practices through the provision of training to existing producer associations.



Earth Defenders

The future of coffee in the hands of young producers

In October 2015, as part of Terra Madre Giovani - We feed the planet, an event organised by Slow Food, Lavazza held a workshop that involved young producers of coffees from 25 countries.

The event took place within the Sustainability Hub Lavazza at Cascina Cuccagna in Milan.

The interaction and communication fostered by the workshop's format have allowed players to identify common challenges that producers around the world are facing to safeguard the future of coffee production. The exchange and dialogue has helped participants define shared priorities based on the cardinal principles of innovation, quality and sustainability.

In October 2015, as part of Terra Madre Giovani, Lavazza held a workshop that involved young producers of coffees from 25 countries

The Terra Madre Giovani commitment

"Innovation, quality and sustainability. The future of coffee in the hands of young producers.

- Enabling young people to come back to agriculture and land, through education, technology and access to finance
- Promote public and private support in order for coffee to increasingly become an instrument for territorial development, involving all family members
- Let coffee production become an opportunity for adaptation to and mitigation of existing effects of climate change on men and nature"



A passion for excellence

Day after day, we pursue excellence with passion, commitment, determination and dedication. Also thanks to the contribution of our stakeholders, with whom we have built relationships based on trust and our shared values. Thanks to the attention to their needs, Lavazza

has consolidated its leadership in Italy and on international markets. Customers and consumers, who are increasingly recognising the value of the brand, synonymous with cutting-edge coffee technology and consistently high quality and food safety standards, appreciate this effort.



3.1 Lavazza's approach to quality control and management of the manufacturing process

At Lavazza, we are well aware that the quality of our organisational and manufacturing processes is essential to ensure excellence in coffee production on a day-to-day basis.

In 2012, to enhance the impact of our activities aimed at spreading culture of quality and continuous improvement of products and processes to guarantee the safety of consumers, we initiated a process of organisational review. This process has included important steps such as:

- The establishment in 2013 of the **Corporate Quality Management**;
- Changes in 2014 to the **Quality and Food Security Policy**;
- Release the new edition of **Good**

Manufacturing Practices and the pursuit of uniform procedures to handle product claims.

In 2015, Lavazza also worked on the achievement and consolidation of additional elements to guarantee the quality and safety of the product⁹, namely by:

- Issuing the **Lavazza Supplier Standard Requirements**, which provides a detailed description of the standards Lavazza expects its suppliers to uphold in order to guarantee supplies of food products and materials, and items that come into contact with food (both packaging and advertising material). By endorsing the Requirements, suppliers agree to formally guarantee and ensure full compliance there to;

- Implementing a new Auditing Protocol to monitor operations both at supplier premises and internal manufacturing plants/ logistics centres by defining appropriate checklists, a rating system, a unified reporting method and a formal method for the submission of requests for corrective actions (for further details, please see the next paragraph "Monitoring and Audits on suppliers");

- Introducing changes to the Food Products Development Practices and Appliance Development.

⁹ Between 2013-2015, no cases of non-compliance with Laws / Regulations and voluntary codes concerning health and safety of products were identified



Also during 2015, Lavazza launched a specific project for the centralised management and monitoring of data from the Group's several production sites, in order to have a tool that would help monitor in real time the overall level of compliance of the products with the specific requirements and identify trends that can then be linked to inputs and claims from the market.

The "Quality & Food Safety Certification Framework" was also

launched in 2015 which lays out the new policy for obtaining and managing product and system certifications which, by applying a multi-plant logic across the spectrum, it will understand how to best respond to the needs of markets and customers. Significant results have been achieved in this area, further expanding the portfolio of certifications available at production sites. More specifically, the new certifications include:

- FSSC22000 at the site of Sri City;
- HACCP (according to Codex) at Gattinara and Verres;
- UTZ at Gattinara;
- Rainforest Alliance at Sri City;
- Confida at Settimo;
- KOSHER at Sri City.

In 2015 significant results have been achieved, further expanding the portfolio of certifications available at production sites

100%
Quality controls on 100% of green coffee batches

3.1.1 Quality of the raw material

Lavazza coffee owes its excellence to the Company's complex and sophisticated Quality system, which starts with a careful selection of the raw material to the coffee's final tasting by Lavazza experts.

Coffee purchasing system

The definition of a well-structured and organised coffee¹⁰ purchasing system helps to ensure that the quality of the coffee is better and more consistent creating "excellence". Lavazza's approach

to the purchase of coffee by far surpasses the requirements established by the applicable laws and standards. The key process steps include tests on the field and procedures for the approval and validation on all batches of coffee purchased.

When purchasing coffee, Lavazza relies on consolidated exporters for most of the volumes, with which has a long-standing partnerships that guarantee reliable quality and a low country-specific risk.

In parallel with the purchasing process, Lavazza conducts research, testing and experimenting with new potential suppliers in order to ensure a stable cup profile.

¹⁰The Company purchases green coffee from producing countries and transports it by sea. The product is then kept in stock in a number of Italian warehouses and transported to the manufacturing plants for production. The other raw materials come from different suppliers, which are largely Italian. The finished product is manufactured in three factories located in Settimo Torinese, Gattinara and Verres. Other products sold by Lavazza come from a variety of sources, with a significant component of the machines produced in China. Distribution is organised with 3 major logistics centres in Italy and a central warehouse for each subsidiary. All transfers between these warehouses are performed with saturated media and relying on intermodal transport whenever possible. Secondary distribution is entrusted to specialised logistics operators.

Coffee varieties

Coffea Arabica

Coffea Arabica is the original species that with its several varieties (Bourbon, Catuai, Caturra, Catimorra, Mundonovo, etc.) currently accounts for roughly 58% of the entire global production. Native to Ethiopia, it has fairly flat and elongated-shaped beans of blue-green colour. It thrives in soils rich in minerals, including those of volcanic origin located from 600 up to more than 2,000 metres above sea level, where the climate is rather mild. It is grown mainly in South and Central America, but also in some African and Asian countries that produce a variety of excellent quality. In general, once roasted, Arabica coffee is sweet, fairly full-bodied and with a rich and a slightly sour taste. Average caffeine content in green coffee is about 1.4%.



Coffea Robusta

Native to the Congo basin, the Robusta species is mainly grown in Africa, Asia, Indonesia and northern Brazil both at sea level and at altitudes of 600 metres. The annual production per plant is slightly higher than the Arabica coffee and resists hot and humid weather conditions quite well, with peaks that exceed 30°C. Once roasted, Robusta coffee looks full-bodied, with a chocolatey taste and a lingering aftertaste. Robusta beans are round-shaped, gray-green in colour and have an average caffeine content of 2.7%.

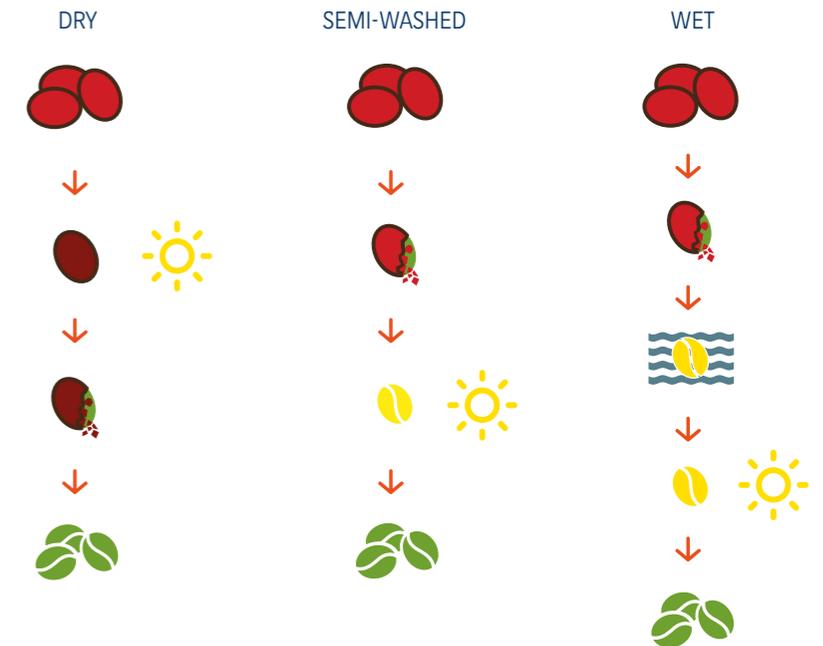


Processing methods

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

The processing methods include:

- Dry
- Semi-Washed
- Wet



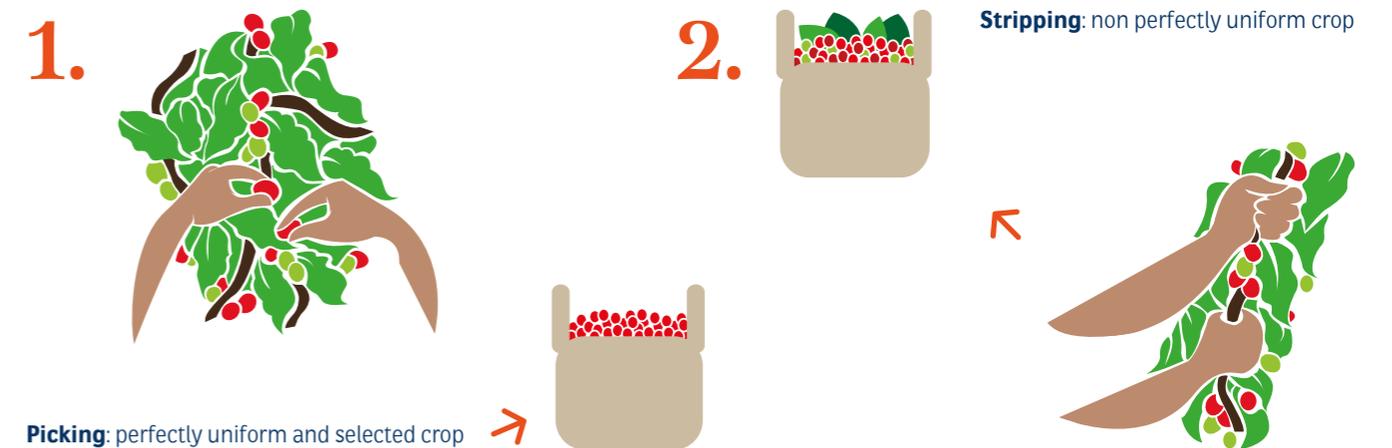
Harvesting methods

Picking

Yields a perfectly uniform and selected crop. Harvesters pick only the ripe cherries, detaching them one by one. With the picking method, harvesters must return on the same plant several times until all the cherries have ripened.

Stripping

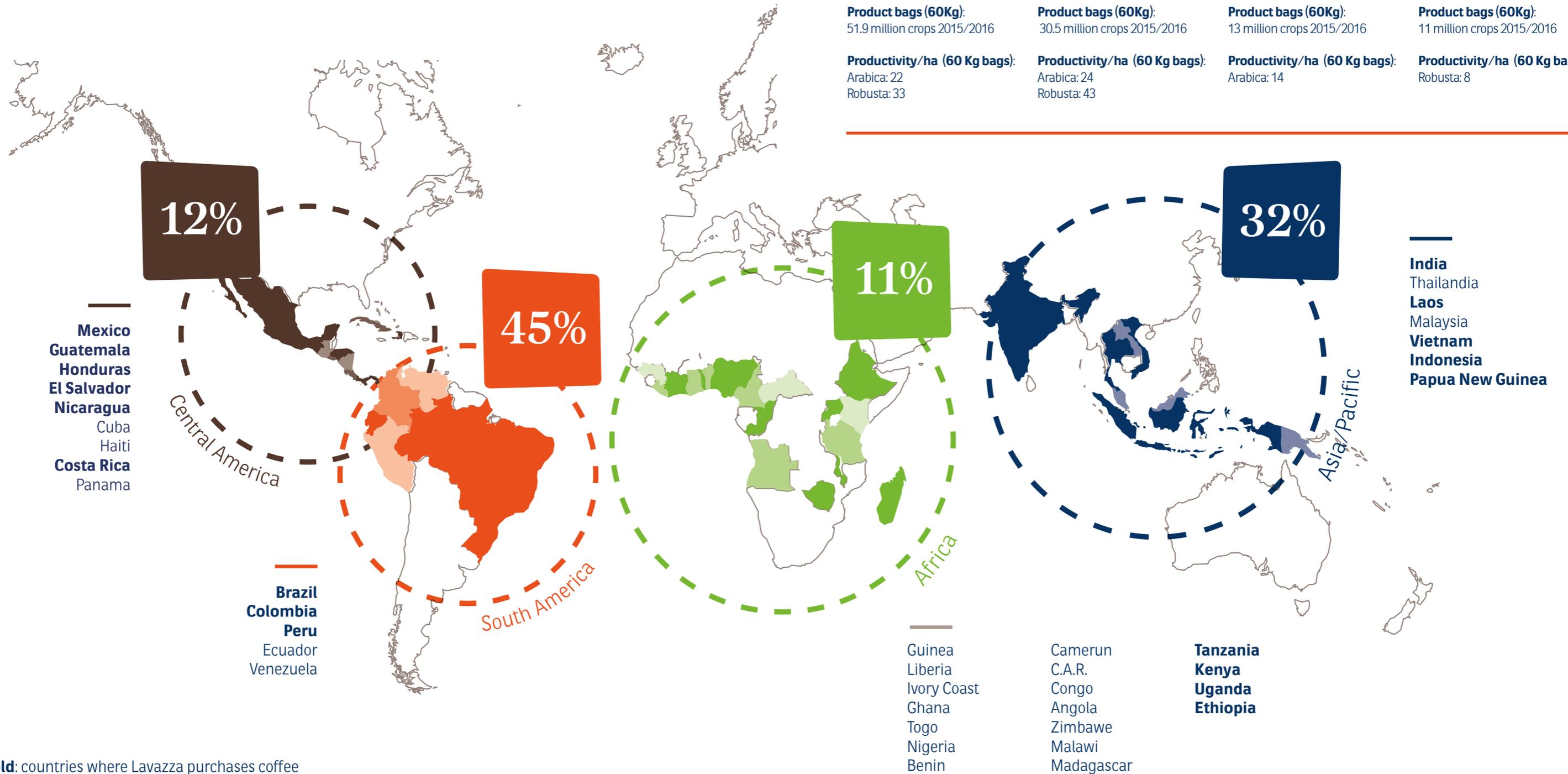
Method used in some countries where the plantations are very extensive and labour has a high cost. Harvesters collect all the cherries once the average ripening time is complete. It is a faster method, but the downside is that unripe and already fermented grains are bunched with ripe grains in the containers, at the expense of the coffee's overall quality.



Producing countries

The top 4 producers in the world are:

<u>Brazil</u>	<u>Viet Nam</u>	<u>Colombia</u>	<u>Indonesia</u>
Product bags (60Kg): 51.9 million crops 2015/2016	Product bags (60Kg): 30.5 million crops 2015/2016	Product bags (60Kg): 13 million crops 2015/2016	Product bags (60Kg): 11 million crops 2015/2016
Productivity/ha (60 Kg bags): Arabica: 22 Robusta: 33	Productivity/ha (60 Kg bags): Arabica: 24 Robusta: 43	Productivity/ha (60 Kg bags): Arabica: 14	Productivity/ha (60 Kg bags): Robusta: 8



In bold: countries where Lavazza purchases coffee

Coffee quality control



Lavazza checks the quality of all the coffee in production, applying standard procedures that meet a set of strict quality control and testing principles, establishing the frequency, method for quality control and analytical parameters to be applied to green coffee samples. The Company collects the coffee grains from customs warehouses and checks the following: shape, size, colour, the presence of any foreign bodies, their chemical and physical properties and the presence of any chemical and biological contaminants, the cup profile. As part of its quality control system, in 2015 Lavazza conducted 7,113 analyses on raw coffee.

Lavazza standards

Lavazza standards are meant to ensure consistent and uniform quality that lives up to the high quality benchmarks expected by the Company and establish a relationship of continuity with the suppliers that is based on respect.

Each standard defines the acceptable limits for the following parameters:

- Number of product flaws • Sifter • Cup profile • Moisture
- Key production area (if possible).

The standards have been defined for:

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

Quality control system

Raw-material quality control is a foundation for Lavazza in guaranteeing the product's excellence. The quality is monitored at every stage of production: when first sourced, on arrival in Italy and in the manufacturing plant.

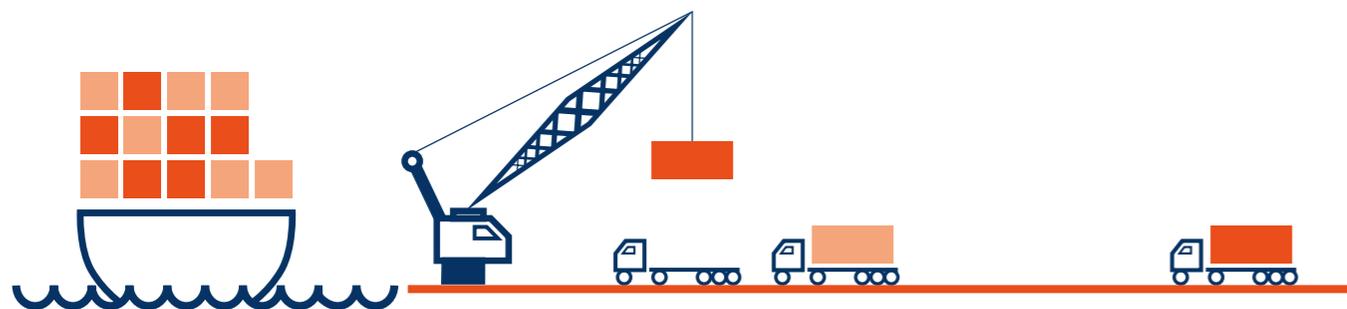
At the source

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

On arrival

On arrival in Italy, the coffee is stored in customs warehouses that meet Lavazza specifications and undergoes routine audits, while physical, organoleptic and hygienic analyses are conducted for each batch of purchased coffee.

In the manufacturing plants, staff again checks the coffee to ensure its compliance with Lavazza standards and further cleans the coffee to remove any foreign objects possibly still contained in it.



Quality Control System



Process stage	Control type
Green Coffee	Weighing
	Destoning
	Removal of foreign objects
	Visual inspection
Roasting	Time and temperature
	Water quantity and quality control for quenching
	Final colour of roasted coffee
Grinding	Grain size
	Density
	Color mixture
Finished Product	Packaging
	Weight check
	Oxygen control for cans, paper coffee pods, coffee beans
	Search for foreign bodies with X-ray scanner
	Physical, microbiological and chemical controls
	Panel of expert tasters

3.1.2 Quality of the manufacturing process

Quality is one of the guiding principles, and this is expressed at the highest level in our manufacturing processes. One of our key manufacturing processes is roasting, for which we have adopted all the best technologies known and available on the market that combine both convection and conduction heating.

These different stages of processing allow us to develop organoleptic and aromatic profiles that are unique to each product type and meet the specific needs of our target markets. Over the years, Lavazza has acquired unrivalled

expertise in managing these types of roasting machines, using specific roasting cycles to bring out the characteristic notes of each blend.

At every stage of the manufacturing process, our experts check a wide range of product and process parameters, including two of the most significant: the colour of the blend and the particle size of the coffee powder.

We also submit packaging materials to strict tests, with a special focus on those which come

into direct contact with coffee, thereby ensuring total food safety for all our consumers.

Finally, coffee is vacuum-packed or packaged in modified atmosphere, thus ensuring that the valuable organoleptic properties of the blend are maintained until consumption.



3.1.3 Certifications¹¹

Process/Systems Certifications



ISO:9001:2008
Quality Management System



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli



FSSC 22000
Food Safety Management System



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli



HACCP (Ref. Codex Alimentarius)
HACCP System - International Food Standards



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli

Certifications of a religious nature



Halal
Muslim Religious Certification



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli



Kosher - Orthodox Union
Jewish Religious Certification



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli

Product Certifications



Rainforest Alliance
Product Sustainability Standard



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli: a oggi non richiesto

- Current certifications
- Planned for 2016
- Planned for 2017
- Planned for 2018-2020



Confida
Italian Vending Products Standard



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli : non applicabile



UTZ Good Inside
Product Sustainability Standard



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli: a oggi non richiesto



NOP
US Federal Regulatory Framework Governing Organic Foods
BIO
European Regulatory Framework Governing Organic Foods



- Settimo Torinese
- Verrès
- Gattinara
- Pozzilli



¹¹ Please note that the factory in Verrès was operational until July 2016.



75%

kilometres travelled by intermodal transport, compared to 61% in 2013

Distribution & Logistics

Lavazza's excellence and quality are also reflected in its logistics management system.

Lavazza coffee is distributed throughout Italy by 3 central warehouses: the warehouse in Settimo Torinese, from where the coffee is also distributed to subsidiaries (France, Great Britain, Germany, Austria, Sweden, USA, Australia), a distribution hub in Novara and a central hub in Milan, from where the coffee is distributed on the Italian market. The manufacturing plant in Gattinara, instead, does not have its own warehouse. The goods from these factories are transported to the hubs in Novara and Milan.

Secondary distribution is entrusted to specialised logistics operators.

As part of its logistics management system, Lavazza has aimed at progressively reducing the number of kilometres travelled by road (at any rate, all transport by road takes place on fully loaded trucks) and

opting for intermodal transport instead. This aim is also pursued by establishing solid partnerships with our suppliers, for the purposes of streamlining transport routes and reducing mileage. More specifically, when it comes to the mileage travelled towards countries other than Italy, the ratio of kilometres travelled by road compared to intermodal transport has gone from 39% (road) - 61% (intermodal) in 2013 to a ratio of 25%-75% in 2015.

If we take a closer look at individual countries, transport is almost entirely intermodal for coffee distributed to Sweden (99%), Great Britain (96%) and Germany (96%).

In 2015, as part of the process of steadily improving the impact of distribution and logistics, a number of repackaging processes for finished food products were incorporated in the warehouses of Novara and Milan, processes that were previously carried out at the premises of

co-packers. This meant that 3,500 pallets that previously would travel back and forth to repackage the products, were instead entirely repackaged in the distribution hubs.

Lavazza systematically collects and monitors its logistics performance through a defined set of KPIs, which are meant to ensure completeness and accuracy in the preparation of shipping orders on a customer-service level.



Customer Service

Lavazza has always valued the high quality of its products and ensure claims from consumers are processed as quickly and efficiently as possible.

In recent years, there have been changes in the approach of handling claims. Since 2013, in fact, the Company has endeavoured to standardise and classify product flaws between the several corporate divisions involved (Lavazza Customer Service, Quality Management, Lab, Manufacturing plants), developing a unique and common language. The result was the definition and implementation of a new procedure, starting in April 2014.

In line with the objectives presented in the Sustainability Report for 2014, in 2015 Lavazza also sought to standardise the system used to handle product claims in every country where it conducts business and to centralise data collection.

The goal, which the Company aims to achieve by 2017, is to ensure that all claims submitted by consumers

Year	Totale Claims
2013	429
2014	819
2015	1062
Total	2310

and customers about food products in all countries are handled according to a uniform system from start to finish (from when the claim is first filed to its settlement). This standardised system will concern the methods/tools for collecting data used both in terms of feedback (including feedback for customer claims about sustainability issues) and the set of corrective actions taken to solve a claim.

Contact information handled worldwide will also be uploaded and available on a central database, which will allow a comprehensive analysis of the data by Lavazza's Customer Service, in order to ensure the steady improvement of our quality of service.

Once it is received and has been properly catalogued a claim, Lavazza Customer Service proceeds to conduct audits in cooperation with Quality Management and will provide feedback to the end consumers.

The possible product flaws are categorised in a number of business-specific forms (Retail, Home Closed System, Food Service, AFH) or that are shared by the several business lines (reports of food products that are not coffee and regarding the type of packaging).

Moreover, Lavazza's Customer Service has started to handle claims regarding Food Service and Vending Machine products – Foreign distributors. This extension allows us to instantly monitor the production and marketing of a Lavazza product in Italy and abroad, thus ensuring an overall higher level of quality.

The total number of product claims handled over the three-year period are summarised in the table (2,310). The growing trend is due to the increased focus and new procedures introduced to handle claims.

The goal is to ensure that all claims submitted by consumers and customers about food products in all countries are handled according to a uniform system

Consumer care

Customer Service, the corporate function that listens and responds to consumers, reported more than 450,000 contacts in 2015 alone. Lavazza also relies on its Customer Service to process all requests received from consumers asking to withdraw their consent to the processing of their personal data (2013: 770; 2014: 383; 2015: 1,754). It is with this aim in mind that in 2015, the Company introduced a central monitoring system for privacy issues in the several countries where Lavazza conducts business. In cooperation with Legal Affairs, Lavazza conducted a comprehensive analysis of the laws on privacy in these countries and how they are implemented by the Company in each country.



450.000

Customer Service reported more than 450,000 contacts in 2015 alone



9



Overall rating of the service

Customer satisfaction surveys in 2015

In 2015, Lavazza continued conducting market research to evaluate the satisfaction of its customers and consumers, identify their needs and take any corrective action necessary.

In particular, the Company updated its research aimed at monitoring certain key aspects in the relationship between consumers and the A Modo Mio system, aspects that are crucial in following up the development of the system on the market (machines and coffee pods).

In 2015, Lavazza conducted 600 interviews online with key coffee-machine owners divided by geographical areas and their senior status rank. Lavazza sent them a questionnaire drawn up in partnership with Ipsos and designed to measure the total satisfaction with the coffee machine, use of the A Modo Mio system (consumption of coffee pods generated), the trend and

reasons for abandoning the system.

The research showed that consumer satisfaction over the last two machines in the range (Espria and Minù) is greater than the satisfaction over older coffee machines: on a scale of 1-10, the score of new machines was 8.50, compared to a score of 8.28 for older machines.

The Company also conducted an analysis to evaluate its customer service (call center), in order to quantify the level of user satisfaction. The analysis focused on assessing both the overall satisfaction over individual aspects with reference to the reasons that motivated customers to contact the call centre, and whether the problem was solved and the outcome of the request.

Quantitative research conducted by GNResearch on behalf of Lavazza was based on information from the hotlines and online platforms available to users, i.e.

telephone interviews and Web support (email assisted), both within 48 hours after contacting our Customer service. A total of 1197 interviews were conducted (898 phone interviews and 299 digital form-based interviews submitted online) on a sample consisting of current customers of Lavazza (75%) and potential customers (25%).

The research showed that:

- The main reasons for contacting Customer service was to request technical assistance (28%) and information (27%);
- The overall rating of the service received is very high: average scores on a scale 1-10 is 9.01;
- Customer service's ability to resolve the problem/reason for call during the call was 74%, in line with the benchmark (76%).

Research on sustainability

In 2015, Lavazza began conducting research aimed at measuring consumer perception when it comes to sustainability.

Lavazza focused on research in the compostable capsule market. The Company conducted a conjoint¹² analysis to test the potential of a “compostable” product (acceptance, intention to buy) with current users as the target and with potential customers to measure their interest in the new product concept (ability to steer their choice in the purchase of a coffee machine that uses compostable capsules). The results show that the introduction of the compostable capsule in the current range A Modo Mio accounts for 26% of the purchasing decisions of current users, while for potential customers, the added option of compostable capsules to the product range accounts for an additional share of purchasing decisions of 27.5%.

Starting from December 2015, moreover, as part of the research on communication and brand equity, Lavazza introduced a system for the routine assessment of consumer perception about environmental awareness and the Lavazza brand’s environmental sustainability. The first observations by end 2015 showed that 31% of consumers believe Lavazza’s brand is eco-friendly and environmentally sustainable. The percentage values show a significant competitive edge for Lavazza over its competitors.

Finally, in 2015, Lavazza sought to assess the level of knowledge on the concept of environmental sustainability and its relevance among populations in the geographical area of France and Germany. The research showed that in both countries the concept of sustainability in the broader sense of the term is known to

almost all of the population (over 70%). However, when people are asked about the individual structural elements of sustainability (such as recycling, reuse, bio-degradability, composability, etc.), their level of awareness and knowledge drops significantly. In the coffee industry, the concept is geared in particular to sustainable farming and harvesting and to packaging (its reduction and disposal), with paper and glass proving the best-performing materials. Research also showed that Lavazza, especially in Germany, has a good perception as a sustainable company.



Product and packaging quality

With the aim of continuing to pursue product excellence and supervising all areas of consumer tastes and organoleptic preferences, Lavazza conducts “blind” sensory analysis to find out if customers enjoy the new coffee blends offered on the market and to align them with consumer tastes, if necessary. As part of this research, 300 to 1200 consumers are involved on average in the test.

With the aim of assessing the popularity of the pack in terms of handiness, aesthetic appeal and information conveyed by the product, Lavazza performs pack tests among consumers who express their level of satisfaction over the aspects described above and whether they are agreeable to them.

300-1200

Consumers involved on average in the test

¹² This is a multivariate statistical method to determine the best combination of different attributes related to a product or service in a given competitive context. This analysis allows us to extrapolate the relative importance attributed by the consumer to each of the attributes related to the product/service, allowing us to identify the ideal format for the product range offered on the market.

3.2 Responsible supply chain management

Key importance of the Italian market

Excellence for Lavazza also means responsibly managing its supply chain, which largely consists of local suppliers.

As the numbers in the table below clearly show, in spite of Lavazza's increased focus on growth and internationalisation, the Company continues to make most of its purchases of goods and services (apart from green coffee) from Italian suppliers, consultants and partners.

"Feedback from consumers about the product/service that helps

Lavazza structure the ideal product range to offer on the market".

More specifically, in 2015 the percentage of purchases from Italian suppliers grew by about 8%.

Approach to supplier management and qualification

The aim of Lavazza in managing its ties with suppliers is to establish stable and lasting partnerships based on mutual trust, aware of the fact that the reliability of the supply chain is critical both for the quality of our products and for the

Company's reputation.

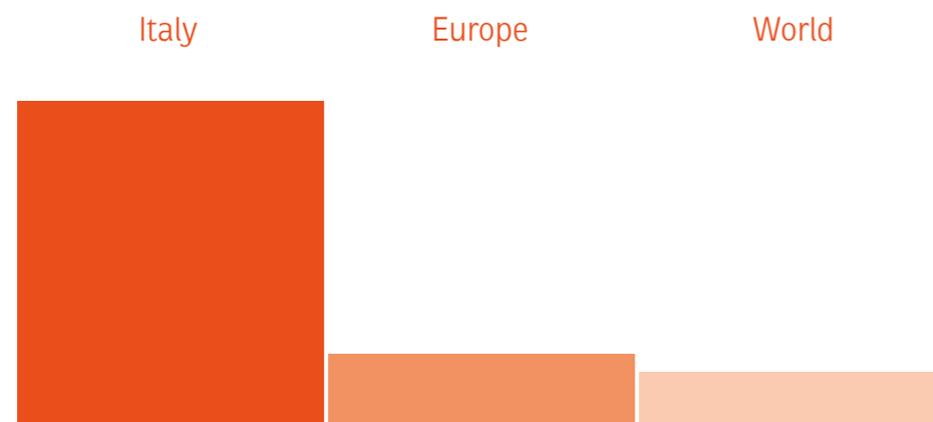
Lavazza's approach to its suppliers involves their uniform and transparent management and clear communication of their needs and criteria of selection and evaluation.

It is with this aim in mind that starting from 2012, Lavazza began to restructure its purchasing processes, procedures and criteria applied in the qualification, assessment and monitoring of its suppliers.

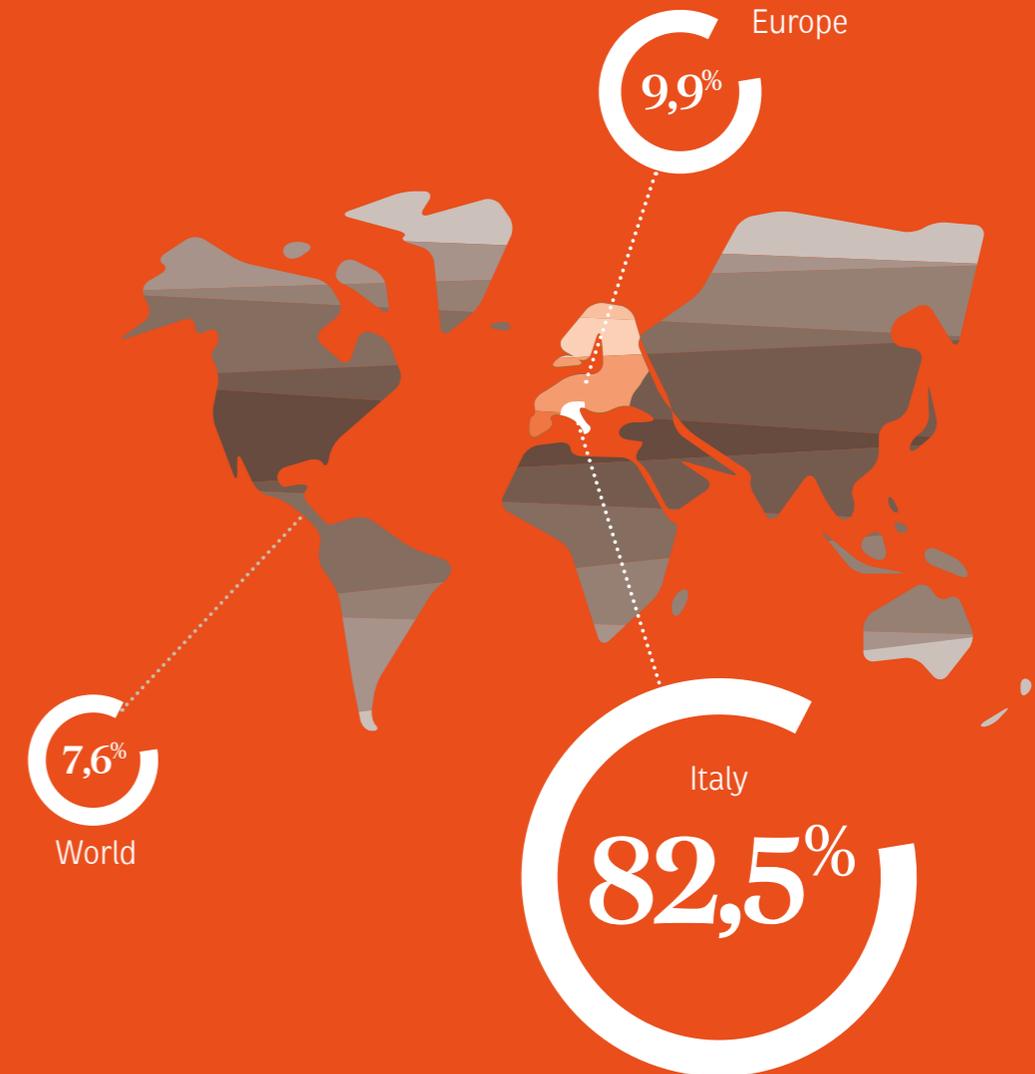
Purchase of goods and services

2013-2015
(excluding green coffee)

Year	Total (mln €)	Italy		Europe		World	
		Mln €	%	Mln €	%	Mln €	%
2013	346,0	286,1	82,7%	44,1	12,8%	15,8	4,5%
2014	426,0	347,1	81,5%	47,5	11,1%	31,4	7,4%
2015	454,2	374,8	82,5%	44,8	9,9%	34,6	7,6%



Total purchasing expenses by geographic area (%) 2015





LAVAZZA

Tradizione

Innovation programme

In 2015, Lavazza introduced the new Innovation programme that will reap the first results in 2016.

The programme conceived in 2014 (for more details on the programme's layout and format, please refer to the Sustainability Report 2014: insert link to BdS 2014) aims at developing and introducing technical solutions suggested by suppliers to cut down costs and improve the products and services purchased in terms of their performance, quality and sustainability.

110 suppliers were involved in the programme and made their specialised know-how available to Lavazza, helping to come up with roughly 115 product re-engineering solutions, use of alternative materials and technologies, streamlined manufacturing processes and logistics, and the provision of services.

Based on a technical feasibility study ahead of the purchase and factoring the economic impact, 41 proposals were accepted, out of which Lavazza chose the TOP 5

(packaging efficiency, streamlined logistics and simplification of machines), which will be tested and then implemented in 2016, monitoring results over the course of the year. Three of the five winning proposals have an impact on reducing the amount of polluting material used in production.

The suppliers who participated in the programme will receive financial awards or media coverage for the proposals implemented.



3.3 Monitoring and audits on suppliers

In 2015, in line with the goals set out in the Sustainability Report 2014, Lavazza audited approximately 60 suppliers of direct materials, machinery and subcontracting work.

The audits involved both new and old suppliers, within the framework of a joint programme between Purchasing and Quality for the monitoring of suppliers.

The audits were conducted in keeping with Lavazza's Standard Requirements and applying a new set of methods developed entirely in-house and for this reason highly in tune with the needs and context of the Company's business.

The table below shows the results achieved, which exceeding the targets identified in the Sustainability Report 2014 (in

terms of percentage impact of the purchase turnover of audited suppliers compared to the annual purchasing turnover of the category).

For the changes expected in coming years, please refer to the section of the Report that discusses the foreseeable trend.

#	kpi	Goals	Results
1	total suppliers of direct materials*	25%	26%
1a	purchase of direct materials - turnover*	60%	65%
2	total machine suppliers**	50%	80%
2a	purchase of machines - turnover**	75%	85%
3	warehouses	n/a	94%

* includes: Packaging, Non-coffee Food Products, Corporate Advertising materials and products manufactured by contractors

** includes: closed-system machines, moulds, components and bar equipment



4.1 Innovation as an engine for development

Innovation has always been part of Lavazza history. In fact, it is none other than the skilful blending of tradition and innovation that sparks Lavazza's development and proves the key to its success.

At Lavazza, we pursue innovation everyday through ongoing analysis

and studies that aim to diversify the offer to current and potential consumers and to incorporate environmental sustainability in our products and processes¹³.

An endeavour pursued both by internal research and studies carried out with the involvement

of all the corporate divisions and by pursuing a concept of "open" innovation whilst analysing external sources that can provide ideas for improvement and new ideas to be developed.

At Lavazza we pursue innovation everyday

¹³ In the three-year period, Lavazza incurred the following costs in the environmental field: 2.1 million in 2013, 2.7 million in 2014 and 3.19 million in 2015.



Product innovation: the art of blending

Lavazza's expertise in the preparation of quality coffee blends gained over the years, combined with research in the field of sensory experience, which aim to enhance the characteristics of the country of origin, creates the Single Origin. Products that are one-of-a-kind as single origin coffee blends of 100% Arabica's coming from geographical areas where the territorial conditions and climate give the individual beans distinct aromatic notes combining sensory properties and elements of social sustainability. In fact, one of the components of the precious Single Origin blend is produced in areas where Lavazza has introduced sustainability projects that aim to improve agricultural productivity and the dissemination of good manufacturing practices. Therefore succeeding in finding the best way to respond to the needs of the local communities.

The same philosophy underlies Etigua, a coffee blend sold to customers in Italian and English markets since April 2015. The name hints to the origins and provenance of this unique blend made with wild coffee from the Harenna forest in Ethiopia, and the coffee of the Highlands of Huehuetenango in Guatemala, two official

Slow Food areas. These are part of a cultural and social project that aims at fostering a new awareness around coffee, with the ultimate goal of shortening the supply chain and of improving the quality of living of coffee producers, while affirming a new paradigm of coffee production that centres on the development of the area and on responsible consumption.

In the Slow Food areas where Etigua comes from, Lavazza works hard to enhance the quality and increase the yield of the finished product, supporting and improving the conditions of local producers and safeguarding the territory.

Single Origin and Etigua are two excellent examples of Lavazza's commitment in creating unique blends that are responsible and sustainable.

THE EXCELLENCE OF THE AUTHENTIC ITALIAN ESPRESSO

Patent portfolio

Lavazza is wholeheartedly committed to introducing product innovations with the aim of satisfying the growing expectations of its customers in a prompt and efficient manner. Over the years, coffee consumption has considerably increased in an ever-changing and multi-cultural environment. This implies the growing need for Lavazza to offer a more and more broader and diversified product range on all markets.

The ability to create value in key territories and for our stakeholders by strongly focusing on innovation

is also proven by the Company's substantial efforts to disseminate and protect its intellectual property. Lavazza's "patent portfolio" consists of 428 titles of intellectual property protection (352 invention patents, 73 designs and models, 3 utility models) officially recognised in Italy and abroad, and of 328 pending patent applications, including 8 new applications filed in 2015.

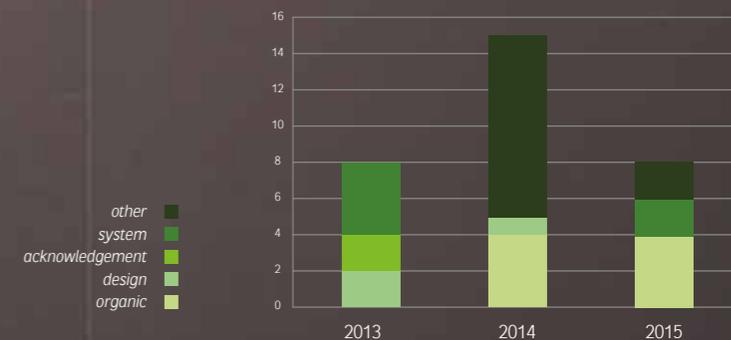
428

intellectual property protection titles

328

pending patent applications

Patents deposited in the last three years and broken down by category



LF 1100

- Capacità serbatoio acqua: 1,8 l
Water tank capacity: 1.8 l
- Possibilità di erogazione con dosi pre-impostate o dose libera
Possibility of dispensing with preset dose or dose-free
- Energy saving
Energy saving
- Doppia griglia per erogazione simultanea in tazza piccola e grande
Double grid to dispense small and large cup at same time
- Cassetto raccogli capsule capiente: fino a 10 capsule
Large capsules collection drawer up to 10 capsules



LF 400

- Capacità serbatoio acqua: 2,2 l
Water tank capacity: 2.2 l
- 4 selezioni caffè (espresso, espresso lungo, caffè lungo, dose free)
4 coffee selections (espresso, espresso lungo, americano corto, dose-free)
- Energy saving
Energy saving
- 3 altezze vano tazza disponibili
3 adjustment heights to accommodate all cup sizes
- Cassetto raccogli capsule capiente: fino a 8 capsule
Large capsules collection drawer up to 8 capsules



LF 400 MILK

- Capacità serbatoio acqua: 1,2 l
Water tank capacity: 1.2 l
- 2 selezioni caffè (espresso corto e dose libera)
2 coffee selections (espresso corto, dose-free)
- 2 selezioni bevande a base latte (cappuccino, latte macchiato)
2 recipes formula preparation (cappuccino, latte macchiato)
- Doppio latte integrato
Integrated milk module
- Energy saving
Energy saving
- 3 altezze vano tazza disponibili
3 adjustment heights to accommodate all cup sizes
- Cassetto raccogli capsule capiente: fino a 6 capsule
Large capsules collection drawer up to 6 capsules



NEW

LF 2600

- Capacità serbatoio acqua: 2,7 l
Water tank capacity: 2.7 l
- Latte e cioccolata salivati, per una grande varietà di ricette
Milk and salivati chocolate, for a great variety of recipes
- Selezioni one touch con un solo gesto, 8 gobotte ricette
One touch selections, with a single gesture, eight multi-recipe recipes
- Energy saving
Energy saving
- Doppia griglia per erogazione simultanea in tazza piccola e grande
Double grid to dispense small and large cup at same time
- Cassetto raccogli capsule capiente: fino a 20 capsule
Large capsules collection drawer up to 20 capsules





4.2 Our commitment to environmental sustainability

Global warming is one of the biggest modern-day challenges we all face. There is a need to ensure the welfare of all human beings relying on the resources available, pursuing sustainable development and preserving our planet for future generations.

Corporate organisations, like all aggregations of individuals, have a critical role in ensuring a balanced ecosystem, of which we all are a part.

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

The know-how acquired thus far has allowed Lavazza to reinforce the structures involved in environmental sustainability. The aim has been to lay out a more comprehensive mapping that aptly represents the impacts of our business on global climate, expanding the boundaries

and redefining performance indicators and parameters to come up with a roadmap for a progressive environmental strategy.

A key step in this process of consolidation is implementing a Sustainability Platform that can help systematically and efficiently manage the collection and analysis of core environmental data and information. The definition of tangible goals in the medium to long term, in fact, is not possible without monitoring the environmental impact of the Group's business, both directly and by indirectly.

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

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

Conducting a product and corporate LCA is a complex task that calls for thorough knowledge of all the processes involved and their environmental aspects resulting in massive data collection.

The action-plan in the first year of the Sustainability Platform is focusing on the definition of all the environmental information necessary to assess the impacts, their data-basing with the aid of software and the redefinition of specific indicators to measure and monitor the Corporate environmental footprint in order to identify risks, opportunities, priorities for action and possible strategic actions to be taken. In this process of consolidating

our sustainability approach, Lavazza is firmly convinced that close cooperation with research institutions and partners is essential to share a synergetic vision over the medium to long term. The Company believes that integration with its stakeholders is pivotal in achieving measurable goals in terms of improving environmental performance and, indeed, the only way to be successful.

Lavazza also participates actively in major national and international committees, working to define standards for calculating the specific impacts by commodity sector, which is essential to enable businesses to compete and achieve results through activities aimed at reducing the impact.



4.3 Carbon Footprint

Lavazza carefully monitors developments of the environmental impacts of products and organisations, aware that it is imperative to adopt a common and harmonised method for calculating and reporting its environmental performance, within the framework of a life-cycle approach.

In line with the directions and guidelines of the European Commission in the development path of the PEF method – Product Environmental Footprint and OEF (Organization Environmental Footprint) and Recommendation 2013/179/EC, Lavazza adopts a multi-criteria method for the analysis of environmental hotspots. Proper identification of significant categories and the definition of the performance indicators involved allows the Company to target more efficient actions for improving

environmental performance along the production chain.

In this report, in order to document and communicate how the various stages of the production chain contribute to the process in terms of their environmental impact, Lavazza has decided to use the Carbon Footprint¹⁴ as an indicator of environmental sustainability, Lavazza is aware that concern over climate issues from consumers and the international community has sky-rocketed in recent years.

In order to quantify and report greenhouse gas emissions at a corporate level, factoring the Company's direct and indirect emissions as a whole, Lavazza adopted standard ISO 14064:2006¹⁵ and the GHG Protocol Corporate Standard – developed by the World Resources Institute (WRI) and

the World Business Council for Sustainable Development (WBCSD). All these standards focus exclusively on greenhouse gas emissions and are based on the methods used to calculate the LCA, whose international legal framework is represented by the ISO 14040 series:

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



¹⁴ Sum of greenhouse gas emissions (3.1.3.5) and removals (3.1.3.6) in a product system (3.1.4.2), expressed as CO2 equivalents (3.1.3.2) and based on a life cycle assessment (3.1.5.3) using the single impact category (3.1.5.8) of climate change, (definition contained in ISO/TS 14067/2013)

¹⁵ UNI ISO 14064- 1 Part 1: Specifications and guidelines at an organisational level for the quantification and reporting of greenhouse gas emissions and their removal





Scope	Greenhouse gas emissions considered (GHG - Green House Gases)
Scope 1 Direct Emission	<p>Direct emissions from the combustion of natural gas for the generation of thermal energy, for heating and processes</p> <p>Direct emissions from the combustion of diesel fuel for proprietary vehicles used for moving goods within plants and the fleet of company vehicles</p>
Scope 2 Indirect Emissions	Emissions resulting from the consumption of electricity from the national electricity grid
Scope 3 Other Indirect Emissions	<p>Emissions resulting from the production of green coffee</p> <p>Emissions resulting from the production of plastic raw materials and packaging</p> <p>Emissions resulting from the consumption of water in production plants and at administrative headquarters</p> <p>Emissions resulting from waste management and disposal</p> <p>Emissions resulting from the disposal of used coffee</p> <p>Emissions resulting from the distribution of the finished product</p>

The chart below shows the trend in the three-year period of equivalent CO2 emissions calculated in accordance with the Global Warming Potential over a period of 100 years, adopted by the IPCC in 2013.

The environmental impact is represented as the percentage of distribution over the entire value chain.

The system's border includes Corporate Management, sales branches and the manufacturing plants in Settimo Torinese, Gattinara (VC), Verrès (AO) and Pozzilli (IS), including flows of raw coffee, raw plastics, packaging and distribution of the finished product. The consumer phase understood as both the production of coffee machines and their operation was excluded from the system's border.

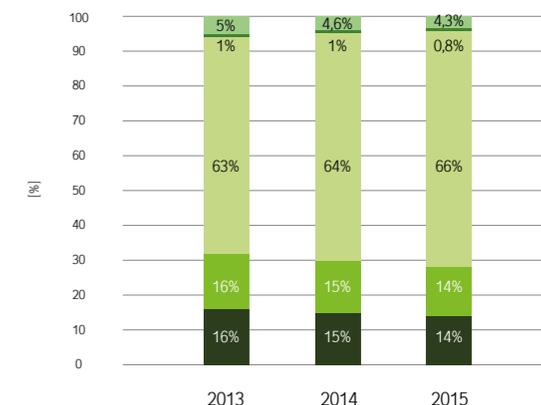
In order to improve the level of technological, geographic and temporal representation of the examined processes, changes to the model calculations in the reporting three-year period have been implemented. **[G4-22]**

As shown by the indicators, the most relevant impacts concern green coffee cultivation and the production and disposal of packaging. Activities linked to the manufacturing plants, offices and distribution of the finished product do not contribute significantly to the Organisation's total emissions.

The following graphs represent the trend of tonnes of equivalent CO2 emissions (direct and indirect) both in absolute terms and in relation to tonnes of processed coffee.

Greenhouse gas emissions by Lavazza

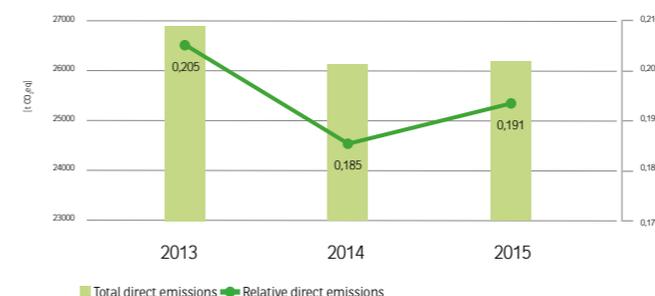
- Coffee disposal after use
- Finished Product distribution
- Packaging
- Manufacturing plant emissions
- Green Coffee



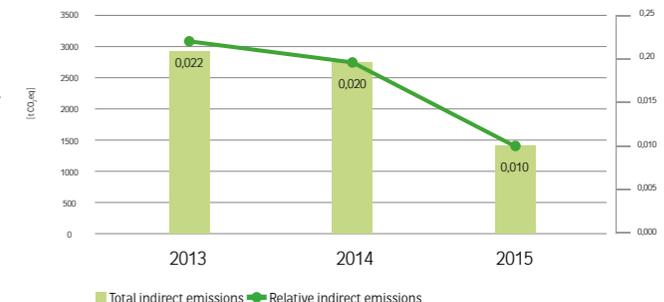
Direct emissions, when compared to the decrease in 2014 of the emission index per ton of processed coffee, display an essentially stable trend in 2015, with a slight increase tied to the consumption of natural gas used to heat the buildings in all the Group's operational units.

Indirect emissions point to a substantial reduction in 2015, largely due to lower consumptions of electricity generated from renewable hydropower sources for offices. Finally, the graph below shows the trends of impacts that occurred upstream and downstream of the chain in the three-year period.

Direct emissions - Scope 1



Indirect emissions - Scope 2



Other indirect emissions - Scope 3





4.4 Health & Safety, Energy and Environment Management System

In 2015, besides introducing the Corporate Policy for Health, Safety, Energy and the Environment and the Group guidelines "Occupational Health & Safety, Energy and Environment", which outline the organisational structure of Lavazza's Management system, The Company began implementing the Management System for Health, Safety, Energy and Environment in line with the goals illustrated in Sustainability

Report 2014 and in accordance with standards ISO 14001, ISO 50001 and OHSAS 18001.

Lavazza have created a special online platform to manage the system that launched in 2016 and is accessible to all Lavazza employees.

The online platform will be used to store and manage all the procedures, reports and

documents associated with the Management system. There will be a common area for each system process accessible to all employees for them to review and use the respective documents, and a private area with limited access used by staff in charge to manage/edit documents.

Continuous improvement of our manufacturing plants

As part of the plan aimed at ensuring ongoing improvement of the environmental performance of Lavazza's manufacturing processes and in line with regulatory requirements, in 2015 the Company conducted an energy analysis of the processes at its manufacturing plants. For details about this analysis, please refer to the section on environmental performance indicators.

In order to monitor improvement of environmental performance, along with the intrinsic parameters and

requirements of the Management system, in 2015 Lavazza conducted the first cycle of internal audits of its manufacturing plants, Corporate Management and the Innovation Centre.

HSE Auditors qualified by accredited agencies and belonging to both Corporate Management and the manufacturing plants conducted the audits. The team of "Lavazza HSE Auditors" currently consists of 13 environmental auditors, 10 auditors dedicated to occupational health and safety issues and 4 energy auditors.



Environmental performance

The objectives of Lavazza's Environmental Management System include the continuous improvement of environmental performance monitored around the clock according to individual factors of impact. This section presents data and information regarding:

- Energy consumption (electricity and heat);

- Water supply;
- Waste-water volumes;
- Product waste and its management (disposal, recycling, etc.);
- Substances harmful to the stratospheric ozone;
- Any spills in the soil, subsoil and aquifer;
- Any environmental fines.



Energy consumption

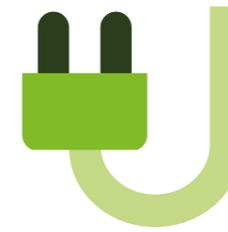
Data on energy consumption refers to Corporate Management, the Innovation Center, the Italian manufacturing plants in Settimo Torinese, Gattinara, Verrès and Pozzilli, and the sales branches located throughout Italy. The data includes electricity, heat and fuel consumption for the corporate vehicle fleet.

The conversion factors used to calculate the energy indicators refer to the "Indicator Protocols Set

Environment (EN) Food Processing Sector Supplement Version 3.0 FPSS Final Version".

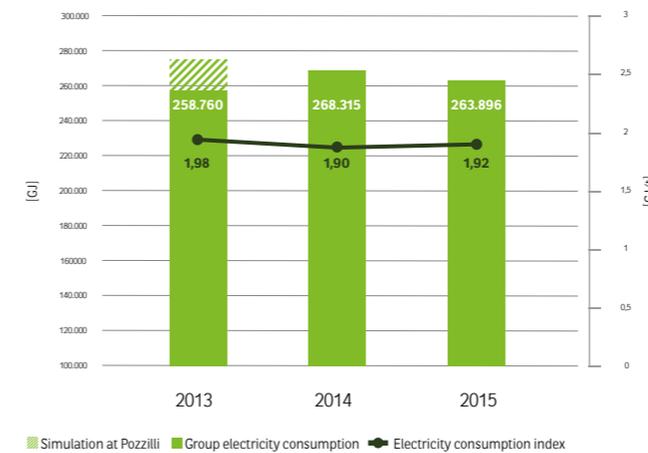
When calculating heat consumption, the Italian coefficients were used for the conversion from m³ to GJ rather than the coefficients recommended by international standards (choice made when drafting Sustainability Report 2014). The reason for this is that the Italian coefficients are better suited for the type of energy consumption examined. [G4-22]

The graphs show the difference in standardised consumption based on the assumption that the factory in Pozzilli (IS), which was inactive for much of the first half of 2013 due to a serious fault in its systems that occurred in 2012, will run at peak production.



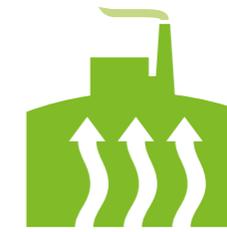
Electricity consumption

Electricity consumption within the production plants depends on the operation of the plant and equipment, production lines and ancillary services such as, for example, the generation of compressed air.



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

In the three-year period, absolute electricity consumption was in line with the production trend. Specific electricity consumption compared to 2013 dropped between 3.5 and 4% due to the large number of energy efficiency improvement works carried out, such as the upgrading of the set of compressors used in the manufacturing plants of Settimo Torinese and Gattinara. The slight increase in specific fuel consumption in 2015 compared to 2014 is due to special maintenance carried out chiefly at the factory in Settimo Torinese. These works and added maintenance led to higher electricity consumption unrelated to coffee production.

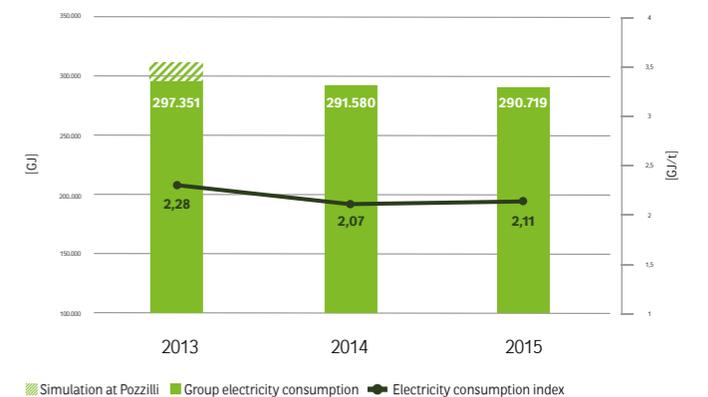


Heat consumption

Heat consumed by the Company's manufacturing plants concern natural gas only and is used to operate the plant's equipment and systems, in particular the coffee roasting and decaffeination lines, as well as to heat the office buildings.

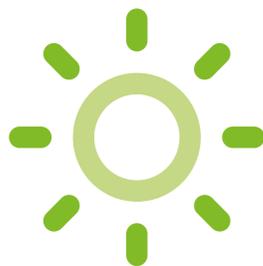
The process component is proportional to the quantity of processed coffee, while the second is dependent on external weather conditions.

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



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

In 2015, the consumer index experienced a slight increase due solely to higher consumption of natural gas to heat the buildings in all the Group's operational units, a direct consequence of the colder temperatures in winter in 2015 compared to those in 2014.

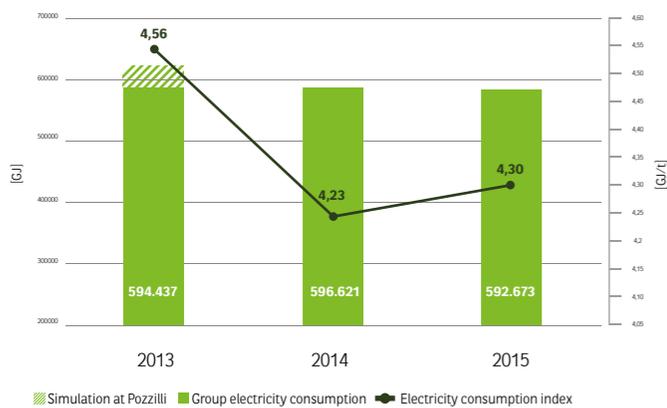


Total energy consumption

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

In the three-year period, given the low incidence of the third addendum, the trend in absolute values proved consistent with the trend in the production of packaged coffee.

The specific consumption trend highlights the effect of the energy efficiency improvements mentioned earlier and the consistently high levels of performance.



The change in the specific index (between 1 and 2%) is considered natural to a complexly structured business such as Lavazza's. Energy consumption data was analysed with reference also to the Company's efforts in 2015 to come up with a comprehensive

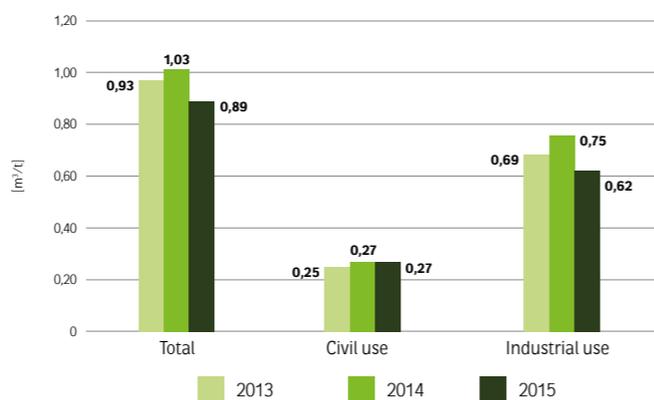


energy analysis applicable to all its manufacturing plants that would prove compliant with Leg. Decree 102/14 - "Implementation of EU Directive on energy efficiency 2012/27/EU" and standard UNI ISO 50001 - "Energy management systems - requirements and guidelines for use". This activity made it possible to form an accurate energy model to selectively enhance the energy monitoring systems already in use and to identify other possible areas for energy efficiency improvement in all operational units under review.

Water supply

Most of the water consumption of Luigi Lavazza S.p.A. is related to the production plants, specifically the coffee roasting process, the cooling of the machinery used for the production of compressed air, sanitation and hygiene facilities. Water consumed as part of the coffee decaffeination process at the manufacturing plant in Pozzilli shows particularly high levels. This detail clearly emerges from the analysis of the respective environmental indicators, which show a significant increase corresponding to the gradual return to peak production of the manufacturing plant in Pozzilli following the production halt which took place between 2012 and 2013.

The graph shows the specific water consumption expressed in



m³ of water consumed (for civil and industrial use) compared to tonnes of packaged coffee. The lower water consumption in 2015 is attributable to the replacement of a number of water-cooled compressors with similar air-cooled machines.

Water discharge

The total volume of wastewater discharged at the Italian manufacturing plants and at HQ flows into the sewage system.

The graph shows the absolute water discharges expressed in m³ of water and the respective specific wastewater (m³) compared to tonnes of packaged coffee.

The lower water discharges in 2015 are attributable to the replacement of a number of water-cooled compressors with similar air-cooled machines.



Reused and recycled water

Water for industrial use is used for the humidification of coffee to be decaffeinated, to cool down coffee during the roasting process and accessory machinery (e.g. compressors).

In the first two cases, the water cannot be recycled or reused because it comes into direct contact with the coffee and evaporates.

The water used in cooling the systems is recirculated in closed circuits to ensure the lowest possible consumption of resources. The water is therefore not recycled or reused but recirculated whenever this is technically feasible.



Waste

The data refers Corporate Management, the Innovation Centre in Settimo Torinese and the four manufacturing plants in Italy and includes:

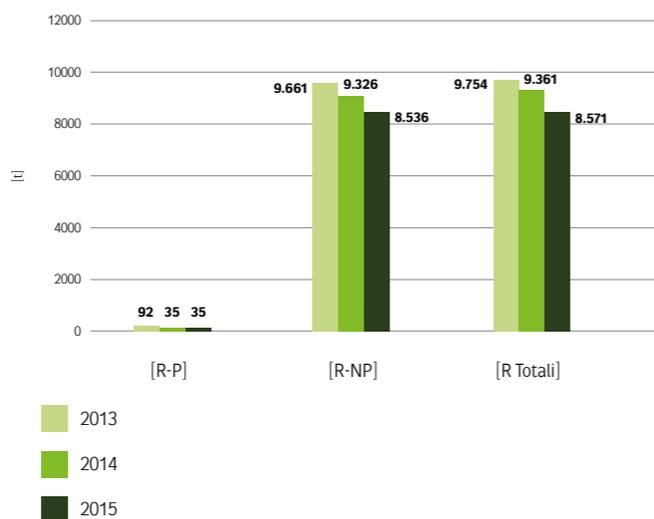
- Production waste,
- Waste generated by administrative and advertising activities, with the exception of solid urban waste.

Lavazza is strongly committed to reducing the amount of waste generated by its manufacturing processes by streamlining them, progressively introducing more efficient management methods aimed at rationalising the use of its temporary storage areas, and by spreading awareness among its employees.

The graph represents the amount of waste generated and expressed in tonnes, classified as “hazardous”, “non-hazardous” and total waste.

In the three-year timeline, the quantity of waste generated dropped significantly (by about 10%).

The lower amount of waste produced in 2015 is largely due to the less processing plastics used to manufacture coffee capsules at the manufacturing plant in Gattinara, in view of important changes in the process that allowed Lavazza to use and exploit materials in production that were formerly discarded.

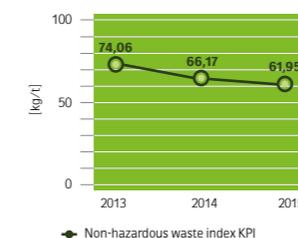


The graphs below represent the kg of waste produced (classified as “hazardous” and “non-hazardous”) per ton of packaged coffee.

Hazardous waste index KPI



Non-hazardous waste index KPI



We ought to point out that in 2015, 1 ton of packaged coffee generated 62.20 kg of waste, of which 61.95 kg classified as “non-hazardous” and 0.25 kg classified as “hazardous”. These figures clearly show that the percentage of waste classified as “non-hazardous” accounts for more than 99% of the total waste produced.

The following graph shows the percentage of recycled waste.

Recycled waste (REC)



The graph shows that in the three-year period, the percentage of recycled waste increased steadily from year to year and in 2015 accounted for more than 94% of the total waste, cutting down the percentage of waste for disposal to less than 6%.

Substances harmful to the stratospheric ozone

Lavazza currently has very few equipment items (heat pumps, cooling and air conditioning systems) that run on coolants that contain ozone-depleting substances (HCFC). This equipment, whose maintenance is outsourced to specialised companies, is gradually being replaced. During 2015, there were no reported leaks of coolant gases.

Significant spills in soil, subsoil and aquifer

In the three-year period, there have been no reports of significant spills of potentially pollutant liquid substances.

Environmental fines

In the three-year period, the Company did not receive any administrative fines or formal complaints regarding environmental issues.

Packaging – Eco-friendly design



The plan to restructure our internal reporting system to ensure a more accurate monitoring of the impact of our products starts from the product's packaging. For Lavazza, packaging design is extremely important and calls for efficient management of the product's use, end of life and the application of a system for communication to consumers

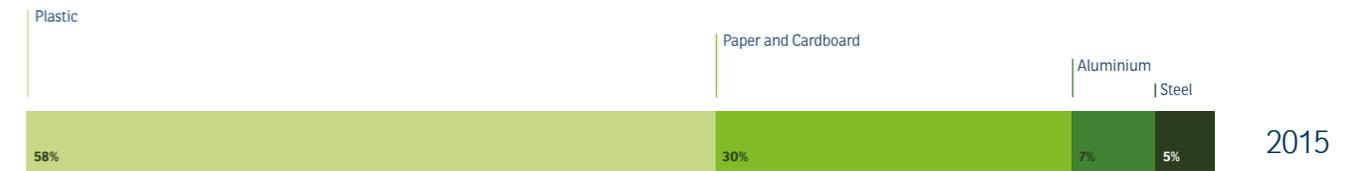
on how to dispose properly of the packaging.

It also represents a stimulating challenge, as when designing the product's package, we need to consider the applicable safety standards and requirements of law that have an impact on the packaging, besides common environmental issues. The

Company's commitment to monitoring the information and data is therefore essential, along with a thorough understanding of international law, so that we may respond accordingly in due time and as efficiently as possible.

In 2015 the packaging had a lower overall environmental impact linked to a re-modelling of the design

Percentage of types of packaging materials used by Lavazza

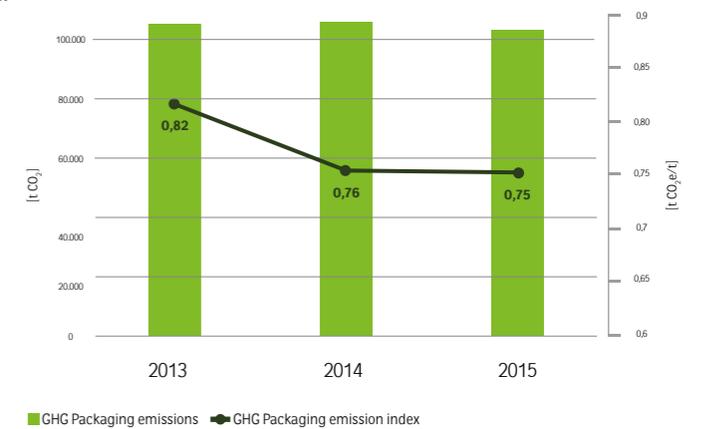


Of the roughly 20,000 tonnes of material used for the production of primary, secondary and tertiary packaging, 60% is made up of plastic materials and 30% of paper and cardboard.

Greenhouse Gas Emissions [GHG] - Packaging

In 2015, the packaging had a lower overall environmental impact linked to a re-modelling of the design to upgrade it to the state-of-the-art of the several product lines and owing to improvements in the packaging features and manufacturing processes.

A positive example of the process introduced to achieve a rational management of waste is the production of the EP Black capsule. The capsule, manufactured using 20% of recycled polypropylene from thermoforming scraps or wastes from other productions, allows us to make less use of virgin plastic raw material and consequently reduces the impact tied with its procurement.





1.554
people employed in 2015

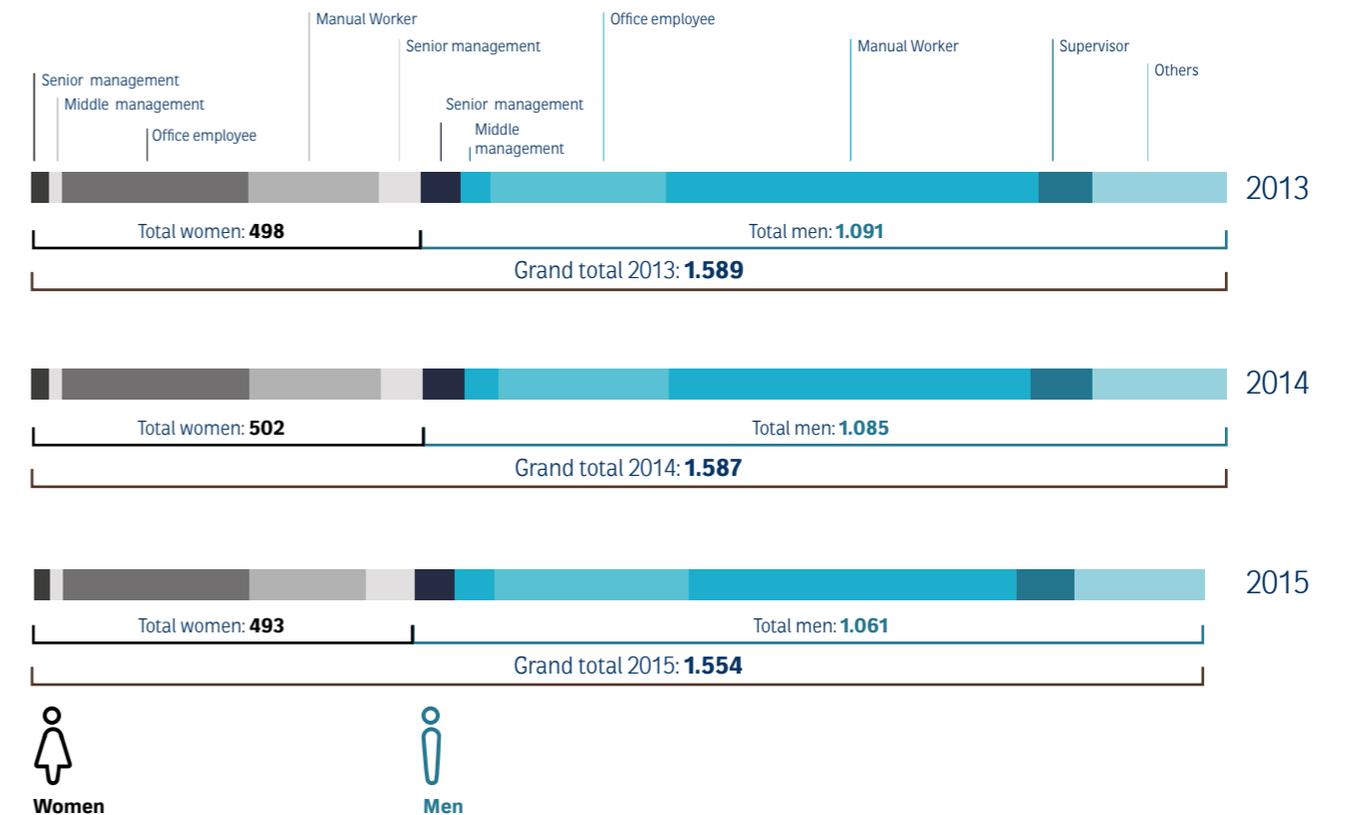
5.1 Lavazza's approach to people

For a company to grow means to help people and their skills grow with it. Lavazza transfers knowledge from its more experienced staff to new employees through a structured process by organising frequent

training and refresher courses. These courses are planned by accurately assessing our staff's training needs with the direct involvement of managers and people from the early stages of preparation. This approach makes

training a key medium for workers to integrate within the Company and supports the processes of change under way.

Workforce in Italy divided by category¹⁶



¹⁶ Please note that in this chapter (unlike what done in Sustainability Report 2014), the figures for temps have been grouped together under the worker's given category (e.g. office employees).

5.1.1 Training and Development: a structured and shared process

In September 2015, in line with the goals employed in the Sustainability Report 2014, Lavazza launched an online training platform accessible to almost all of its employees.

In addition to the management, database recording, reporting and evaluation of all training sessions,

the online platform is also a tool to foster education and learning. The platform allows us to manage and deliver educational content in a combined format (a mix of lessons in the classroom and e-learning). This also includes a number of community tools for managing the exchange of content and information among colleagues.

In 2015, Lavazza's training programme primarily focused on a selection of core business skill-sets: knowledge of the product and its method of preparation, project management (with a core course curriculum and an advanced one based on international certification standards for SMEs), as well as

effective communication. Training programmes were organised in parallel on specific areas such as retail sales, for which Lavazza introduced a course on merchandising techniques and which will continue into 2016.

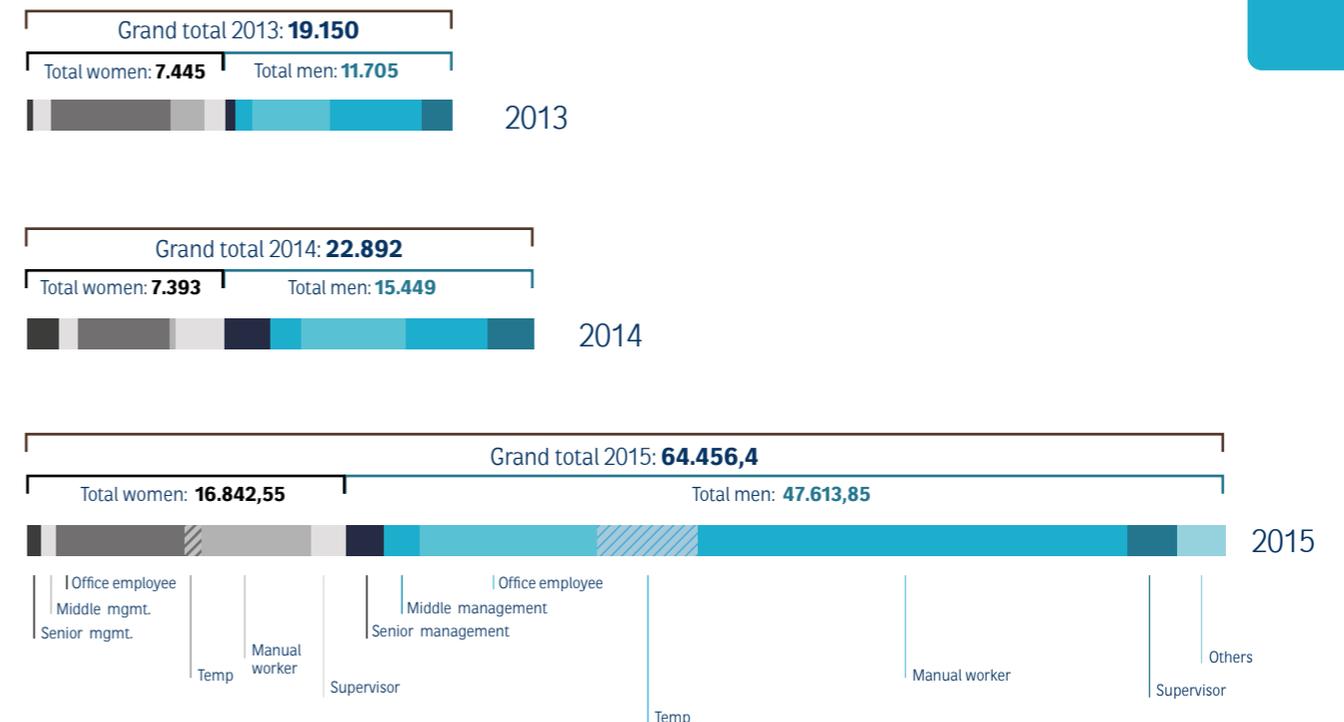
64.456

hours of training in 2015

+182%

compared to 2014

Hours of training by category and gender





Induction process

In 2015, around 150 people at Lavazza were involved in the induction programme. More specifically, the programme focused on three types of activities with different targets and duration:

- A one-day visit to the Training Centre, the factory in Settimo Torinese and in some cases, the factory in Gattinara. Overall, 55 people took part in the programme and had the opportunity during their visits to receive training on the coffee chain (from plant to production), taste the individual varieties (to help them understand the difference between the Arabica and Robusta blends), followed by a presentation of Lavazza's product range
- An "ad hoc" induction, which consists of a structured schedule of meetings and interviews of varying length (from 2/3 days to a week), targeting new employees at the Lavazza headquarters and at some subsidiaries (approx. 35 persons)
- Specific induction on coffee and tastings, varying from a day to a day and a half. These are specific programmes aimed at newly hired staff in the relevant corporate divisions (e.g. R&D, Marketing) and focusing on knowledge of the coffee production chain, the systems of preparation and tastings of individual varieties and blends (approx. 60 people).

Organisational changes and training in the manufacturing plant

In 2015, the manufacturing plant in Settimo Torinese underwent reorganisation and modernisation. The Group invested 20 million euros in an extensive renovation plan to make the plant a multiproduct hub of excellence, fully engaged in its industrial system.

This process, which will be completed in 2016, also plans to transfer the production of the popular Danish brand Merrild, recently acquired by Lavazza, to the manufacturing plant in Settimo Torinese. Given Merrild's widespread presence on the Scandinavian markets, the production is quantifiable to an additional 6,000 tonnes of soft

pack per year which will need to be processed at the plant. The plant's redevelopment plan also includes intensive staff training, in particular with regard to the use of the new line for capsules, as well as activities aimed at boosting the expertise and independence of our technical services, incorporating Lean Manufacturing principles in the production processes.

The training and skills development programme unfolded in a detailed schedule of training sessions and test drills on the production line. The process continued for most of 2015, owing also to a production halt when overhauling and restructuring the equipment.

The restructuring plan at Settimo Torinese, with the agreement reached with trade unions on renewal of the supplementary contract for plant workers in 2014, is a further step towards defining a functional layout for the production lines of the Group, which has opted to remain in Italy and Torino, in spite of and nonetheless consistently with its aim to expand and globalise its business.



Leading Change

Leading Change, a project that began in late 2013 and aimed at defining the strategy to enhance the skills of the company's human capital, in 2015 saw the definition of a standard model to measure the performance of all employees.

In Lavazza, performance incorporates three elements: the results contribution achieved and the worker's professional role. The Performance Management system is based on certain key principles:

- Assessment objectivity;
- Clarity and transparency of communication;
- Ongoing dialogue between the actors involved;
- Respect for the individual and recognition of the role;

- Orientation to fostering individual and corporate growth.

This process takes place at least once a year and consists of three steps: assignment of objectives, performance assessment and feedback interview.

The evaluation process relies on a software application (PLUS) integrated into the Lavazza Learning Portal, which allows users to define and assess the objectives and to suggest training courses for the development of Lavazza employees.

PLUS was developed by integrating all the elements normally factored when assessing employee performance. For example:

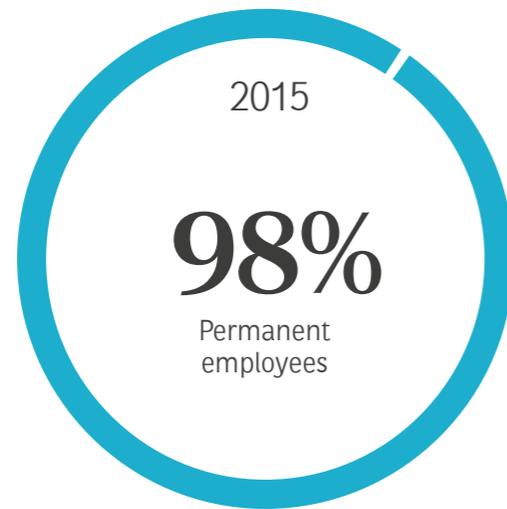
- The level of expertise required

for the professional role (skills and capabilities);

- The pillars of Leadership: Accountability, Innovation, Integration, Leading people;
- Performance.

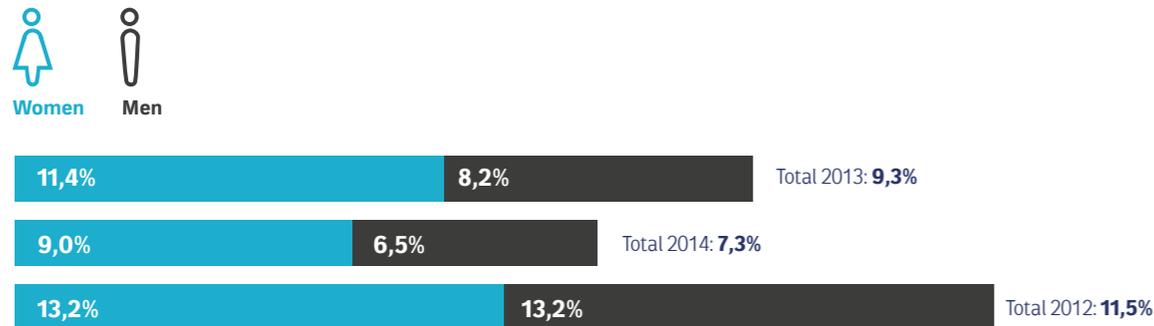
All these assessment factors are communicated as a management tool for managers, promoting a culture based on the sharing of feedback for improvement. With the completion of the evaluation processes, the company can create a talent management model that in future years will help define structured development paths, career planning and reward policies, in line with the strategic objectives of the business.

Percentage of fixed and permanent contracts



2013: **98%** 2014: **98%**

Total turnover 2015



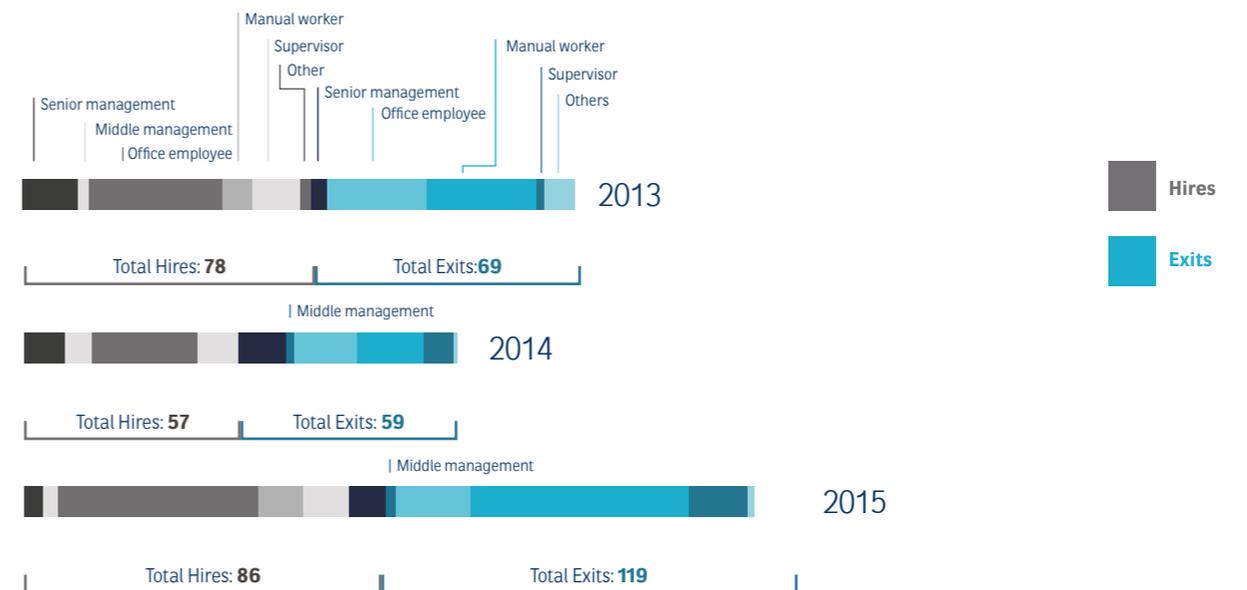
People involved in the MBO Programme 2013-2015

Gender	Category	2013	2014	2015
Women	Senior management	20	18	16
	Middle management	12	15	17
	Supervisor	33	32	27
	<i>Total</i>	65	65	60
Men	Senior management	52	52	54
	Middle management	32	37	43
	Supervisor	51	50	46
	<i>Total</i>	135	139	143
Total		200	204	203

5.1.2 Loyalty and transparency

The percentage of employees with a permanent contract - around 98% in the three-year period - is consistent with Lavazza's desire to establish lasting relationships. The average annual salary is roughly 31% higher than the minimum wage of the National Collective Labour Agreement (CCNL). The average annual wages for female employees are 28% higher than the minimum wages based on the CCNL (33% for male employees). The relationship between the gross annual salaries paid on average to female workers and the average RAL for men is about 94% for executives, 98% in the case of middle-management employees and 96% for office employees (all these percentages displayed a growing trend in the three-year period). In the case of manual workers, the ratio sees women earning 2.3% more than men. This ratio was calculated by dividing the sum total of RAL paid to women by the RAL paid to men for each employment category¹⁷.

Hires and exits by position



¹⁷ In accordance with standard GRI-G4, below is a brief introduction to the indicators required by the guidelines:
 • In the three-year period, 100 employees (81 female and 19 male) benefited of parental leave. The rate of return to work and reintegration is 100%;
 • 100% of the employees of Luigi Lavazza S.p.A. benefit of the terms of their National Collective Labour Agreements: Lavazza does not resort to forms of collective bargaining when defining the notice period, with the exception of changes in work shifts within its manufacturing plants. In these cases, the notice period established by the contract (CCNL) is two weeks;
 • In the three-year period, Luigi Lavazza S.p.A. did not receive any reports of violations of workers' rights, regarding proper regulation of the working hours, trade union rights and the procedures for managing the employment relationship, except for one case in 2013 that was dealt with a labour-related lawsuit that ended with the Court acquitting Lavazza.



5.1.3 Internal communication

In 2015, Lavazza introduced "Coffee Telling", a project that involved 843 people. The project aimed to spread Lavazza's model of Leadership, giving everyone the opportunity to apply it to their daily tasks and to actively contribute to change.

With Coffee Telling, in fact, everyone becomes an agent for change and is responsible for his/her own growth. The project was developed by forming a number of focus groups

that relied on storytelling to tell stories of leadership and of the conduct expected of all Lavazza employees to sustain growth.

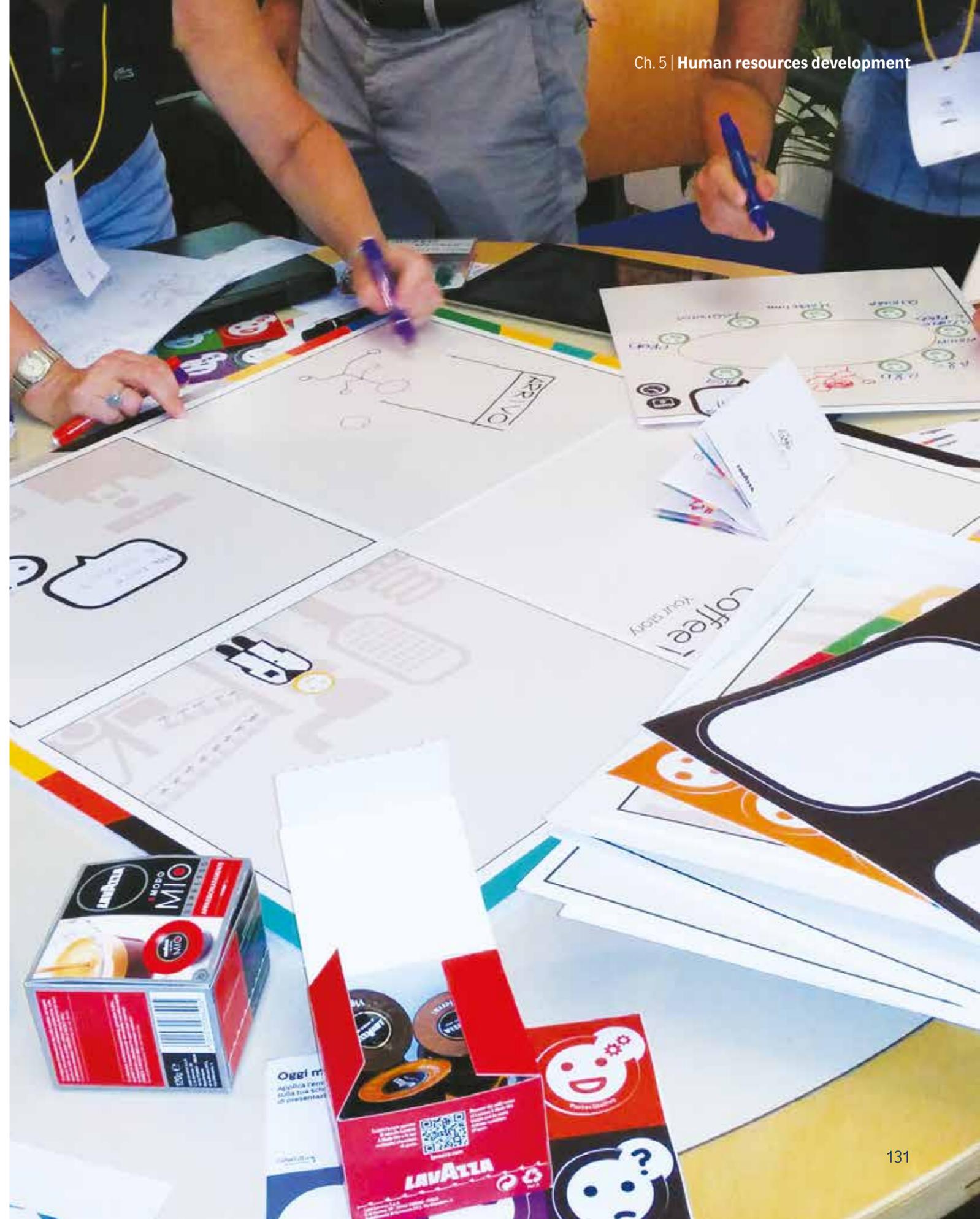
As a result of these cross-functional focus groups, 11 training events were organised in which all participants recounted their own experience and took part in identifying the type of conduct expected of them. Coffee Telling also offered the opportunity to celebrate the company's 120 years of history.

A member of the Lavazza family made a closing statement during each event, revisiting the highlights of the company's history and renewing the company's focus on people and the promotion of projects for their development.



843

people involved in the CoffeeTelling Programme





LAVAZZA Welfare



Welfare

2015 was an important year for Welfare in Lavazza. Over the course of the year, the company introduced the new Welfare Plan under the supplementary agreement signed at the end of 2014. The plan, which targeted 650 Corporate Management employees, covered the following aspects:

- Productivity bonus: option of choosing different forms to reward productivity, such as added corporate welfare services and programmes.

- Part-time: option for workers who are fathers or mothers to work part-time for three years, with full-time reinstatement at the end of the period.

- Access to Welfare Portal where employees can benefit from special deals and discounts at a network of shops and services nationwide.

In 2015, Lavazza also extended the integrated healthcare programme to all Corporate Management employees.

In addition, all employees are now eligible for scholarships for their children, from school age to college.



5.1.4 Nuvola: a work in progress

Over the course of 2015, the new Lavazza headquarters was a “work in progress” for everyone: employees, citizens and councillors of District 7, PA officers, students, professionals in the design industry, security and construction workers and foreign delegations of experts interested in urban transformation projects.

Specific events were organised, such as a one-day field trip to visit the construction site for the children of a nursery next to the site. The 25 children who took part in the field trip wore safety

helmets and high-visibility vests and experienced what it is like to be a construction worker, all within walking distance from their school. They saw the construction site up close and were introduced to building materials and machines.

In addition, an event was organised for town hall employees who participated/contributed to the permit application process (construction site paperwork), with the ability to spend a day at the construction site. During the event, the employees had the opportunity to see what their work

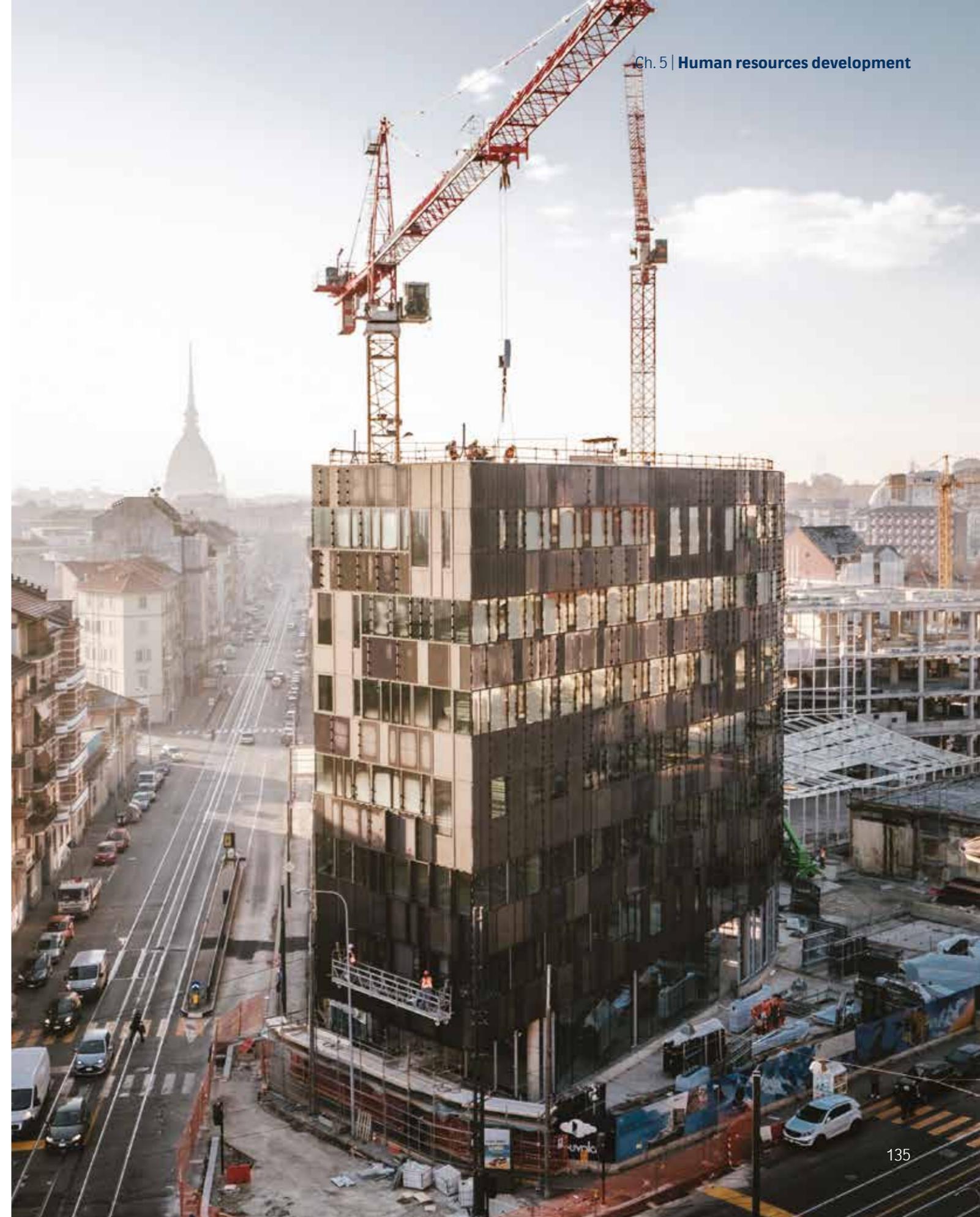
in previous months had helped achieve.

In 2015, Lavazza also worked hard not only on the continuing work on site, but also in furthering an urbanisation and redevelopment project at largo Brescia, which was transformed from a busy intersection into an entirely renovated space. The project, for which urbanisation¹⁸ costs were deducted, cost an approximate 1.7 million euros¹⁹ and involved the reconstruction of the entire perimeter of the block around the new headquarters, giving citizens a

Over the course of 2015, the new Lavazza headquarters was a “work in progress” for everyone: employees, citizens and councillors of District 7, PA officers, students, professionals

¹⁸ The Italian legislator ruled for a discount on the share of contribution to the urbanisation costs of the project if the company granted the building permit takes full charge of the project's completion.

¹⁹ The total amount invested in the construction of the new headquarters in 2015 inclusive of urbanisation costs exceeds 51 million euros.



quality urban space with less car parking lots.

The sidewalks were widened to create new pedestrian areas, equipped for car parking with new urban furniture and a new LED lighting system. Traffic was helped to run smoother by rearranging the timed settings of the new traffic lights, while the tram tracks and wires were rationalised and made more functional and safer. When the new headquarters are completed, citizens will have new pedestrian spaces, safer roads, a large square garden with paved

areas, a fountain, plants and green areas and a large car park for public use with their own separate entrance.



18.500 m²

Total surface



15.000 m²

Headquarters

***1600 m²**
Terrace on 3rd floor

****800 m²**
Hall



1.600 m²

Museum and Historical Archive



1.600 m²

Archaeological area



2.600 m²

IAAD; 450 students



4.000 m²

Former Electric Plant



180

Parking



3.500 m²

Public Garden

1.200 m²

Restaurant
for 280 people

540 m²

Gourmet Restaurant
for 50 people

1.500 m²

Events Area
for 1500 people

240 m²

Auditorium
for 220 people

400 m²

Exhibition area

Sustainable headquarters

The new headquarters will also be a centre of excellence in terms of Sustainability. Lavazza decided to file an application for the new building that will host the Company's administrative offices to obtain LEED Gold certification (Leadership in Energy and Environmental Design), the most widespread building energy and environmental performance standard in the world and that few buildings in Italy have obtained so far.

The rating system involves five main categories: sustainability, water supply management, energy and atmosphere, materials and resources and indoor environmental quality. A sophisticated digital system in the new headquarters will ensure integrated monitoring of the space and the equipment, as well as providing data in real time. This will allow us to independently configure

the environmental parameters (such as temperature and lighting) so as to guarantee the highest level of efficiency and comfort. Respect for the environment is also reflected in Lavazza's commitment to reduce the use of paper by at least 50%, by installing a system for the electronic archiving of corporate documents. Lavazza, in fact, has implemented a programme for the digitalisation/scanning of documents that will help minimise the need for office cabinets in the new headquarters. It is with this aim in mind that in 2015 the company conducted an analysis jointly with Administration, Finance and Control aimed at understanding what types of documents can be scanned and which ones must be filed in printed format, taking into account the applicable laws.

As for the company's customary care for employees, who in the beginning of 2017 will be transferred to the new headquarters (roughly 600 from the offices in Corso Novara, Via Tollegno and

Via Bologna), we achieve it thanks to our strong commitment to providing a healthy work environment that is in line with the best practices available today. The interiors of the corporate offices, as well as all other offices in the building, will be designed to ensure comfort, cut down on energy consumption and maximise the efficient management of the spaces thanks to the use of advanced control systems. Most offices will be open space (without compromising however the clear designation of the several divisions) and at least 50% of the offices for employees will focus on encouraging formal and informal interaction and collaboration: barrier-free environments that are conducive to collaboration and interaction, according to an "evolved open space" concept.

For more details on the construction site and on LEED Gold certification, the new Nuvola website is now available online at nuvola.lavazza.it.

Employees were actively involved in developing the project in several ways:

- Workshops to co-design the spaces were organised for managers to help them better identify the working groups and their needs. This also served as an opportunity to map people's work habits in order to organise work spaces that adapt to different types of job tasks;
- Visits on site were organised in July for all employees and were attended by 203 of them. During the visit, employees were introduced to the nature of the project, the articulation of the functional areas and the organisation of interior spaces.

Moreover, a communication plan was defined in 2015 for all employees that will be implemented in 2016 both in Italy and at foreign subsidiaries.

The new headquarters will also be a centre of excellence in terms of Sustainability. Lavazza decided to file an application for the new building that will host the Company's administrative offices to obtain LEED Gold certification (Leadership in Energy and Environmental Design)







More than **2000** people directly involved in meetings, guided tours or contacted with regard to the Nuvola construction site in 2015



60 children, parents and grandparents involved in the inauguration unveiling the banners on the urban decoration drawn by kindergarten children and installed in via Pisa

20 children of the kindergarten in via Ancona involved in an educational workshop on site

The Nuvola numbers

100 hours of exchange and involvement of local actors who live and work in the neighbourhood

30 metres of palisades dedicated to information

10 visits on site for a total of **300 participants** between university students, professionals of the construction industry and safety experts, citizens, children from the school in via Ancona and experts in environmental sustainability

16 testimonials actively involved in the advertising and communication campaign about the Nuvola construction site

6 additional metres of palisades dedicated to information about work on the urbanisation project in largo Brescia

About **1000** citizens of the Aurora neighbourhood involved directly and indirectly as part of communication campaigns on the territory

365 days a year info-mail service: info.nuvola@lavazza.it

Street art on the palisades of the Nuvola construction site

20 meters of empty palisades assigned to two associations of writers in the neighbourhood

500 persons involved in 8 public presentations of the project and the construction site

50 citizens and town councillors of the Town-planning and Environment Committee of District 7 involved in a visit to the construction site

250 letters hand-delivered to residents, workers and merchants affected by construction site work carried out between July 2015 and January 2016

5.1.5 Occupational Health and Safety

Lavazza invests an incredible effort into making sure that each worker is informed about the corporate policies on occupational health and safety and that all employees are appropriately trained on how they are to perform their job tasks in total safety.

The tasks and responsibilities, in terms of occupational health and safety, are clearly defined for all corporate business units through a system of delegate functions from corporate management down to the manufacturing plant.

Luigi Lavazza S.p.A., in accordance with the applicable laws, has an Occupational Health and Safety Service headed by managers and employees at its headquarters, manufacturing plants and branch offices that assists to lower-line managers and delegates for all corporate divisions.

Lavazza's employees are supplied with a broad range of personal protective equipment (PPE) appropriate for the specific risks involved in their job tasks. This equipment helps minimise risks whenever the technical and organisational safety precautions do not ensure sufficient safety based on the applicable laws and standards.

The company does its best to ensure that work equipment always meets the regulatory requirements and that the best available operating methods are adopted, consistently upgrading the equipment on a par with the latest developments in technology.

Starting from 2014, Lavazza has introduced a standard procedure to analyse accidents (injuries and near misses) aimed at identifying their cause. The results of this analysis are made known to all employees through an internal communication system that allows each manufacturing plant to check whether there are any similar conditions or problems and thus to avoid or at least lower the likelihood that an accident that already occurred elsewhere will occur on their premises.

The results of the analysis and the progression of industrial accidents, which are monitored through a set of accident indices based on the injury's frequency and seriousness, are discussed during routine reviews with Corporate Management and its staff. During these meetings, which Lavazza views as crucial in monitoring the efficient application of the Occupational Health and Safety, Energy and Environment

system, management discusses the results of the analyses, the enforcement of corrective actions and the level of implementation of projects and activities for improvement.

The trend in industrial accidents monitored thanks to a set of frequency and severity indices helps to define the objectives of the management, its staff and in turn at all organisational levels.

When calculating the accident indices, the company factored accidents involving internal staff that resulted in an absence from work of more than 1 day, with the exception of accidents in progress and comparable to traffic accidents or injuries involving outsourced workers.

Accidents, days of absence due to an injury and working hours (regular and overtime) used to calculate the accident indices refer to Lavazza's manufacturing plants and sales branches in Italy, the Innovation Centre and Corporate Management.

Injury frequency rate 2013-2015



Injury severity rate 2013-2015



The data is referred to employees working in the four Italian production plants (Settimo Torinese, Gattinara, Verrès, Pozzilli), in the commercial branches and in the Torino.

The graph shows the trend of the Frequency Index (FI) for accidents that occurred in the three-year period at manufacturing plants in Italy, Corporate Management, the Innovation Centre and the Company's Italian sales branches. The accident frequency index represents the number of injuries per 1,000,000 hours of labour.

The graph shows the trend of the Severity Index (SI) for accidents that occurred in the three-year period at manufacturing plants in Italy, Corporate Management, the Innovation Center and the Company's Italian sales branches. The accident severity index represents the number of days of absence from work due an injury every 1,000 hours of labour.

If we take a look at performance in 2015 compared to the previous year, there has been a marked improvement both in terms of the frequency index (-45% compared to 2014) and severity index (-26% compared to 2014).

Performance was especially positive at the manufacturing plants in Verrès (AO), which in 2015 reported no injuries, and in Pozzilli (IS), which has no reports of injuries since 2014.

We are firmly convinced that the improvement in the accident indices displayed in 2015 substantially benefited of the restructuring works at the manufacturing plant in Settimo Torinese and directly and indirectly from activities linked with the introduction and progressive implementation of the Company's Occupational Health, Safety, Energy and Environment system. These activities are still in progress and

have led to improvements aimed at increasing:

- The safety of machinery, equipment and systems,
- The healthiness and house-keeping in workplaces,
- The number of campaigns to inform, train and raise awareness among corporate staff,
- The number of internal audits, etc.

**Training Center Lavazza.
An actual school by all
means that has now
become an international
network with more
than 50 locations
in 5 continents**



Lavazza excellence as a powerful training tool

Lavazza's commitment in promoting a scientifically based and specialised coffee culture is also achieved with the Company's continued focus on training through an increasingly synergistic collaboration with the academic world.

More specifically, Lavazza's expertise and leadership in the coffee industry every year interact with two realms of educational excellence: Politecnico di Torino and the University of Gastronomic Sciences in Pollenzo, the first University in the world entirely dedicated to food and food culture established by Slow Food.

The 10th edition of "Coffee Design", a workshop for students of the faculty of System Design and Design and Communication at the Politecnico di Torino (Department of Architecture and Design), was held in 2015. Every year, students participating in Coffee Design have the opportunity to assimilate Lavazza's expertise in

coffee testing drills. The workshop is based on an educational approach to training that prepares students to enter the work-world, offering them an opportunity through a series of educational sessions and creative workshops and starting from knowledge of the product and of the origins of the raw materials, to create new visions and interpretations that are highly innovative and revolutionary in terms of product, consumption and communication.

Students of the University of Pollenzo, instead, every year get a chance to experience a close encounter with the coffee industry, through an educational journey that is now in its 11th Edition in 2015. By making the vast experience of its managers available, Lavazza offers students a full immersion in the culture of coffee. In this case, the theoretical parts of the programme go hand in hand with several workshops in which students

can test their skills in preparing the coffee blends and grasping the mixing process better, the art invented by none other than the founder, Luigi Lavazza. These are coupled with sensory analyses, tasting and roasting exercises, direct testimonies of small local roasters, and economic insights tied to the market, sustainability and coffee marketing strategies.

Both events are held at the Lavazza Training Centre in Torino, which for more than 30 years has been committed to training and furthering the education of professionals in the field, in addition to conducting research and development of new products in the world of coffee. An actual school by all means that has now become an international network with more than 50 locations in 5 continents.

Lavazza objectives 2016-2018



Quality

- Alignment of all Lavazza's manufacturing plants to current certifications (including newly purchased factories) based on a work-plan drawn up in cooperation with Operations, Quality and Coffee Buying Department.
- Completion by 2017 of a standard claims handling system for claims regarding food products from all countries of the world and a centralised database.

Monitoring of suppliers

■ The following objectives have been identified as part of the joint Quality-Purchasing project described in Chapter 3:

- Continuation of the audit plan with the goal by 2018 to assess and catalogue all suppliers of direct materials and machines, which account for 80% of the Company's annual purchases in both categories.
- Finding solutions to problems that surfaced during audits and implementation of improvement plans, with a particular focus on critical and/or strategic suppliers.

- Updating of the methodology used with an eye to rationalising its criteria, so as to highlight more effectively any differences in performance among suppliers, including through a mechanism of deducting points from their overall score in proportion to the seriousness of the problem encountered. In view of this update, Lavazza has already identified a set of "critical questions" that make the supplier "unfit".
- Planning the frequency of secondary audits once primary audits have been completed on all suppliers. This frequency will have to be calibrated on the basis of the level of trustworthiness shown by the supplier during the audit.

HR

- Introduction of the "new model" for the MBO integrated with the performance management system and extending the redefined MBO to all office employees.
- Extension of human resource development programmes and plans (including the performance management system and the "new model" MBO) to foreign subsidiaries.

Health, Safety, Energy and Environment

- Continuation in the process of defining and implementing Lavazza's Health, Safety, Energy and Environment Management System (SG-SSEA), whose development is also one of the objectives of the Company's strategic plan 2017-2021.
- Launch in 2016 of the SG-SSEA online platform.
- Dissemination and implementation of the "Occupational Health & Safety, Energy and Environment Group Guidelines".

- CSR policy integration within the preliminary due diligence processes whenever new business units are acquired.

Miscellaneous

- Implementation of this methodology at subsidiaries in relations with their suppliers through direct visits or with the help of specialised third parties.
- Greater integration of CSR aspects in the supplier monitoring system, including through specific check-lists and visits on site with the involvement of Institutional Relations & Sustainability.



GRI Content Index

In Accordance - Core Option



The table below lists the indicators established by standard GRI-G4 and used by Lavazza for reporting purposes so as to ensure the level of adherence "in accordance-Core". The page number of this document is written next to each GRI indicator for reference.

The table also includes some indicators of the supplement GRI for the production of foodstuffs ("Food Processing Sector Supplement") duly reported by Lavazza.

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G4-4	p. 40-41
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G4-9	p. 11; p. 44; p. 121
G4-10	p. 11; p. 121; p. 128
G4-11	p. 129
G4-12	p. 68; p. 82
G4-13	p. 26; pp. 44-45
G4-14	p. 108
G4-15	p. 38
G4-16	p. 42; p. 55

Identified Material Aspects and Boundaries	
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GRI Content Index
In Accordance - Core Option

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Material Aspect: Indirect Economic Impacts	
G4-EC7	p. 134
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GRI Content Index

In Accordance - Core Option

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INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2015

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

We have carried out a limited assurance engagement of the Sustainability Report as of 31 December 2015 (hereinafter the “Report”) of Luigi Lavazza S.p.A. (hereafter the “Company”).

Responsibility of the Directors for the Report

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

Auditor’s responsibility

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

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

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- comparing the economic and financial information and data reported in paragraph “Lavazza Group - financial-economic trend” of the Report with those included in the Group’s consolidated financial statements as of 31 December 2015 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 2016;
- analysing, through inquiries, the governance system and the process for managing the sustainability issues relating to the Company’s strategy and operations;
- analysing the process aimed at defining the significant reporting areas to be disclosed in the Report, with regard to the methods for their identification, in terms of priority for the various stakeholders, as well as the internal validation of the process findings;
- analysing the processes underlying the generation, recording and management of quantitative data included in the Report. In detail, we carried out:
 - meetings and interviews with management of Lavazza to achieve a general understanding of the information, accounting and reporting systems in use to prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and submission of the information to the function responsible for the Report preparation;
 - a sample-based analysis of the documents supporting the preparation of the Report, in order to obtain evidence of the reliability of processes in place and of the internal control system underlying the treatment of the information relating to the objectives disclosed in the Report;
- analysing the internal consistency of the qualitative information described in the Report and its compliance with the guidelines identified in the preceding paragraph “Responsibility of the Directors for the Report”;
- analysing the stakeholders engagement process with regard to the methods used and the analysis of the existing documentation concerning the significant matters arisen during the Company’s dialogue initiatives;
- obtaining a representation letter, signed by the Chief Executive Officer of Luigi Lavazza S.p.A., on the compliance of the Report with the guidelines identified in the paragraph “Responsibility of the Directors for the Report”, as well as the reliability and completeness of the disclosed information.

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

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Sustainability Report of Luigi Lavazza S.p.A. as of 31 December 2015 has not been prepared, in all material respects, in compliance with the “G4 Sustainability Reporting Guidelines” defined in 2013 by the GRI - *Global Reporting Initiative* as disclosed in the paragraph “Note on methodology” of the Report.

Turin, 21 September 2016

PricewaterhouseCoopers Advisory SpA

Signed by

Paolo Bersani
(Partner)

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



Glossary

Accountability

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

Environment (taken from UNI EN ISO 14001:2004)

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

Audit (taken from UNI EN ISO 19011:2012)

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

called "first-party audits", are conducted by the organisation directly or on its behalf, for review by the top management and for other internal purposes, and can form the basis for a self-declaration of conformity. In many cases, particularly in smaller organisations, independence can be demonstrated by the absence of liability for the activities audited. External audits include those that are generically called "second-party" and "third-party audits". Second-party audits are conducted by stakeholders, such as clients, or by other persons on their behalf. Third-party audits are conducted by independent external auditing committees such as those that issue certificates of conformity to ISO 9001 and/or ISO 14001 standards, for instance.

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

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

Sustainability Report

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

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

The Sustainability Report is a voluntary document, so it is not subject to any legal obligation. There is, however, a standard that sets out its structure and contents, to ensure it provides the information in which stakeholders (see stakeholder) are interested. The GRI standard (see Global Reporting Initiative - GRI) is recognised on an international level and used by leading organisations around the world for sustainability reporting²⁰.

Biodiversity

The variability between living organisms within a single species (genetic diversity), between different species and between ecosystems. The Convention on biological diversity, approved by the European Community, affirms the need to anticipate, prevent and combat at the source the causes of any significant reduction or loss of biological diversity, in

²⁰ The EU Directive published on 6 December 2014 on "disclosure of non-financial and diversity information by certain large companies and groups" calls for listed and unlisted European companies with more than 500 employees to publish a declaration annexed to the management report, no later than 2017, containing "key information relating to at least environmental, social and employee matters, respect for human rights and the fight against corruption". The directive is currently being transposed into national law by the EU member states.

consideration of its intrinsic value as well as its ecological, genetic, social, economic, scientific, educational, cultural, recreational and aesthetic values.

Organic

Organic farming is a method of growing raw materials in compliance with a set of coded principles, like the one forbidding the use of chemicals in all stages of agricultural production. The term “organic” is also used to indicate a certification standard for agricultural raw materials, which guarantees that they come from supply chains that comply with the principles of organic farming. For companies operating in Europe, the technical rules establishing the characteristics of organic farming are laid down in EU legislation. Moreover, supervisory bodies authorised by the Italian Ministry of Agricultural and Forestry Policy also exist to carry out inspections on the farms and certify organic production processes.

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

The carbon footprint is a measure that expresses the total emissions in equivalent CO₂ of greenhouse gases directly or indirectly linked to a product, an organisation or a service.

In accordance with the Kyoto Protocol, greenhouse gases include: carbon dioxide (CO₂),

methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), sulphur hexafluoride (SF₆) and perfluorocarbons (PFCs). The tCO₂e (metric tonnes of equivalent CO₂) makes it possible to quantify the greenhouse effect of these gases with reference to the greenhouse effect produced by CO₂, considered equal to 1 (e.g. methane has a greenhouse potential 25 times higher than CO₂, and therefore one tonne of methane is accounted for as 25 tonnes of equivalent CO₂). The measurement of the carbon footprint of a product or process requires in particular the detection and quantification of the consumption of raw materials and energy during select stages of the life cycle.

Code of Ethics

http://www.lavazza.it/it/mondo_lavazza/ethics.html

Compostability

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

Industrial composting

Controlled biological decomposition using oxygen, of organic waste. This process generates a material similar to humus, named compost. The composting process can be realised at the industrial level

through specific plants, and at a limited scale, through house composters.

COP21

Paris Conference on climate change held in Paris, France, from 30 November to 12 December 2015 and organised by the United Nations Framework Convention on climate change (UNFCCC). The Conference has negotiated a global agreement in Paris to reduce climate change, which will become legally binding, if ratified by at least 55 countries that together represent at least 55 percent of the global emissions of greenhouse gases. The parties shall sign the agreement in New York from 22 April 2016 to 21 April 2017, and even adopt it within their own legal systems (through ratification, acceptance, approval or endorsement).

CSR

Corporate Social Responsibility
Set of policies adopted voluntarily by a company to integrate social and ecological issues with its commercial operations and relations with stakeholders. A company is socially responsible if it goes beyond its statutory obligations by investing in human capital, the environment and relations with its stakeholders. This is mirrored by the definition of CSR in the European Commission Communication of October 2011 “A renewed EU strategy 2011-2014

for Corporate Social Responsibility”, according to which CSR is “a process to integrate social, environmental, ethical, human rights and consumer concerns in to their business operations and core strategy in close collaboration with their stakeholders, with the aim of:

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

Eco-design

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

Circular economy

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

Greenhouse effect

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

Energy saving

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

Non-renewable energy sources

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

Renewable energy sources

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

Global Reporting Initiative (GRI)

A non-profit, multi-stakeholder organisation recognised at international level, whose mission is to establish guidelines for preparing sustainability reports and to encourage their use as a way of contributing to sustainable

development.

Since its foundation in 1997, the GRI has issued a series of editions of its reporting standards, each representing an evolution of the previous one to adapt to changing scenarios and to meet stakeholders’ expectations more effectively in terms of the information provided (see stakeholder). The new edition of the standard, the “G4”, which focuses on the concept of “materiality”, was released in mid-2013 (see materiality).

Green Procurement

Incorporation of environmental policies in the purchasing of products and services, while factoring the environmental impact during their life cycle, from extraction of the raw material to waste disposal.

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

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

ISO 9001

An international standard setting out the requirements of an organisation’s quality management system. The standard provides guidelines for improving efficacy and efficiency in making a product and providing

services, and for enhancing customer satisfaction and loyalty.

ISO 14001

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

ISO 22000

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

ISO 50001

International Standard specifying the criteria necessary to create, maintain and improve an energy management system. This system should enhance an organisation to improve continuously its

performance in terms of energy efficiency and energy use and consumption, through a systematic approach.

LEED®

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

Life Cycle Assessment (LCA)

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

Materiality

Materiality means the relevance

that a given topic (economic, management, social or environmental) has for the company and its stakeholders (see stakeholder). Material issues are those that reflect the organisation’s significant economic, social and environmental impacts or substantially influence stakeholder assessments and decisions.

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

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

OHSAS 18001 (Occupational Health and Safety Assessment Series)

International Standard identifying the criteria for a “Management System for Occupational Health and Safety”. This system should identify the dangers and risks of activities, products and services of an organisation in order to ensure the continuous improvement of the safety performance as well as the compliance with the above-mentioned criteria. This standard can be used to obtain

the certification from a third party, and/or to define a self-declaration, or as a guideline in order to establish, implement and improve a management system for occupational health and safety.

Scope

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

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

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

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

The set of intentions and guidelines of an organisation insofar as concerns health and

safety, and as expressed formally by its top management. H&S policies provide a reference framework in which to conduct business and help define the company’s objectives in terms of health and safety.

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

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

Rainforest Alliance

Rainforest Alliance is a non-governmental organisation founded in 1986 to preserve biodiversity, improve the living conditions of farmers and promote sustainable farming practices (www.rainforestalliance.org). The certification standard is based on compliance with the following nine principles: protection of local flora and fauna, protection of ecosystems, protection of the soil, protection of water resources, fair treatment of workers and

good working conditions, good relations within communities, integrated waste management, integrated pesticide management, monitoring, and the promotion of peace.

Climate change - Global Warming

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

Stakeholder and multi-stakeholder

Stakeholders are groups or individuals that are expected to be significantly affected by the activities, products and/or services of the organisation or whose actions can influence the organisation’s ability to successfully implement its strategies and reach its objectives. In accordance with the AA1000SES standard (developed by the UK-based organisation Accountability and recognised as an international benchmark), an organisation may give priority to its stakeholders or groups of stakeholders based on the relevance of each of them. Relevance is an attribute determined by a joint assessment of the degree of dependency, influence, and priority that



each stakeholder has with the organisation, or other aspects that characterise the relationship between the stakeholder and the organisation.

Through the multi-stakeholder approach, a given topic is addressed with the involvement and collaboration of entities that have different interests in the topic and therefore different requirements. Examples of these stakeholders could be the various entities in a production chain, representatives of institutions, companies and non-profit organisations, etc.

Sustainability and Sustainable Development

The most common definition of the concept of sustainable development is contained in the “Brundtland Report” of the World Commission on Environment and Development (named after its chairman Gro Harlem Brundtland), produced in 1987. Sustainable development indicates a development model “that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Sustainability is therefore an approach (to society as well as to business) orientated towards guaranteeing a balance between current and future needs, and balancing economic and financial requirements with social and environmental needs.

Intermodal transport

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

Staff turnover

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

UTZ

UTZ is a non-profit association based in Amsterdam, founded in 2002 to promote sustainable farming. The certification standard is based on principles such as the transparency of commercial practices, the traceability of raw materials and compliance with ILO conventions (www.ilo.org). The name of the association derives from Utz kapeh, which means “good coffee” in the Mayan language Quiché.

Corporate welfare

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

or services made available to employees as a way to reconcile their job and private life.

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